



CREATE A NEW MANUFACTURING INVESTMENT TAX CREDIT

DESCRIPTION

Create a new 20 percent manufacturing investment corporation business tax credit.

BACKGROUND

New Jersey does not have a significant manufacturing investment credit designed to revitalize and retain its existing manufacturing base.

For example, New Jersey's manufacturing equipment tax credit provides a credit of only two percent for the cost of new equipment. Smaller manufacturers with 50 or fewer employees and net income of less than \$5 million qualify for the higher amount and can get up to 4 percent. This tax credit is further capped at \$1 million or \$2 million. It excludes manufacturing plant investment or reinvestment.

Other investment credits are tied to new job creation. For example, the New Jobs Investment Tax Credit and the Employment Investment Tax Credit each limit the amount of tax credit to a dollar amount linked to job creation.

The Urban Enterprise Zone (UEZ) Investment Credit is a more substantial tax credit (8 percent), inclusive of all investment and with no job-creation requirement. However, the credit is limited to the state's 32 urban enterprise zones and only applies to businesses with fewer than 50 employees.

Both New York and Connecticut provide manufacturing tax credits. New York grants up to 10 percent of machinery and plant costs, and Connecticut, up to 10 percent for manufacturing machinery only. Neither state imposes a tax credit cap.

NJBIA POSITION

The Legislature should reward those companies that invest in New Jersey's shrinking manufacturing base and level the playing field with surrounding states by implementing 20 percent corporate tax credit for manufacturing investment.

ARGUMENTS IN FAVOR OF MANUFACTURING INVESTMENT TAX CREDIT

Manufacturing jobs pay above average wages, do not usually require a college degree and are often located in our urban centers. Therefore, it is in the best interest of the State to support manufacturing jobs with favorable tax policies.

Manufacturing remains an important industry sector in New Jersey, but is experiencing across-the-board job declines. Just since 2001, New Jersey has

experienced a 23 percent decrease in manufacturing employment, representing 92,600 jobs lost.

Despite these job declines, manufacturers will relocate/expand operations in New Jersey if economic development incentives help reduce their cost of doing business. For example, in the successful Business Employment Incentive Program (BEIP), which rewards businesses with job-creation/expansion subsidies, manufacturers make up the largest number of employer participants (40 percent).

With 320,000 manufacturing jobs remaining in New Jersey and another 170,000 jobs dependent on manufacturing, a public policy imperative should be to construct incentives to help retain manufacturing jobs.

Much of our manufacturing base is older and in need of reinvestment. With national and international competitive pressure so intense, New Jersey manufacturers must reinvest in state-of-the-art facilities and equipment to compete.

New Jersey's current manufacturing equipment investment tax incentives are modest and lower than those of competitor states. Facilities investment credits typically require a jobs creation component.

A new 20 percent manufacturing investment tax credit (including equipment and facility costs) would jump-start New Jersey's manufacturing sector.

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