

# Manufacturing Tax Credit Program Listening Session

June 9, 2021

## Transcript

Elizabeth Limbrick: Okay, thank you so I'm glad to see you here.

Good evening and welcome, on behalf of the New Jersey Economic Development Authority, I would like to thank you for joining us today for our PPE manufacturing tax credit program.

For those of you, I have not had the pleasure of meeting before I am Elizabeth Limbrick director of brownfields and sustainable systems at the New Jersey Economic Development Authority next slide please.

We are convened today for a focused stakeholder discussion on PPE manufacturing tax credit Program. In preparation for today's meeting, we really have done a lot of deliberations on how to best draft rules and program specifications to stand up this new program, and we really are now at this key moment where we can share our considerations and get some of your feedback, you know there's things we may have missed or other things that you think that are of critical importance to the work we're trying to do. We welcome your feedback on that, so this is all building on the economic recovery act law we're going to take you through an overview first we're going to go over the format of this and then I'm going to turn it over to our chief economic growth officer Brian Sabina as well as Doug Yorke the director sector lead of advanced manufacturing and with support from Eric Soloman as well. They will walk you through the details of the program and then after the presentation we will open it up to you for your input, just as a reminder this program is being recorded and the slides and recording will be posted on our website.

I believe there's also an option to do live captions if you so need, next slide.

So, the PPE manufacturing tax credit is one of several programs in the economic recovery act and this Act was signed into law by Governor Phil Murphy, on January 7, 2021. We are building the program specifications for the PPE manufacturing tax credit and the rules on the economic recovery act statute. So, today's session is a continuation of that process that gets us to rule completion.

A stronger fairer New Jersey, has been the foundation of Governor murphy's administration and Economic Recovery Act actually creates an entire portfolio of tax incentive programs financing programs and grant programs that is going to build a stronger fairer New Jersey.

The economic recovery act is both a broad-based recovery bill and reform bill that will better position to Jersey to recover from the economic crisis due to COVID while remaining true to NJEDA's commitments to transparency and accountability.

We have a wealth of information at our website, it is shown on this slide [njeda.com economic recovery act](http://njeda.com/economicrecoveryact) or [slash economic recovery act \(njeda.com/economicrecoveryact\)](http://njeda.com/economicrecoveryact). You can learn about any of the programs in the economic recovery act and we have a convenient portal to provide general feedback and I highly highly encourage you to visit our website, next slide.

Again, today's session is only one step of our consistent points of engagement in our rulemaking and program development process. We have multiple opportunities for engagement again, this is an example of program specific feedback on the PPE manufacturing tax credit today we're going to take a deep dive looking at those attributes for that particular program and I did want to mention that, under the leadership of Governor Murphy, and our CEO TIM Sullivan, we are committed to transparency, equity and faithful stewardship of taxpayer dollars, and we do welcome constructive input from all new jerseyans as we work through the process of implementing the programs under the economic recovery act.

Again this evening session is a program specific session on the PPE manufacturing tax credit Program. Next slide.

Under governor murphy's executive order 63 or as we affectionately call them EO 63, we are deepening and strengthening our efforts to engage with stakeholders and the community at large and we're providing again multiple opportunities for groups and stakeholders to provide meaningful input and to engage with us in crafting those rules and standing up the PPE manufacturing Program.

Again, we welcome that constructive input on how to ensure our new programs created through the economic recovery act are structured and administered in a way that drives opportunities for all residents and communities.

We have two hours reserved for this session, the first part of the session will be approximately 30 minutes of presentations. From the economic development authority, and then we want to open it up for public input so we're reserving up to 90 minutes strictly for public input. So, if you have items that you want to raise you will certainly be given time to do so.

Again at the bottom of this slide is another way to provide feedback and again that's [NJEDA.com/program-specific-feedback](http://NJEDA.com/program-specific-feedback) and I believe Alberto has already put this in the chat but we also have Spanish speaking representatives available as well, so, if you would like to communicate with us in Spanish, please do so on, you can put your information right into the chat.

Just reinforcing right now that this meeting is being recorded and we want you to be aware that that recording has actually begun, if you speak on the record, it is your consent, that your support being recorded.

Now, it is my pleasure to introduce our chief economic growth officer Brian Sabina. Brian, the floor is all yours.

