

2025 -- S 1002 SUBSTITUTE A

LC002655/SUB A

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2025

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- REBUILD RHODE ISLAND
TAX CREDIT

Introduced By: Senators Bissaillon, and LaMountain

Date Introduced: May 02, 2025

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

- 1 SECTION 1. Section 42-64.20-5 of the General Laws in Chapter 42-64.20 entitled
- 2 "Rebuild Rhode Island Tax Credit" is hereby amended to read as follows:
- 3 **42-64.20-5. Tax credits.**
- 4 (a) An applicant meeting the requirements of this chapter may be allowed a credit as set
- 5 forth hereinafter against taxes imposed upon such person under applicable provisions of title 44 of
- 6 the general laws for a qualified development project.
- 7 (b) To be eligible as a qualified development project entitled to tax credits, an applicant's
- 8 chief executive officer or equivalent officer shall demonstrate to the commerce corporation, at the
- 9 time of application, that:
- 10 (1) The applicant has committed a capital investment or owner equity of not less than
- 11 twenty percent (20%) of the total project cost;
- 12 (2) There is a project financing gap in which after taking into account all available private
- 13 and public funding sources, the project is not likely to be accomplished by private enterprise
- 14 without the tax credits described in this chapter; and
- 15 (3) The project fulfills the state's policy and planning objectives and priorities in that:
- 16 (i) The applicant will, at the discretion of the commerce corporation, obtain a tax
- 17 stabilization agreement from the municipality in which the real estate project is located on such
- 18 terms as the commerce corporation deems acceptable;

1 (ii) It (A) Is a commercial development consisting of at least 25,000 square feet occupied
2 by at least one business employing at least 25 full-time employees after construction or such
3 additional full-time employees as the commerce corporation may determine; (B) Is a multi-family
4 residential development in a new, adaptive reuse, certified historic structure, or recognized
5 historical structure consisting of at least 20,000 square feet and having at least 20 residential units
6 in a hope community; or (C) Is a mixed-use development in a new, adaptive reuse, certified historic
7 structure, or recognized historical structure consisting of at least 25,000 square feet occupied by at
8 least one business, subject to further definition through rules and regulations promulgated by the
9 commerce corporation; and

10 (iii) Involves a total project cost of not less than \$5,000,000, except for a qualified
11 development project located in a hope community or redevelopment area designated under § 45-
12 32-4 in which event the commerce corporation shall have the discretion to modify the minimum
13 project cost requirement.

14 (c) The commerce corporation shall develop separate, streamlined application processes
15 for the issuance of rebuild RI tax credits for each of the following:

- 16 (1) Qualified development projects that involve certified historic structures;
17 (2) Qualified development projects that involve recognized historical structures;
18 (3) Qualified development projects that involve at least one manufacturer; and
19 (4) Qualified development projects that include affordable housing or workforce housing.

20 (d) Applications made for a historic structure or recognized historic structure tax credit
21 under chapter 33.6 of title 44 shall be considered for tax credits under this chapter. The division of
22 taxation, at the expense of the commerce corporation, shall provide communications from the
23 commerce corporation to those who have applied for and are in the queue awaiting the offer of tax
24 credits pursuant to chapter 33.6 of title 44 regarding their potential eligibility for the rebuild RI tax
25 credit program.

26 (e) Applicants (1) Who have received the notice referenced in subsection (d) above and
27 who may be eligible for a tax credit pursuant to chapter 33.6 of title 44; (2) Whose application
28 involves a certified historic structure or recognized historical structure; or (3) Whose project is
29 occupied by at least one manufacturer shall be exempt from the requirements of subsections
30 (b)(3)(ii) and (b)(3)(iii). The following procedure shall apply to such applicants:

31 (i) The division of taxation shall remain responsible for determining the eligibility of an
32 applicant for tax credits awarded under chapter 33.6 of title 44;

33 (ii) The commerce corporation shall retain sole authority for determining the eligibility of
34 an applicant for tax credits awarded under this chapter; and

1 (iii) The commerce corporation shall not award in excess of fifteen percent (15%) of the
2 annual amount authorized in any fiscal year to applicants seeking tax credits pursuant to this
3 subsection (e).

