

**FORM 306
2022**

**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 prior
privilege periods or tax years on this form.**

Name as Shown on Return	Federal ID Number	Unitary ID Number, if applicable NU
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Read the instructions before completing this form

Note: Amounts 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, the New Jobs Investment Tax Credit, or the Angel Investor Tax Credit.

Attach copy of federal Form 6765 as filed with the IRS

Combined Return Filers		
<input type="checkbox"/> The taxpayer is included as a taxable member on a New Jersey combined return. See instructions. Fill in oval if member is not sharing its credit with other members of the group. <input type="radio"/>		
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.	

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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
(Combined return filers DO NOT complete Part VI. Continue with Part VII.)**

31. Enter tax liability from page 1, line 2 of CBT-100, CBT-100S, or BFC-1	31.	
32. Enter the required minimum tax liability (see instructions).....	32.	
33. Subtract line 32 from line 31.....	33.	
34. Other tax credits used by taxpayer on current year's return (see instructions): (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 tax period. Enter the lesser of line 30 or line 35 here and on Part I, Schedule A-3 of the CBT-100, CBT-100S, or BFC-1	36.	
Note: Generally, this credit may be carried over for 7 years following the credit's privilege period or tax year; however, certain types of research qualify for a 15 year carryover. See instructions for more information.		
37. Amount of credit carryover to following year's return (subtract line 36 from line 30).....	37.	

Name as Shown on Return	Federal ID Number	Unitary ID Number, if applicable NU
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Part VII Calculation of Allowable Credit Amount and Carryover – Combined Return Filers ONLY

Section A – ALL Combined Return Filers

38. Enter the group tax liability from Schedule A, Part III, line 5, column (a) of Form CBT-100U	38.	
39. Enter the aggregate minimum tax of combined group members (see instructions)	39.	
40. Subtract line 39 from line 38.....	40.	
41. Other tax credits used by this taxpayer on current year's return (see instructions):		
(a) _____		
(b) _____		
(c) _____		
(d) _____		
..... Total	41.	
42. Subtract line 41 from line 40. If zero or less, enter zero	42.	
43. Allowable credit for the current tax period. Enter the lesser of line 30 or line 42. If sharing , also enter in the member's column of Part I, Schedule A-3 of the CBT-100U	43.	
If SHARING credit, complete line 44. If NOT sharing credit, skip line 44 and complete Section B.		
44. Amount of credit carryover to following year's return (subtract line 43 from line 30).....	44.	

Section B – Combined Return Filers NOT Sharing Credit

45. a) Enter combined group tax liability from line 38	45a.		
b) Divide line 45a by the combined group allocation factor from Schedule J, line 9.....	45b.		
c) Member's share of combined group tax liability – Multiply line 45b by member's allocation factor from Schedule J, line 9.....	45c.		
46. Required minimum tax liability.....	46.	2,000	
47. Subtract line 46 from line 45c.....	47.		
48. Other tax credits used by taxpayer on current year's return (see instructions):			
(a) _____			
(b) _____			
(c) _____			
(d) _____			
..... Total	48.		
49. Subtract line 48 from line 47. If zero or less, enter zero	49.		
50. Allowable credit for the current tax period. Enter the lesser of line 43 or line 49 here and in the member's column of Part I, Schedule A-3 of the CBT-100U	50.		
51. Amount of credit carryover to following year's return (subtract line 50 from line 30).....	51.		

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 and pursuant to N.J.S.A. 54:10A-5.24(d), which was added as part of P.L. 2020, c. 118. These changes were prospective only. If you are filing a return for a privilege period or tax year beginning prior to 2020, you must use the version of Form 306 that corresponds with the tax period for which you are filing. Previous versions are 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 tax years beginning on and after January 1, 2020, a qualified small business within the meaning of section 41(h)(3) of the federal Internal Revenue Code (26 U.S.C. s.41) can include qualified expenses and payments used for the separate federal payroll credit under I.R.C. § 3111(f) to calculate their New Jersey R&D credit (see N.J.S.A. 54:10A-5.24(d)).

Note: Taxpayers cannot recalculate their R&D credit for prior years.

The qualified expenses and payments used for the separate federal payroll credit under I.R.C. § 3111(f), can only be included in the R&D credit calculation for tax years beginning on and after January 1, 2020. Additionally, if the qualified expenses and payments are used in the calculation of another New Jersey Corporation Business Tax credit, those amounts cannot be used to calculate the R&D credit.

- 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. Each member must complete a separate schedule to claim their portion of the New Jersey R&D credit. Members of the same consolidated group must use the same credit calculation method
- 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.

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. Parts VI and VII are used to calculate the allowable credit and carryover. Taxpayers filing Forms CBT-100, CBT-100S, or BFC-1 complete Part VI and CBT-100U filers complete Part VII.



Taxpayers must include the appropriate credit form in the year the credit was earned even if they are not claiming the credit on their tax return.

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 or Part VII, as applicable.

Combined Return Filers

If filing a combined return, the form must be completed by the member that earned (purchased) the credit. All combined return filers must check the combined return filers box at the top of the form and complete Part VII, Section A.

Members Opting Not to Share. In general, tax credits are earned by a member of the combined group and are shareable with the combined group. However, members are not required to share their credits. See N.J.S.A. 54:10A-4.6.i and TB-90(R), *Tax Credits and Combined Returns*. In addition to Section A, members that choose not to share must also complete Part VII, Section B and fill in the oval at the top of the form to indicate they are not sharing 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 2 – 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 2. 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 2.