Brian Sabina: Thanks so much Elizabeth for the warm welcome and the great introduction to the session. And thank you to everyone who's attending live as well as everyone who will watch this on the recording that we post on our website.

You know, it is now today June 9 and I don't know about you, but me personally, and I know many of us in the authority are quite positive and bullish what we're, seeing as an acceleration towards are torn return to normal.

But we know the pandemic has been tough for many businesses and our support continues for businesses have suffered through the economic impacts of this pandemic.

Just recently, the legislature passed an additional 250 plus million dollars worth of small business grants support, we're well into the process of making those approvals and getting funding back out to small manufacturers to small businesses to medium sized businesses across the States, I think, as of this morning, we saw around we've already made in this route alone 5000 plus approvals worth more than \$65 million directly to small businesses in our economy. I know we're pushing more than 65,000 businesses that we've been able to work with over the last 15 months as part of our stabilization and now we're covering efforts for the pandemic, so we know that this has been tough and this has caused a lot of pain through no fault of many business owners and through no fault of many employees we're doing as much as we can to help support get the state back on the pathway towards a robust job growth, investment.

That said, you know many manufacturers in our stage have looked at this epidemic is also an opportunity to rethink about what are they working on where they providing and how are they integrating into some of the needs of the states in some of those folks have looked at manufacturing PPE was a core focus early on in the pandemic response of a lot of our TEAM members to help manufacturers' understand the opportunities are available that to them and identify ways to work with the state and we're really excited that as part of the Economic Recovery Act.

The legislature put forth a new program that would help support businesses that are investing to in the facilities and investing in the people to build PPE manufacturer PPE right here in New Jersey, we think this is a win, win, win. Manufacturing PPE helps keep people employed it helps keep our citizens and our customers and businesses safe. It also increases local resiliency for our economy, so we think that this is a great thing and to have a special cargo program for PPE manufacturing is great in our minds, one of the things that Elizabeth mentioned was that that the ERA act had 15 plus programs in it, and I think that is indicative of the reality of economic development, economic development is not a one size fits all type of industry or challenge air acquires a whole bunch of smaller interventions that are targeted and tailored to the problems are trying to solve, and this is a great example of one of those more charming tailored programs that we get the privilege of working on it rolling out to help support manufacturers.

One of the other things that Elizabeth mentioned in that everybody in administration takes really seriously, is that this is his recovery and reform bill and those reform efforts start with a radical approach to transparency from the get go in terms of how EDA has been looking at implementing these programs, we as Elizabeth mentioned developed a website that allows a variety of different feedback on programs general feedback specific feedback we're going to continue that effort around transparency engagement today and it will continue well beyond today, as we will also go through, and have the kind of formal administrative procedures act public comment process on any rules that we publish, you know, as part of that process.

And the reason we're so passionate about this is, we think that we can get to better public policy and better programs with your input with input from practitioners, with input from industry stakeholders on how to build and run these programs, in a way that really achieves the public policy objectives, so please be bold and forthcoming with your feedback both on this session, as well as in written form via our website and via the formal comment process.

Just as a bit of heads up where we are in the journey, we have 15 plus programs.

This PPE program given kind of the time bound nature and urgency around manufacturing PPE is among the first it's in the top third of the programs we're rolling out as part of our overall effort to implement the ERA we will let me bring this after public comments periods or informal public comment periods to are either July or August or depending upon how much feedback we get back.

So thank you, I appreciate everybody who's able to join us live We look forward to your questions, and if you weren't able to join us live in are really this feel free to reach out to our team via the Economic Recovery Act.

With that I'm more than thrilled to pass off the baton to Doug Yorke, who is our sector lead for advanced manufacturing he led along with our team Eric Solomon and Doug Yorke from our food sector, a lot of the work around that PPE access program which caught PPE vouchers to for the 10,000 small businesses, here in the States and we're excited that he's taking a leadership role in this new tax credit program so with that I'll hand it over to Doug.

Doug Yorke: Thank you, Brian.

Okay, so let's take a look at the specifics of the Program which we have abbreviated PMTC PPE manufacturing tax credit Program. I'm going to talk about two basic categories of information, one is the eligibility requirements.

These are all very clearly laid out in a statute, and then the other is the calculation of the tax credits, I will go into more detail on each of those I will speak to the eligibility issues and Eric will speak to the tax credit issues. So fundamentally, this is a program as as you've heard designed to encourage the building of manufacturing facilities for PPE here in New Jersey, to enable local production to put people to work, and it is a program that is predicated on a tax credit offered to businesses based on the amount of jobs that are created.