4 (f) **Maximum project credit.**

5 (1) For qualified development projects, the maximum tax credit allowed under this chapter
6 shall be the lesser of (i) Thirty percent (30%) of the total project cost; or (ii) The amount needed to
7 close a project financing gap (after taking into account all other private and public funding sources
8 available to the project), as determined by the commerce corporation.

9 (2) The credit allowed pursuant to this chapter, inclusive of any sales and use tax
10 exemptions allowed pursuant to this chapter, shall not exceed fifteen million dollars (\$15,000,000)
11 for any qualified development project under this chapter; except as provided in subsection (f)(3) of
12 this section; provided however, any qualified development project that exceeds the project cap upon
13 passage of this act shall be deemed not to exceed the cap, shall not be reduced, nor shall it be further
14 increased. No building or qualified development project to be completed in phases or in multiple
15 projects shall exceed the maximum project credit of fifteen million dollars (\$15,000,000) for all
16 phases or projects involved in the rehabilitation of the building. Provided, however, that for
17 purposes of this subsection and no more than once in a given fiscal year, the commerce corporation
18 may consider the development of land and buildings by a developer on the "I-195 land" as defined
19 in § 42-64.24-3(6) as a separate, qualified development project from a qualified development
20 project by a tenant or owner of a commercial condominium or similar legal interest including
21 leasehold improvement, fit out, and capital investment. Such qualified development project by a
22 tenant or owner of a commercial condominium or similar legal interest on the I-195 land may be
23 exempted from subsection (f)(1)(i) of this section.

24 (3) The credit allowed pursuant to this chapter, inclusive of any sales and use tax
25 exemptions allowed pursuant to this chapter, shall not exceed twenty-five million dollars
26 (\$25,000,000) for the project for which the I-195 redevelopment district was authorized to enter
27 into a purchase and sale agreement for parcels 42 and P4 on December 19, 2018, provided that
28 project is approved for credits pursuant to this chapter by the commerce corporation.

29 (4) For qualified development projects involving the development of housing and mixed
30 use projects involving housing which are restricted to require at least twenty percent (20%) of the
31 housing units being affordable housing or workforce housing development for residents making no
32 more than between eighty percent (80%) and one hundred twenty percent (120%) of the area
33 median income (AMI) shall be allowed sales and use tax exemptions of up to twenty five percent
34 (25%) of the maximum project credit in addition to the maximum project credit of fifteen million

dollars (\$15,000,000) pursuant to this chapter. Any sales and use tax exemptions allowed in addition to the maximum project credit shall be for purchases made by June 30, 2028.

(g) Credits available under this chapter shall not exceed twenty percent (20%) of the project cost, provided, however, that the applicant shall be eligible for additional tax credits of not more than ten percent (10%) of the project cost, if the qualified development project meets any of the following criteria or other additional criteria determined by the commerce corporation from time to time in response to evolving economic or market conditions:

(1) The project includes adaptive reuse or development of a recognized historical structure;

(2) The project is undertaken by or for a targeted industry;

(3) The project is located in a transit-oriented development area;

(4) The project includes residential development of which at least twenty percent (20%) of the residential units are designated as affordable housing or workforce housing;

(5) The project includes the adaptive reuse of property subject to the requirements of the industrial property remediation and reuse act, § 23-19.14-1 et seq.; or

(6) The project includes commercial facilities constructed in accordance with the minimum environmental and sustainability standards, as certified by the commerce corporation pursuant to Leadership in Energy and Environmental Design or other equivalent standards.

(h) **Maximum aggregate credits.** The aggregate sum authorized pursuant to this chapter, inclusive of any sales and use tax exemptions allowed pursuant to this chapter, shall not exceed two hundred twenty-five million dollars (\$225,000,000), excluding any tax credits allowed pursuant to subsection (f)(3) of this section.