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.

Do not include expenses and payments that were taken as part of the federal Orphan Drug Credit to calculate the New Jersey R&D Credit.

NOTE: Amounts 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, the New Jobs Investment Tax Credit, or the Angel Investor 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 depends on whether you are an existing company or a start-up company. The fixed-base percentage for all companies (existing and start-up) must be rounded to the nearest 1/100th of 1% (i.e., four decimal places) and cannot exceed 16%. Any subsequent change to the federal fixed based percentages will also be reflected here.

Start-Up Company

A start-up company is a taxpayer that had both gross receipts and qualified research expenses either:

- For the first time in a tax year beginning after 1983, or
- For fewer than 3 tax years beginning after 1983 and before 1989.

For start-up companies with qualified research expenses for tax years beginning after 1993, the fixed-base percentage for a start-up company is figured as follows:

- For the first 5 tax years, the percentage is 3%.
- For the 6th tax year, divide the aggregate qualified research expenses for the 4th and 5th tax years by the aggregate gross receipts for those tax years, then divide the result by 6.
- For the 7th tax year, divide the aggregate qualified research expenses for the 5th and 6th tax years by the aggregate gross receipts for those tax years, then divide the result by 3.
- For the 8th tax year, divide the aggregate qualified research expenses for the 5th, 6th, and 7th tax years by the aggregate gross receipts for those tax years, then divide the result by 2.
- For the 9th tax year, divide the aggregate qualified research expenses for the 5th, 6th, 7th, and 8th tax years by the aggregate gross receipts for those tax years, then divide the result by 1.5.
- For the 10th tax year, divide the aggregate qualified research expenses for the 5th through 9th tax years by the aggregate gross receipts for those tax years, then divide the result by 1.2.
- For the 11th and later tax years, divide the aggregate qualified research expenses for any 5 of the 5th through 10th tax years by the aggregate gross receipts for those tax years.

Existing Company

The fixed-base percentage for an existing company (any company that is not a start-up company) is figured by dividing the aggregate qualified research expenses for the tax years beginning after 1983 and before 1989 by the aggregate gross receipts for those tax years.

Line 11 – Enter the average annual gross receipts (reduced by returns and allowances) for the 4 tax years preceding the tax year for which the credit is being determined. You may be required to annualize gross receipts for any short tax year. This is determined by using line 1 (less returns and allowances) from Schedule A of the 4 preceding tax years.

For a tax year that the credit terminates, the average annual gross receipts for the 4 tax years preceding the termination tax year is prorated for the number of days the credit is applied during the tax year.

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. An

Alternative Simplified Credit (ASC) election can be made on an amended return for a tax year only if you have not previously claimed the research credit on an original return or amended return for that tax year. An extension of time to make the ASC election will not be granted.

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.

Do not include expenses and payments that were taken as part of the federal Orphan Drug Credit to calculate the New Jersey R&D Credit.

NOTE: Amounts 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, the New Jobs Investment Tax Credit, or the Angel Investor Tax Credit.

Lines 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 previous privilege periods or tax years on this form. All credit carryovers must be calculated using the laws that were in effect for that tax period. Previous versions of the form are available on the Division of Taxation's [website](#).

PART VI – Calculation of the Allowable Credit Amount and Carryover (for CBT-100, CBT-100S, and BFC-1 Filers only)

For CBT-100, CBT-100S, and BFC-1 filers, the allowable Research and Development Tax Credit for the current year is calculated in Part VI. Combined return filers do not complete Part VI, and must complete Part VII instead. The amount of the credits applied cannot reduce the tax liability to an amount less than the statutory minimum.

Line 32 – The minimum tax is assessed based on the New Jersey Gross Receipts as follows:

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

Line 34 – Taxpayers claiming multiple credits must list any credits already applied to the tax liability to ensure accuracy of the calculation for maximum credit allowable.

Carryover Time Frame. 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 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 medi-

cal 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 periods or tax years following the credit's privilege period or tax year. (N.J.S.A. Sec. 54:10A-5.24b).

Part VII – Calculation of the Allowable Credit Amount and Carryover for Combined Return Filers

For CBT-100U filers, the allowable Research and Development Tax Credit for the current year is calculated in Part VII. All combined return filers must complete Section A. Members that choose **not** to share their credit must also complete Section B.

Section A – To be completed by ALL combined return filers

This section calculates the amount of credit allowable for the group. If a member chooses not to share their credit with the group, Section A must still be completed to ensure the credit allowed for the member does not exceed the amount that would otherwise be allowed against the group tax liability.

The amount of the credit calculated in this section cannot reduce the tax liability to an amount less than the aggregate statutory minimum tax of the group members.

Line 39 – Multiply the number of taxable group members by \$2,000 and enter the result.

Line 41 – Combined groups claiming multiple credits must list any credits already applied to the group tax liability to ensure accuracy of the calculation for maximum credit allowable.

Carryover Time Frame. 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 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 periods or tax years following the credit's privilege period or tax year. (N.J.S.A. Sec. 54:10A-5.24b).

Section B

This section is used to calculate the amount of credit allowable for members that choose not to share their credit with the group. Section B is completed based on the member's share of the group tax liability. The amount of the credit calculated in this section cannot reduce the tax liability to an amount less than \$2,000. The amount of the credit is also limited to the amount that would otherwise be allowed against the group tax liability if the member had been sharing the credit.

Line 48 – Members claiming multiple credits must list any credits already applied to the member's tax liability to ensure accuracy of the calculation for maximum credit allowable.