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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2026

A N A C T

RELATING TO TAXATION -- RHODE ISLAND LOCAL INVESTMENT TAX CREDIT ACT

Introduced By: Senators Valverde, Ciccone, Lauria, DiPalma, Acosta, Bissaillon, Kallman, Felag, Pearson, and Quezada

Date Introduced: March 04, 2026

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

SECTION 1. Title 44 of the General Laws entitled "TAXATION" is hereby amended by adding thereto the following chapter:

CHAPTER 73

RHODE ISLAND LOCAL INVESTMENT TAX CREDIT ACT

44-73-1. Short title.

This chapter shall be known and may be cited as the "Rhode Island Local Investment Tax Credit Act".

44-73-2. Legislative intent.

It is the intent of the general assembly to annually appropriate sufficient funds from the state general fund to fully compensate for any loss of revenue resulting from the enactment of this chapter.

44-73-3. Definitions.

As used in this chapter:

(1) "Family member" means an individual who is the spouse, mother, father, brother, sister, child, stepparent, stepchild, stepbrother, stepsister, grandparent, grandchild, legal ward, or a legally appointed guardian with a certified letter of guardianship, of the investor.

(2) "Qualified business" means a business that employs ninety-nine (99) or fewer employees and that the Rhode Island commerce corporation strategic fund certifies as in compliance with all of the following at the time of the investment:

(i) The business has its headquarters in this state, is domiciled in this state, and has a majority of its employees working in this state, and its transactions are limited to residents of this state.

(ii) The business receives at least eighty percent (80%) of its gross revenues from the operation of its business in this state.

(iii) The business has at least eighty percent (80%) of its assets in this state.

(3) "Qualified investment" means a cash or a cash equivalent investment certified by the Rhode Island commerce corporation strategic fund in a qualified business and that is not in a qualified business in which a family member of the investor is an employee or owner of the business or in which the investor or a family member of the investor has a preexisting fiduciary relationship with the business.

(4) "Rhode Island commerce corporation strategic fund" means the Rhode Island commerce corporation strategic fund to be created pursuant to § 42-64-18.

44-73-4. Credit against tax.

(a) For tax years beginning on and after January 1, 2027, subject to the limitations under this section, a taxpayer that makes a qualified investment in a qualified business may claim a credit against the tax imposed by this title equal to fifty percent (50%) of the qualified investment made during the tax year. A taxpayer shall not claim a credit of more than three thousand dollars ($3,000) based on a qualified investment in any one qualified business and shall not claim a credit of more than three thousand dollars ($3,000) for qualified investments in all qualified businesses in any one tax year. To qualify for the credit under this section, the taxpayer shall request certification from the Rhode Island commerce corporation strategic fund within sixty (60) days of making the investment.

(b) The Rhode Island commerce corporation strategic fund shall develop an application and approval process in order to certify investments under this section and adopt a program describing parameters and criteria to be used for approving investments. As part of that program adoption, the Rhode Island commerce corporation strategic fund shall determine and describe the conditions to be met to be considered a qualified investment. Any investment for which a credit is sought under this section is subject to the provisions of chapter 11 of title 7 ("Rhode Island uniform securities act"), and shall be made in compliance with applicable state and federal securities laws, rules, and regulations.

(c) A taxpayer shall not claim a credit under this section unless the Rhode Island commerce corporation strategic fund has issued a certificate to the taxpayer. The taxpayer shall attach the certificate to the annual return filed under this title on which a credit under this section is claimed.

The certificate required under this subsection shall specify all of the following:

(1) The total amount of investment made during the tax year by the taxpayer in each qualified business.

(2) The total amount of qualified investments made in each qualified business if different from the previous amount.

(3) The total amount of the credit under this section that the taxpayer is allowed to claim for the designated tax year.

(4) If the amount of the credit allowed under this section exceeds the tax liability of the taxpayer for the tax year, that portion of the credit that exceeds the tax liability of the taxpayer for the tax year shall not be refunded but may be carried forward to offset tax liability under this title in subsequent tax years for a period not to exceed ten (10) tax years or until used up, whichever occurs first.

SECTION 2. This act shall take effect upon passage.

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EXPLANATION

BY THE LEGISLATIVE COUNCIL

OF

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RELATING TO TAXATION -- RHODE ISLAND LOCAL INVESTMENT TAX CREDIT ACT

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This act would provide an investment tax credit to a taxpayer that makes a qualified investment in a local qualified business of ninety-nine (99) employees or less. This act would be funded by a Rhode Island commerce corporation strategic fund pursuant to § 42-64-18. Additionally, the general assembly would annually appropriate sufficient funds from the general fund to fully compensate for any loss of revenue as a result of the provisions of this act.

This act would take effect upon passage.

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