

FORM 306
(12-19)
2019

**NEW JERSEY CORPORATION BUSINESS TAX
RESEARCH AND DEVELOPMENT TAX CREDIT**

The previous version of this schedule is available on the Division of Taxation's website (njtaxation.org)

Do not recompute tax credits for privilege periods or tax years beginning before January 1, 2018, on this form.

Name as Shown on Return	Federal ID Number	Unitary ID Number, if applicable NU
-------------------------	-------------------	---

READ THE INSTRUCTIONS BEFORE COMPLETING THIS FORM

NOTE: Property and expenditures included in the calculation of the Research and Development Tax Credit are not permitted to be included in the calculation of the Recycling Equipment Tax Credit, the Manufacturing Equipment and Employment Investment Tax Credit, or the New Jobs Investment Tax Credit.

ATTACH COPY OF FEDERAL FORM 6765 AS FILED WITH THE IRS

RETURN FILING METHOD		
<input type="checkbox"/> The taxpayer is included as a taxable member on a New Jersey combined return.		
<input type="checkbox"/> The taxpayer is a separate return filer. Complete Parts I–VI, as applicable. Do not complete Part VII.		
PART I CREDIT CALCULATION FOR AMOUNTS PAID OR INCURRED TO ENERGY CONSORTIA		
1. Enter certain amounts paid or incurred to energy consortia.....	1.	
PART II CREDIT CALCULATION FOR BASIC RESEARCH PAYMENTS		
2. Enter the basic research payments paid or incurred to qualified organizations.....	2.	
3. Enter the base period amount.....	3.	
4. Subtract line 3 from line 2. If zero or less, enter zero.....	4.	
For New Jersey purposes, you must use the same method that you used to calculate qualified research expense portion of your federal credit.		
1. Did you calculate the qualified research expense portion of your federal credit using the regular credit method?		
<input type="checkbox"/> Yes. Complete Part III.		
<input type="checkbox"/> No. Continue to question 2.		
2. Did you use the alternative simplified credit method to calculate your credit for federal purposes?		
<input type="checkbox"/> Yes. Complete Part IV (do not make any entries in Part III).		
<input type="checkbox"/> No. You must have used one of the two federal calculation methods in order to complete this form.		
PART III CREDIT CALCULATION FOR QUALIFIED RESEARCH EXPENSES		
5. Wages for qualified services (do not include wages used to compute the Federal Jobs Credit).....	5.	
6. Cost of supplies.....	6.	
7. Rental or lease costs of computers.....	7.	
8. Enter the applicable percentage of contract research expenses (see instructions).....	8.	
9. Total qualified research expenses – Add lines 5 through 8.....	9.	
10. Enter fixed-based percentage, but not more than 16%.....	10.	
11. Enter average annual gross receipts.....	11.	
12. Base amount – Multiply line 11 by line 10.....	12.	
13. Subtract line 12 from line 9.....	13.	
14. Enter 50% of line 9.....	14.	
15. Enter the lesser of line 13 or 14. (Skip Part IV and continue with Part V).....	15.	
PART IV CREDIT CALCULATION FOR QUALIFIED RESEARCH EXPENSES (ALTERNATIVE SIMPLIFIED CREDIT METHOD)		
16. Wages for qualified services (do not include wages used to compute the Federal Jobs Credit).....	16.	
17. Cost of supplies.....	17.	
18. Rental or lease costs of computers.....	18.	
19. Enter the applicable percentage of contract research expenses (see instructions).....	19.	
20. Total qualified research expenses. Add lines 16 through 19.....	20.	
21. Enter your total qualified research expenses for the prior 3 privilege periods or tax years. If you had no qualified research expenses in any one of those years, skip lines 22 and 23 and enter the amount from line 20 on line 24.....	21.	
22. Divide line 21 by 6.0.....	22.	
23. Subtract line 22 from line 20. If zero or less, enter zero. Include here and on line 24.....	23.	
24. Enter amount from line 23 or if you skipped lines 22 and 23, enter amount from line 20.....	24.	

Name as Shown on Return	Federal ID Number	Unitary ID Number, if applicable NU
-------------------------	-------------------	---

PART V TOTAL RESEARCH AND DEVELOPMENT TAX CREDIT		
25a. Enter the amount from line 1	25a.	
25b. Enter the amount from line 4	25b.	
25c. Total – Add lines 25a and 25b	25c.	
26. Enter either line 15 or line 24 (whichever method was used for federal purposes).....	26.	
27. Add lines 25c and 26.....	27.	
28. Multiply line 27 by 10%.....	28.	
29. Research and Development Tax Credit carried forward from prior year (do not recompute).....	29.	
30. Total credit available – Add lines 28 and 29	30.	