It is oriented, as I said at PPE and there's a fairly strict definition of PPE that comes out of the legislature. But it includes most of the things that you would expect it to include face masks and face shields gloves and gowns and so on.

It does not include it includes only those things that go on the body, so it does not include things like sanitary wipes or gels or that sort of thing, but again, those definitions are available in the rules that are posted online.

So, as far as eligibility will look at the location of the facility there's some requirements there they're fairly broad. We will look at the number of minimum jobs and the number and the amount of minimum capital investment that that is required to participate in the program and, as you can see here it's a program largely oriented at smaller businesses. Then Eric will take you through some of the tax credits, as I said, those are based on a per job calculation and they're essentially two forms of tax credit and based credit which is calculated on the basis of all new jobs and then additional credits that are smaller but based on specific social objectives that are a part of the larger economic development agenda for the state and then, finally, the program has a three year life to it, so it is with effect for tax years 2021, 2020, sorry 2020, 2021 and 2022. So if you've had an investment program that you embarked on in 2020 and completed in that year than the program is available for you now. If you make subsequent investments it'll be available to you through those three year through the three year period, but the capital investment itself must be completed before December 31 2022 okay next slide please.

So basic features of the program as with almost all of the programs within the ERA there's a capped amount of credit that's available. In this instance it's \$10 million per year over the three year run of the program there's also a cap for individual taxpayers, so the amount of credit that's available regardless of how that's constructed is \$500,000 per taxpayer. Their credits are available in the year that the capital investment is completed and we'll use that term completion of capital investment or date of completion of capital investment through a lot of the discussions here. So that that that is the trigger year when the investment when the tax credits apply.

Now, if you use those tax credits in a given tax year and don't need them all, if your tax liability is lower than the amount of payments that you've made in the credits that you've received then the credits are refundable, just like an overpayment on your personal income taxes.

The applications can be submitted, as I mentioned only after the capital investment process is complete, but what we've done is we've structured the program in a way that acknowledges businesses have a tendency to complete their capital investment and ramp up their sales over time. So the number of jobs that you can count towards the program can be any job that that is created from the start of the capital investment to up to 12 months after the completion of the capital investment.

What that means is that you will have to make a practical decision, if you think you are continuing to ramp up your hiring after you've completed capital investment, it may behoove

you to delay your application until up to as much as the 12 months so that you can take advantage of additional hiring so there's the choice that you make to file more quickly potentially at a lower number of jobs counted or delay until you've bought all those jobs and that's a business choice that you will have to make.

And then the structure of the program has, as I mentioned eligibility requirements, we'll talk through those and they will vary between seven counties and the southern part of the State versus the balance of the state.

Okay next slide please.

So, three elements of eligibility is the is the building in which the manufacturing is taking place a qualified facility? Does the amount of capital investment that was involved in the alterations or the construction to enable PPE manufacturing do they meet certain minimum thresholds and are it do you meet the minimum number of new or retained jobs to be eligible for the program? And we'll walk through details on each of these, but you must pass all three of these thresholds okay next slide please.

So, as for a qualified facility, with apologies, this is a little bit complicated, there are many layers that which you can pass the test, so you must meet one of the four bullet points that we have shown here.

So, the first test is is the facility located either in a smart growth zone or a designated rehabilitation or redevelopment area. Those zones are we can send you if you contact us via the link there, we can send you some access to live online tools that will help you determine based on submitting your address, whether you're in one of those zones it's a very it's a very user friendly tool to find out, and in fact it covers a significant portion of the state. So that's the first test, are you in either one of those two types of zones.

Then for the following tests are about the US or the location of the facility. So, for example, is the facility, regardless of whether it's in a smart growth zone or rehabs zone. Is the facility at a very large, long time vacant building specifically 250,000 square feet and vacant seven or more years? If so, then you have a qualified facility. Is that facility home to an approved research collaboration, which would be done in conjunction with a New Jersey college or university? Again, if so, then you qualify, then you have a qualified facility. Or is it home to approve apprenticeship or pre apprenticeship program again conducted with a New Jersey county college or Votech (vocational tech) school? If so, then you pass the test for a qualified facility so again any of these four five features, if you pass them then you've passed the first eligibility requirement that being for a qualified facility.