(i) Tax credits shall not be allowed under this chapter prior to the taxable year in which the project is placed in service.

(j) The amount of a tax credit allowed under this chapter shall be allowable to the taxpayer in up to five, annual increments; no more than thirty percent (30%) and no less than fifteen percent (15%) of the total credits allowed to a taxpayer under this chapter may be allowable for any taxable year.

(k) If the portion of the tax credit allowed under this chapter exceeds the taxpayer's total tax liability for the year in which the relevant portion of the credit is allowed, the amount that exceeds the taxpayer's tax liability may be carried forward for credit against the taxes imposed for the succeeding four (4) years, or until the full credit is used, whichever occurs first. Credits allowed to a partnership, a limited liability company taxed as a partnership, or multiple owners of property shall be passed through to the persons designated as partners, members, or owners respectively pro rata or pursuant to an executed agreement among persons designated as partners, members, or

1 owners documenting an alternate distribution method without regard to their sharing of other tax
2 or economic attributes of such entity.

3 (l) The commerce corporation, in consultation with the division of taxation, shall establish,
4 by regulation, the process for the assignment, transfer, or conveyance of tax credits.

5 (m) For purposes of this chapter, any assignment or sales proceeds received by the taxpayer
6 for its assignment or sale of the tax credits allowed pursuant to this section shall be exempt from
7 taxation under title 44. If a tax credit is subsequently revoked or adjusted, the seller's tax calculation
8 for the year of revocation or adjustment shall be increased by the total amount of the sales proceeds,
9 without proration, as a modification under chapter 30 of title 44. In the event that the seller is not a
10 natural person, the seller's tax calculation under chapter 11, 13, 14, or 17 of title 44, as applicable,
11 for the year of revocation, or adjustment, shall be increased by including the total amount of the
12 sales proceeds without proration.

13 (n) The tax credit allowed under this chapter may be used as a credit against corporate
14 income taxes imposed under chapter 11, 13, 14, or 17 of title 44, or may be used as a credit against
15 personal income taxes imposed under chapter 30 of title 44 for owners of pass-through entities such
16 as a partnership, a limited liability company taxed as a partnership, or multiple owners of property.

17 (o) In the case of a corporation, this credit is only allowed against the tax of a corporation
18 included in a consolidated return that qualifies for the credit and not against the tax of other
19 corporations that may join in the filing of a consolidated tax return.

20 (p) Upon request of a taxpayer and subject to annual appropriation, the state shall redeem
21 this credit, in whole or in part, for ninety percent (90%) of the value of the tax credit. The division
22 of taxation, in consultation with the commerce corporation, shall establish by regulation a
23 redemption process for tax credits.

24 (q) Projects eligible to receive a tax credit under this chapter may, at the discretion of the
25 commerce corporation, be exempt from sales and use taxes imposed on the purchase of the
26 following classes of personal property only to the extent utilized directly and exclusively in the
27 project: (1) Furniture, fixtures, and equipment, except automobiles, trucks, or other motor vehicles;
28 or (2) Other materials, including construction materials and supplies, that are depreciable and have
29 a useful life of one year or more and are essential to the project.

30 (r) The commerce corporation shall promulgate rules and regulations for the administration
31 and certification of additional tax credit under subsection (g), including criteria for the eligibility,
32 evaluation, prioritization, and approval of projects that qualify for such additional tax credit.

33 (s) The commerce corporation shall not have any obligation to make any award or grant
34 any benefits under this chapter.

1 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO STATE AFFAIRS AND GOVERNMENT -- REBUILD RHODE ISLAND
TAX CREDIT

- 1 This act would amend provisions related to the maximum project credit allowed under the
- 2 Rebuild Rhode Island tax credit for certain qualified development projects.
- 3 This act would take effect upon passage.

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