PART VI CALCULATION OF THE ALLOWABLE CREDIT AMOUNT AND CARRYOVER		
31. Enter tax liability from page 1, line 2 of CBT-100, CBT-100S, or BFC-1, or the member's column of Schedule A, Part III, line 5 of CBT-100U.....	31.	
32. Enter the required minimum tax liability as indicated in instruction (b) for Part VI.....	32.	
33. Subtract line 32 from line 31.....	33.	
34. Tax credits used by taxpayer on current year's return:		
(a) _____		
(b) _____		
(c) _____		
(d) _____ Total	34.	
35. Subtract line 34 from line 33. If zero or less, enter zero	35.	
36. Allowable credit for the current privilege period or tax year. Enter the lesser of line 30 or line 35 here and on Part I, Schedule A-3 of the CBT-100, CBT-100U, CBT-100S, or BFC-1	36.	
Note: Generally, this credit may be carried over for seven (7) years following the credit's privilege period or tax year; however, certain types of research qualify for a fifteen (15) year carryover. See instruction (c) for Part VI.		
37. a) Research and Development Tax Credit carryover (subtract line 36 from line 30).....	37a.	
Combined return filers, see Part VII before continuing.		
b) Amount of credit shared in current year from Part VII, line 44, if applicable.....	37b.	
c) Amount of credit carryover to following year's return (subtract line 37b from line 37a).....	37c.	

Information for taxpayers who made an election under I.R.C. § 41(h) for the SEPARATE PAYROLL CREDIT UNDER I.R.C. § 3111(f)

Pursuant to I.R.C. § 41(h)(1), the corporate income tax credit under I.R.C. § 41(a) and the allowable payroll credit under I.R.C. § 41(h)(1) and § 3111(f) are separate and distinct credits. The New Jersey Corporation Business Tax Research and Development Tax Credit is based on the federal corporate income tax credit.

These expenses may not be used for the New Jersey R&D credit. Do not use these amounts in the above calculation of the New Jersey credit.

A. Enter the amount of the qualifying research expenses that taxpayer elected to use for the separate federal payroll tax credit. (These expenses may not be used for the New Jersey R&D credit and must not be reported Part I through Part IV above for calculating the New Jersey credit).....	A.	
B. Enter the amount of the separate federal payroll tax credit that the taxpayer had received for federal purposes	B.	
C. If any amounts included on line A, above, were also used for another New Jersey credit, enter those amounts here	C.	

Name as Shown on Return	Federal ID Number	Unitary ID Number, if applicable NU
-------------------------	-------------------	---

PART VII COMBINED RETURN FILERS SHARING CREDIT

38. Amount of Research and Development Tax Credit being shared and FEIN of the taxable member of the combined group with which it is being shared (see instructions):.....								
<table border="0" style="width: 100%;"> <tr> <td style="width: 30%; text-align: center;">_____</td> <td style="width: 30%; text-align: center;">_____</td> <td></td> </tr> <tr> <td style="text-align: center;">Name</td> <td style="text-align: center;">Federal ID Number</td> <td></td> </tr> </table>	_____	_____		Name	Federal ID Number		38.	
_____	_____							
Name	Federal ID Number							
39. Enter the tax liability of the member with which the credit is being shared from Schedule A, Part III, line 5 of Form CBT-100U		39.						
40. Minimum tax liability		40.	2,000					
41. Subtract line 40 from line 39.....		41.						
42. Tax credits used by this taxpayer on current year's return:								
(a) _____	_____							
(b) _____	_____							
(c) _____	_____							
(d) _____	_____							
	Total	42.						
43. Subtract line 42 from line 41. If zero or less, enter zero		43.						
44. Allowable credit shared with this taxable member. Enter the lesser of line 38 or line 43 here and on Part VI, line 37b, and CBT-100U, Schedule A-3, Part I for the member receiving the shared amount		44.						

