New Jersey Made Products are Packaged and Printed with Help from R&D Tax Credits

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Federal and State R&D Tax Credits provide excellent opportunities for many businesses in New Jersey involved in the packaging and printing industry to grow and thrive.

New Jersey has a large innovative packaging and printing business sector. New Jersey is perfectly located to meet the needs of product sellers and logistics companies serving the NYC metropolitan area, the mid Atlantic, Philadelphia and Washington D.C. New Jersey has 11,000 manufacturers all of which need packaging and printing.

Packaging

Our NJMEP packaging R&D tax credit clients include a wide range of food and beverage, pharma, cosmetics, and horticultural packaging companies. Materials utilized include corrugated (cardboard), metal, paper, foil, glass and plastic. The growth of E-Commerce coupled with the Coronavirus has accelerated the increase in packaging needed for home delivery and the increased concerns for safety as well.

Packaging is typically not the focus of the product being sold or bought, but it does have a significant impact on the appeal, purchasing, and delivery of the product to the consumer. This is why we have seen significant product and process development in this area. Whether our clients specialize in stickpacks, blisters, standup pouches, sachets, bottling, liquid filling, secondary packaging, multipacks, they must fit the needs of their customers.

Packaging must be durable in that it maintains the integrity of the product it contains, but it must also be flexible in meeting industry challenges and client demands. This requires customization, which requires research and development.

Often packaging processes entail: in-house microbial testing, certificates of conformance/ analysis, customized testing, sampling, inspection plans, seal integrity testing, pH & Brix monitoring, metal detection and X-ray, temperature & humidity controlled suites, cold storage, & dry blending techniques.

There is a significant emphasis on the design process to determine what will meet the functional needs of the product as well as be adaptable and reusable for other product types. The equipment integrated into the process must not only perform a singular function, but should be able to be adaptable to various packaging processes and products.

Printing

For our NJMEP clients printing clients the focus is on everything digital and includes LED- powered architectural signage. Printing process innovation includes web-to-print, cloud printing and printing on demand. These concepts greatly reduce printing overhead. The New Jersey printing industry has the expertise to print on all of the materials described in the packaging section above.

New Jersey has many leading label manufacturers that create smart labels with RFID tag and bar code scanning that can provide complete chain of custody for pharmaceuticals where a secure supply chain is critical. Prescription pharmaceutical packaging requires voluminous printed notices that have to be compressed and accompany each drug.

Printing labels is a process that involves various factors. The chemicals used in the printing process can affect the product as well as the environment. In addition, materials used can affect how the printing process may need to be modified. Printing also involves software – related solutions to improve the flow of print jobs, calculate more accurate estimates for job, and track sales leads. Software is also being used to diversify the client base by developing website functionalities that allow for online/self-service options.

New and Improved Packaging and Printing Equipment

Both the packaging and printing industries are continuously analyzing and integrating more sophisticated and multi - functional equipment. Social distancing requirements are accelerating the need for more automation and a reduction of the number of people on the plant floor. Whether it is case packing or robotic palletizing solutions, state-of-the-art packaging and printing machinery has become a core business component for many companies. These machines need to have long lifecycles, ensuring that the investment is protected, but must also be multi-purpose in that they can accomplish more than one packaging or printing function or process. The newer machines must also be low-maintenance and run more efficiently as well. All this while improving productivity and keeping employees safe.

With the ever-growing demand for quick turnover, more transparency into how the equipment runs, and increased efficiency requirements, both industries have important environmental goals and are innovating with new materials that are sustainable and environmentally-friendly. There is particular focus on plastic innovation including advanced chemistry and plant - based alternatives.

Environmentally Safe Packaging and Printing

The packaging and printing industries are increasingly focused on environmental sustainability and the impact of their products and processes. Gone are the days when we receive a package that had Styrofoam peanuts to protect the product inside. Now, companies are using eco-friendly packaging made from biodegradable, recycled materials that reduce the waste of natural resources for production. Furthermore, the manufacturing processing of packaging materials has become more efficient, thereby reducing precious resources and minimizing the negative impact businesses have on the environment. Sustainable packaging and material reduction is now part and parcel of many packaging companies' daily processes. Reducing the carbon footprint has become a major goal.

Printing is the only communications media with a one-time carbon footprint;

all other media require energy every time they are viewed. So the printing industry is doing its part to ensure that once its products serve their purpose, they continue their life cycle as materials for new products. The printing industry has been utilizing recycled paper from 100% post-consumer waste. This small change maintains product integrity (reducing brightness by a miniscule amount) while reducing cost and environmental waste. Even the ink that is used to print on the recycled paper has been improved upon. Petroleum-based ink is now being replaced with soy-based ink, made from soybeans, which is more environmentally-safe while still providing a wide range of accurate colors. Soy-based ink, and even water-based ink, also facilitates the paper recycling process, which is an added benefit. Going one step further, UV printing allows green printers to use ink without toxins, unlike solvent-based ink. And, because there are no solvents, UV inks can be successfully applied to both flexible and hard surfaces. And, unlike solvent-based inks, 100% of the UV ink is utilized in the process. No waste.

The Research & Development Tax Credit

Enacted in 1981, the federal Research and Development (R&D) Tax Credit allows a credit of up to 13% of eligible spending for new and improved products and processes.

Qualified research must meet the following four criteria:

- New or improved products, processes, or software
- Technological in nature
- Elimination of uncertainty
- Process of experimentation

Eligible costs include employee wages, cost of supplies, cost of testing, contract research expenses, and costs associated with developing a patent. On December 18, 2015, President Obama signed the bill making the R&D Tax Credit permanent. Beginning in 2016, the R&D credit has been used to offset Alternative Minimum Tax (AMT) and startup businesses can utilize the credit against $250,000 per year in payroll tax liabilities.

The New Jersey State R&D Tax Credit

The New Jersey R&D tax credit utilizes the same definition as the Federal credit and provides a credit of 10% of the excess qualified research expenses over a base amount plus 10% of the basic research payments.i

Conclusion

There are many successful business sectors in New Jersey. Many of these companies require packaging of their products and printing labels to identify them and help them stand out. Research and development is not often associated with packaging and printing, but it should be with all the activities and processes discussed in this article. New Jersey packaging and printing companies are utilizing technologies to automate their packaging processes, as well as develop other new or improved printing techniques. Research and development activities can provide eligible companies with Federal and New Jersey State Research and Development tax credits which are available to help New Jersey package and print its products to get them to the places they need to.

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