

NJ Enhances the Angel Tax Credit Incentive

Venture Capital & Emerging Growth Companies Alert

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The NJEDA has recommended a major enhancement to its Angel Investor Tax Credit Incentive program to stimulate and incent technology company entrepreneurs to establish and grow their companies in New Jersey as well as investors to support them. Governor Phil Murphy recently signed Assembly Bill 5694—which expands the tax credit from 10% to 20%, and up to 25% if the investment is in a company that is in a designated Qualified Opportunity Zone, or is owned or operated by women or people of color.

The Angel Tax Credit Incentive program's expansion only will go into effect for investments made after January 1, 2020; however, the NJEDA has clarified that the investment date is defined as the later of:

1. Signing date;
2. Cash transfer date; and
3. SAFE or stock issuance date (as long as the issuance is within a reasonable time period following (1) or (2) above).

We have seen the benefits of the Angel Investor Tax Credit Incentive program among our NJ startup and emerging growth companies clients and investor clients. Enhancement to the program likely will spur additional business formation in the state, capital infusions, and job and wealth creation.

Attorneys from McCarter's Venture Capital and Emerging Growth Companies Group can assist you in any questions you may have.

This alert was prepared with the assistance of McCarter summer intern Paige Reddington.

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