Okay next slide please.

Then, the next step is have you made the minimum capital investment requirement and that, as you can see, falls into a fairly simple matrix delineating between whether you are in a southern county or in the remaining northern counties, and whether we're talking about a facility, where

you made capital investment in renovation or improvement of an existing facility or whether you invested in a brand new facility from a greenfield. Obviously, in the case of a new facility, the investment requirements per square foot are going to be larger than in the case of a renovation of an existing facility, but again, both of those tests vary by the county so, for example, if you are building a new facility in Cape May county then you must have spent in order to be eligible, at least \$100 per square foot of grossly leasable area to be eligible for the Program.

Conversely, if you are in one of the northern counties let's say Essex County and you are renovating an existing facility, then you need to have invested \$20 per square foot of gross leasable area to be eligible.

So that's the capital investment threshold requirement again divided between southern counties and northern counties slightly favoring investment in the southern counties okay next slide please.

Then also divided between northern and southern counties is the count of minimum new or retain jobs. And, in this instance the test again is binary, you can pass the test of either new jobs or retain jobs, obviously, if you pass both of them all the better still. But, for example in the southern counties, if you create five or more new jobs, then you've met the job threshold, if you retain 15 or more jobs, again in southern counties then in that instance you've met the required threshold.

So again, new or retain jobs and you must meet at least one of these thresholds, one of the two thresholds, depending upon which set of counties you're in north or south.

Okay next slide please.

So from here you've passed presumably you've passed the qualified facility test you've passed the minimum number of jobs tests in one form or another, and you've passed the capital investment tests, then let's turn it over to Eric who will take us through the process by which they kept the actual tax credits are calculated.

Eric Solomon: Thanks Doug next slide please.

So as Doug alluded to there's two concepts in how we calculate just credits there's based tax credits and you know bonus tax credits, the base tax credits, there are a couple key factors that go into that first it only counts towards qualifying new hires.

So, these new hires must have at least 35 hours a week with 80% of their time spent at a qualified business facility, additionally, they have to pay at least \$15 an hour and provide health insurance to do. These base or the qualifying jobs for these based tax credits also must be involved in the manufacturer of PPE.

It either be manufacturer or supporting the manufacturer, as are either direct manufacturer or supporting the manufacturer, but the key factor there is that at least 50% of the employees, time has to be dedicated to you know PPE manufacturers support so, for example, if your facility has multiple product lines, one of which is PPE and the other is another product all of the qualifying new jobs that you have, you know hired and are applying for the credit must at least focus 50% of their time on specifically the manufacture of supportive PPE.

Again, all jobs must be housed in a qualified facility and Doug outlined the attributes of a qualified facility earlier in the presentation.

And then, finally, all of the new jobs must have been created during the taxable year or privilege period, and that is counted being mindful of the amount of time and different speeds, that a hiring might ramp up.

That time period is from the start of the capital investment till at least 12 months after the CAP investments completion so there's a pretty long amount of time that can qualify there and then very important is that the business must commit to maintaining the jobs for at least five years there's a five year compliance period if a role is terminated or a company moves out, you know within that five year compliance period the tax credits are subject to proportional recap next slide please.

You just know tax credits are a little bit different they, there are three main basic bases for each tax credit that are you know similar to the means for qualifying or for a qualified facility So these are both are these are the jobs that are created in a large long vacant facility that 250,000 square foot for seven years or more.

Additionally, jobs that are created a facility as part of a research collaboration with a New Jersey college or university, and jobs created in a facility that has either an apprenticeship, a pre apprenticeship program with a New Jersey technical school or county college.

These credits can be either new or retained jobs but have to still be within the qualified facility and they can either be directly related to manufacturing or not.

Another key attribute of the tax credits is that they stack they're stackable both amongst themselves so you could, if you qualify for all three of the examples that I mentioned, you could get tax credits for all three of those and they also additionally stack on to the database credits.

They may vary from a 1000 per job to 1500 per job.

Our next slide please.

And I'm going to kick it back to Elizabeth to speak more about the public feedback process.

Elizabeth Limbrick: Thank you Eric and thank you Doug and thank you, Brian have a lot of great information that we have so now we really wanted to intentionally create space for engagement, and so we are now turning it over to the public, it is your turn to give us your input and we really are hoping for an engaging session.