REFERENCE ONLY

Instructions for Form 306 RESEARCH AND DEVELOPMENT TAX CREDIT

ITEMS TO NOTE

- There have been major changes to the New Jersey R&D Credit, pursuant to section 6 of P.L. 2018, c. 48, amended by N.J.S.A. 54:10A-5.24. These changes are prospective only. If you are filing a return for a privilege period or tax year beginning prior to January 1, 2018, use the previous version of Form 306, which is available on the Division's website (refer to N.J.A.C. 18:7-3.23 for information on how the credit was previously calculated).
- For privilege periods or tax years beginning on and after January 1, 2018, New Jersey has recoupled to I.R.C. § 41 currently in effect, but only the federal corporate income tax credit. The intent was to allow the new calculation methods (e.g., the alternative simplified credit), to make it easier for a business to qualify for the New Jersey R&D Credit, and to allow amounts paid or incurred to energy consortia in New Jersey to qualify. Previously the New Jersey R&D Credit was based on I.R.C. § 41 in effect on June 30, 1992, which was nonrefundable for federal purposes and not refundable for New Jersey Corporation Business Tax purposes. The New Jersey credit made it clear that despite being coupled to the current federal corporate income tax credit under I.R.C. § 41, any subsequent changes by Congress (e.g., terminating the federal credit or making the federal credit refundable) would not have any impact on the New Jersey credit.
- A credit can be claimed for only those research activities that are performed in New Jersey.
- For privilege periods or tax years ending on and after July 31, 2019, combined group members included on the same New Jersey combined return will follow the federal consolidated control group rules applicable to qualified research expenditures and qualified payments for research performed in New Jersey.
- Section references are to the Internal Revenue Code unless otherwise noted.
- For periods beginning on and after January 1, 2002, any deductions for research and experimental expenditures, to the extent that those research and experimental expenditures are qualified research expenses or basic research payments for which an amount of credit is claimed pursuant to section 1 of P.L.1993, c.175 (C.54:10A-5.24) unless those research and experimental expenditures are also used to compute a federal credit claimed pursuant to I.R.C. § 41, if applicable, must be added back on Schedule A of the CBT-100, CBT-100U, CBT-100S, or BFC-1 on the line for "Other additions." Refer to the Schedule A instructions of the appropriate return.
- Due to changes to I.R.C. § 41 effective for privilege periods or tax years beginning on and after January 1, 2016, for federal purposes there exists

a separate federal payroll credit that was created under I.R.C. § 3111(f), however the New Jersey R&D Credit is based on the federal corporate income tax credit.

Note: The qualified expenses and payments used for the separate federal payroll credit under I.R.C. § 3111(f), may be used for other New Jersey Corporation Business Tax credits.

- The formatting of Form 306 is different than federal Form 6765 because the New Jersey R&D Credit rate is fixed at 10%, instead of variable.

PURPOSE OF FORM

Use Form 306 to calculate and claim the credit for increasing the research activities of a trade or business. Complete Parts I through VII (as applicable) to compute the research credit.

QUALIFIED RESEARCH ACTIVITIES

Generally all of the federal rules and methods for the federal corporate income tax R&D Credit apply when computing the New Jersey R&D Credit. However the New Jersey credit is fixed at 10%. The expenses are for research in New Jersey. A taxpayer must use the same method that the taxpayer used for federal purposes and must enclose a copy of the federal Form 6765 as filed with the IRS.

WHO MUST FILE

A corporation claiming a credit for increasing research activities should complete this form and submit it with the tax return.

A New Jersey S corporation is allowed to claim a credit in connection with increasing research activities to the extent of its New Jersey Corporation Business Tax liability. Pass through of this credit to shareholders is not permitted.

See I.R.C. § 41(f) for special rules related to:

1. Adjustments, if a major portion of a business is acquired or disposed of; and
2. Short tax years.

CREDIT CARRYOVER

If the research credit cannot be used because of tax liability limitations, it may be carried forward for either 7 or 15 years. See the instructions for Part VI.

COMBINED RETURN FILERS – If filing a combined return, the form must be completed by the member that earned (purchased) the credit.

SPECIFIC INSTRUCTIONS FOR FORM 306

PART I – CREDIT CALCULATION FOR AMOUNTS PAID OR INCURRED TO ENERGY CONSORTIA

Line 1 – Enter certain amounts paid or incurred to energy consortia in New Jersey. See I.R.C. § 41.

PART II – CREDIT CALCULATION FOR BASIC RESEARCH PAYMENTS

Line 1 – Corporations are eligible for a "basic research" credit if their payments in cash to a qualified university or scientific research organization (under a written contract) exceed a base period amount (based on their general university giving and certain other maintenance-of-effort levels for the three preceding years). Enter payments on line 1. See I.R.C. § 41(e) for details.

Line 3 – Enter the base period amount, as defined in I.R.C. § 41(e), but not more than the amount on line 1.

PART III

Complete Part III if you used the regular method to calculate your federal corporate income tax credit. Otherwise, complete Part IV.

CREDIT CALCULATION FOR QUALIFIED RESEARCH EXPENSES

Lines 5 through 8 pertain to qualified research expenditures paid or incurred. See I.R.C. § 41.

NOTE: Property and expenditures included in the calculation of the Research and Development Tax Credit are not permitted to be included in the calculation of the Recycling Equipment Tax Credit, the Manufacturing Equipment and Employment Investment Tax Credit, or the New Jobs Investment Tax Credit.

Line 8 – Use the applicable percentage. This is the percentage that would apply for federal purposes based on the amounts paid or incurred for qualified research performed on the taxpayer's behalf in New Jersey. Prepaid tract research expenses are considered paid in the year the research is actually done.

