

The New Jersey Economic Recovery Act of 2020: An Overview of the Personal Protective Equipment Manufacturing Tax Credit Program

The New Jersey Economic Recovery Act of 2020 (ERA), a seven-year, \$14 billion package of incentive programs intended to encourage New Jersey job growth, property development and redevelopment, community partnerships and numerous other economic development initiatives, was signed into law by Governor Phil Murphy on January 7, 2021.

This Client Alert focuses on the Personal Protective Equipment (PPE) Manufacturing Tax Credit Program, enacted as part of the ERA legislation to provide tax credits for businesses that invest in the production of PPE during the 2020, 2021 and 2022 tax years.

Awards

The New Jersey Economic Development Authority (EDA) will administer the PPE Manufacturing Tax Credit Program, which makes available \$10 million in investment tax credits annually until tax year 2022 to PPE manufacturing facilities in an effort to create manufacturing jobs and to increase the availability of critical public healthcare products.

Under the program, the EDA is authorized to award eligible projects a base tax credit of \$10,000 per new job created, up to an annual cap of \$500,000 per individual project. Bonus tax credits are available for facilities located in Atlantic, Burlington, Cape May, Cumberland, Gloucester, Ocean or Salem counties.

Eligibility & Applications

To receive tax credits through the PPE Manufacturing Tax Credit Program, a project must satisfy several requirements.

First, the project must manufacture PPE, such as coveralls, face shields, gloves, gowns, masks, respirators, safeguard equipment, and other equipment designed to protect the wearer from the spread of infection or illness.

Second, the project must create or retain a minimum number of jobs. For a project in the above-named counties eligible for bonus tax credits, the project must create at least 5 new jobs or retain 15 qualifying full-time jobs. For a project in any other county in New Jersey, the project must create at least 10 new jobs or retain 25 qualifying full-time jobs. A qualifying full-time job means a job offering at least 35 hours per week, a wage rate of \$15 per hour or more, and approved employee health benefits. Employers must also commit to retaining the qualifying

full-time job for at least five years.

Third, the project must meet a minimum investment threshold for new construction or existing qualified facilities. For the rehabilitation, improvement, fit-out or retrofit of an existing facility in the above-named counties eligible for bonus tax credits, a minimum investment of \$10 per square foot of gross leasable area is required. A minimum investment of \$20 per square foot of gross leasable area is required for facilities in any other county in New Jersey.

For the new construction of a facility in the "bonus tax credit" counties, a minimum investment of \$100 per square foot of gross leasable area is required, while a minimum investment of \$120 per square foot of gross leasable area is required for a new construction facility in any other county in the state.

Finally, the project must be located in an approved redevelopment or rehabilitation area or Smart Growth Area or must be a facility engaged in a research collaboration or an apprenticeship or pre-apprenticeship program with a New Jersey educational institution.

The application form and related timeline for the PPE Manufacturing Tax Credit Program are not yet available as of this writing. We will keep you updated on the availability of the application and other developments related to the New Jersey Economic Recovery Act of 2020.

Please contact the author of this Alert, **Hunain Sarwar** hsarwar@greenbaumlaw.com | 973.577.1782 with questions concerning the incentives outlined in this overview or to discuss your specific business circumstances. Mr. Sarwar is a member of the firm's **Financial Incentives & Economic Development Practice Group**.

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