But prior to opening it up to public feedback, I just wanted to go over our public feedback policy. So, first we are asking that you please use the raise hand function should be at the bottom well on my screen is at the bottom of the screen and then we will call on each person with their hand raised in the order that they have raised their hand and then we will unmute your microphone so you can make your statement.

In order to ensure we have time for everyone's voice to be heard, you will have three minutes to speak, and please keep your comments to matters pertaining to the economic recovery act and the PPE manufacturing tax credit program or the draft rules, and I should also add, you know, we really are looking for your feedback here that gives us insight. And as Brian said, you



know, this is really critical to us, so each member of the public is going to have one opportunity to provide comments and then at the end if we still have time. And if someone wanted to provide additional comments, we'd be happy to provide that opportunity for additional remarks.

You will be seeing a timer on your screen to remind you that you have three minutes again I'm going to call on those with their hands raised once I call on you, we will unmute your microphone so you can share your input.

For those, there's probably going to be one question we always get is will this be posted yes, this will be posted.

So with that, let me say you know, we really are deeply grateful for the continued engagement as Brian mentioned again your engagement makes our rules so much stronger and we are here to get your input we are not here just for you to listen to us speak.

So, with that are there any hands raised at the moment.

Kelly Dombrowski: There are no hands raised.

Elizabeth Limbrick: Okay, I do see one question in the chat.

The question is, can you qualify for these credits, if you have a grown New Jersey incentive award and then, if, yes, can the same employee be counted for both programs?

Doug Yorke: I can take a shot at that Elizabeth the this program specifically excludes if you will double counting under the emerge program it does not exclude double accounting under the Grow Program.

Elizabeth Limbrick: Thank you Doug I'm seeing if there's no other hands raised at the moment.

I think one resource We may want to point people to is where folks can find some more information about whether they're in a smart growth area or a designated rehabilitation zone. Doug can you provide some more information on this and more detail?

Doug Yorke: I think the best thing to do their lives is to direct people to the website, I could I could spell it off a link here but it's eighty-seven characters long and I'm sure I would get it wrong in in putting it up, so what I would say is we've got both access via the website and on the information is posted online and email address that people can send to I'd be happy to share that information to them.

Eric Solomon: And also, that Virginia Pellerin in our communications director also shared the link in the chat so you know feel free to utilize that if you want to look at the DCA Community asset map.

Elizabeth Limbrick: And then it's such a great tool I can't say enough good things about that in particular. I recommend everybody go on there check it out, because it provides a lot of good information when you're thinking about where do you want to place your investment resources. The next thing I wanted to ask is you know there's another area that might be

helpful to clarify on is the timing of applications and specifically can applications be filed for investments made before the legislation was signed.

Doug Yorke: Again, the trigger date of the credits occur are allowed for taxable year 2020 and but they began on, I want to say March seventh, which is the date of the original executive order about the health emergency so anybody who has made capital investments in the manufacturing of PPE from that day forward so long as that investment is completed by December 31 2020 that that program is that investment is eligible for the Program.

Elizabeth Limbrick: Thank you Doug so please I'm going to invite folks again raise your hand if you have any input you'd like to share with us, I would also let folks know if there's anybody who had to dial in and wasn't able to come on and raise your hand and use those functions. If any of you have questions if you can unmute yourself at this time, we would be happy to take questions if there's anybody on the phone line, so I'll give that one moment.

And if there are no other questions and nobody else is going to raise their hand. What I would say is um, I guess, maybe we can go to the last slide the public feedback sessions will be recorded and again posted on our website [NJEDA.com/program-specific-feedback](https://www.njeda.com/program-specific-feedback) and members of the public that were unable to participate tonight live in this virtual session will still have an opportunity to review and comment, so I want to thank everyone who has presented and spoken here today. Everyone who was put their comments in the chat that's exactly what we need to make this program be the best it can be.

Again, for those of you who are watching live Thank you and for those of you who are watching this recorded Thank you as well.

Please forward this onto your colleagues or friends or anyone else you know that might be interested in this topic and encourage them to do the same, this really only works, because you're willing to engage with us on this level and without that we wouldn't really be able to push forward the rulemaking and launch of these programs in the way that we are and so we really are grateful for your input and I also wanted to give a big thank you to all of our back office colleagues who helped us bring this webinar to you.

This concludes today's session, please have a great evening.