

## New NJ law revises timing of BEIP grant as refundable/assignable tax credit

### Overview

On June 30, 2016, Governor Chris Christie signed into law Assembly Bill No. 4002 (AB 4002),<sup>1</sup> which changes the timing of payments for taxpayers electing to convert approved Business Employment Incentive Program (BEIP) grants but retains the deadline for electing. As previously reported earlier this year,<sup>2</sup> a business that has been approved to receive a BEIP grant from the New Jersey Economic Development Authority (NJEDA) may apply to voluntarily convert the grant to a refundable tax credit for use against its state corporation business or insurance gross premiums tax liability, or apply to sell or assign such credit.<sup>3</sup> Businesses seeking to convert a BEIP grant to a refundable tax credit have 180 days from the effective date of Senate Bill No. 3232<sup>4</sup> (i.e., by July 11, 2016, as previously reported)<sup>5</sup> to direct the NJEDA to convert the grant.

This Tax Alert provides a brief overview of AB 4002, which revises the priority schedule by decreasing the percentage of the accrued amounts that are required to be issued as tax credits to businesses in years one and two, and increasing the percentages in years three through five.

### Summary of provisions within AB 4002

The election to convert a qualified grant to a refundable tax credit remains irrevocable. Once converted, the tax credit would be issued in anywhere from one through five installments, depending upon the year the grant was accrued but not paid. For example, for a grant accrued but not paid during calendar years 2008 through 2013, the tax credit would be issued in five installments over a five-year period revised as follows: in year one, 5%; in year two, 20%; in year three, 25%; in year four, 25%; and in year five, 25%.

A business that does not pay New Jersey corporation business tax or insurance gross premiums tax may apply to the NJEDA for a tax credit transfer certificate covering one or more years.<sup>6</sup> If approved, the tax credit transfer certificate may be sold or assigned, in full or in part for: (1) not less than \$100,000, or a lesser amount if the refundable tax credit issued is less than \$100,000, and (2) not less than 75% of the transferred credit amount.

### Considerations

Businesses seeking to convert a BEIP grant to a tax credit must contact the NJEDA within 180 days of January 11, 2016 (i.e., by July 11, 2016).<sup>7</sup> A business may claim the credit on its New Jersey corporation business or insurance gross premiums tax return beginning in the 2017 tax accounting or privilege period for grants accrued but not paid during calendar years 2008 through 2013. For grants accrued but not paid in calendar years 2014 and 2015, such credits may be claimed on a taxpayer's New Jersey corporation business or insurance gross premiums tax return beginning in the 2019 tax accounting or privilege period.

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<sup>1</sup> N.J. Pub. L. 2016, c 9 ([Assembly Bill No. 4002](#)).

<sup>2</sup> See previously issued Multistate Tax Alert, "New Jersey new law permits conversion of BEIP grant to refundable credit," issued on February 12, 2016, and available [here](#).

<sup>3</sup> Note that the BEIP grant has been phased out pursuant to the New Jersey Economic Opportunity Act of 2013, N.J. Pub. L. 2013, ch. 161, wherein approval of any new awards under this program ceased after December 31, 2013.

<sup>4</sup> N.J. Pub. L. 2015, ch. 194, located [here](#).

<sup>5</sup> See previously issued Multistate Tax Alert, "New Jersey new law permits conversion of BEIP grant to refundable credit," issued on February 12, 2016, and available [here](#).

<sup>6</sup> N.J. Pub. L. 2004, ch. 65; N.J.S.A. 34:1B-120.2

<sup>7</sup> See "Inactive EDA Programs - Business Employment Incentive Program" guidance issued by the New Jersey Economic Development Authority subsequent to the enactment of SB3232, located [here](#)

## Contacts:

If you have questions regarding the ability to obtain a refundable tax credit for a qualifying BEIP grant, or other credit and incentive matters, please contact any of the following Deloitte Tax professionals:

**[Charles Ruby](#)**

**Managing Director**

Deloitte Tax LLP, Parsippany

+1 973 602 6247

[charlesruby@deloitte.com](mailto:charlesruby@deloitte.com)

**[Norman Lobins](#)**

**Managing Director**

Deloitte Tax LLP, Parsippany

+1 973 602 5373

[nlobins@deloitte.com](mailto:nlobins@deloitte.com)

**[Michael Bryan](#)**

**Managing Director**

Deloitte Tax LLP, Philadelphia

+1 215 977 7564

[mibryan@deloitte.com](mailto:mibryan@deloitte.com)

**For further information, visit our website at [www.deloitte.com](http://www.deloitte.com)**

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