Line 10 – The fixed base percentage for federal purposes is 16%. Any subsequent change to the federal fixed based percentages will also be reflected here.

PART IV

Complete Part IV if you used the alternative simplified credit method to calculate your federal corporate income tax credit. Otherwise, use Part III.

CREDIT CALCULATION FOR QUALIFIED RESEARCH EXPENSES USING THE ALTERNATIVE SIMPLIFIED CREDIT METHOD.

Line 16 through 20 pertain to qualified research expenditures paid or incurred in New Jersey. See I.R.C. § 41.

Line 21 through 24 – Use the applicable percentage. This is the percentage that would apply for federal purposes based on the amounts paid or incurred for qualified research performed on the taxpayer’s behalf in New Jersey. Prepaid tract research expenses are considered paid in the year the research is actually done.

PART V – TOTAL RESEARCH AND DEVELOPMENT TAX CREDIT

This is the portion where the actual credit amount is calculated. Unlike the federal corporate income tax credit, which has percentage rates that vary depending on the credit method, the New Jersey credit is fixed at 10%.

You must report the credit you carried over from prior privilege periods or tax years on line 29. Do not recompute your tax credit for privilege periods or tax years beginning before January 1, 2018, on this form. The previous version of this schedule is available on the Division of Taxation’s website (njtaxation.org), which is used to calculate credits using the law that was in effect prior to January 1, 2018.

PART VI – CALCULATION OF THE ALLOWABLE CREDIT AMOUNT AND CARRYOVER

- a) Use this portion of the form to calculate the allowable amount of the credit that can be used for the privilege period or tax year.
- b) The minimum tax is assessed based on the New Jersey Gross Receipts as follows:

New Jersey Gross Receipts	CBT-100/ BFC-1	CBT-100U	CBT-100S
Less than \$100,000	\$ 500	\$2,000	\$ 375
\$100,000 or more but less than \$250,000	750	2,000	562
\$250,000 or more but less than \$500,000	1,000	2,000	750
\$500,000 or more but less than \$1,000,000	1,500	2,000	1,000
\$1,000,000 or more	2,000	2,000	1,500

If a taxpayer is filing a separate return and is a member of an affiliated or controlled group that has a total payroll of \$5,000,000 or more for the return period, the minimum tax is \$2,000. Tax periods of less than 12 months are subject to the higher minimum tax if the prorated total payroll exceeds \$416,667 per month.

- c) Although there is a limitation of the amount of credit allowed in any one privilege period or tax year, generally the amount of unused tax credit may be carried forward to each of the seven (7) accounting years following the credit’s privilege period or tax year (N.J.S.A. Sec. 54:10A-5.24). A taxpayer that has been allowed a Research and Development Credit for the fiscal or calendar accounting period (privilege period or tax year) in which the qualified research expenses have been incurred, and basic research payments have been made, for research conducted in New Jersey in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, environmental technology, and medical device technology, are allowed to carry over the amount of the privilege period or tax year credit that could not be applied for the privilege period or tax year to each of the 15 privilege period or tax years following the credit’s privilege period or tax year. (N.J.S.A. Sec. 54:10A-5.24b).

I.R.C. § 3111(f) Federal R&D Payroll Credit

The New Jersey R&D credit is based on the federal corporate income tax credit. Because of changes to the Internal Revenue Code that allowed a separate federal R&D payroll credit for qualified small businesses electing a payroll credit in lieu of a federal corporate income tax credit that was effective for federal privilege periods or tax years beginning on and after January 1, 2016, an informational box has been included for taxpayers to track any expenses that are no longer allowed for the New Jersey R&D credit. This information may be used by the Division of Taxation to determine the impact of the federal payroll tax credit on small businesses and recommend future changes.

PART VII – Combined Return Filers Sharing Credit

Taxable members of a combined group may share their tax credits and credit carryovers with other taxable members of the combined group that are included on the same New Jersey combined return. The decision to share (or not share) tax credits or carryovers remains with the taxable member who generated the tax credit or carryover. Tax credits and credit carryovers may be shared among members of the same combined group

regardless of whether such taxable members were part of the same combined group when the tax credit or carryover was generated.

If the taxpayer shared the credit with another taxable member of the combined group, use this portion of the form to track the member with which the credit is being shared, calculate the allowable amount that can be shared, and calculate the amount of the credit that can be carried over for use in future privilege periods or tax years. A shared credit carryover belongs to the member that originally earned or purchased the credit. Generally the amount of unused tax credit may be carried forward to subsequent privilege periods or tax years as detailed in the instruction (c) for Part VI.

Note: If the member that owns the credit is sharing a portion of their credit with multiple members, include a copy of this section for each member with which the credit is shared.