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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2019

A N A C T

RELATING TO TAXATION - START-UP RHODE ISLAND TAX FREE ZONE PROGRAM

Introduced By: Senators Archambault, Felag, Conley, Cano, and McCaffrey

Date Introduced: January 24, 2019

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

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

3 CHAPTER 70

4 START-UP RHODE ISLAND TAX FREE ZONE PROGRAM

5 **44-70-1. Short title.**

6 This act shall be known and may be cited as the "Start-Up Rhode Island Tax Free Zone
7 Program."

8 **44-70-2. Definitions.**

9 For the purposes of this chapter, the following terms, phrases, words and their derivations
10 have the meaning given in this chapter. When not inconsistent with the context, words used in the
11 plural number include the singular number and words used in the singular number include the
12 plural number:

13 (1) "Community college" means the Community College of Rhode Island.

14 (2) "Eligible land" means land eligible for approval as a tax-free Rhode Island area.

15 (3) "Net new job" means a job created in a tax-free Rhode Island area that satisfies all of
16 the following criteria:

17 (i) Is new to the state;

18 (ii) Has not been transferred from employment with another business located in this state,
19 through an acquisition, merger, consolidation or other reorganization of businesses, or the

1 acquisition of assets of another business, or except as provided otherwise in this chapter has not
2 been transferred from employment with a related person in this state;

3 (iii) Is not filled by an individual employed within the state within the immediately
4 preceding sixty (60) months by a related person;

5 (iv) Is either a full-time wage-paying job or equivalent to a full-time wage-paying job
6 requiring at least thirty-five (35) hours per week; and

7 (v) Is filled for more than six (6) months.

8 (4) "New business" means a business that satisfies all of the following tests:

9 (i) The business must not be operating or located within the state at the time it submits its
10 application to participate in the START-UP Rhode Island program;

11 (ii) The business must not be moving existing jobs into the tax-free Rhode Island area
12 from another area in the state;

13 (iii) The business is not substantially similar in operation and in ownership to a business
14 entity (or entities) taxable, or previously taxable within the last five (5) taxable years; and

15 (iv) The business must not have caused individuals to transfer from existing employment
16 with a related person located in the state to similar employment with the business, unless such
17 business has received approval for such transfers from the secretary after demonstrating that the
18 related person has not eliminated those existing positions.

19 (5) "Private college or university" means a not-for-profit two (2) or four (4) year
20 university or college given the power to confer associate, baccalaureate or higher degrees in this
21 state by the board of education,

22 (6) "Related person" means a "related person" pursuant to § 465(b)(3)(c) of the Internal
23 Revenue Code.

24 (7) "School" means a college, community college, or university located in this state.

25 (8) "Secretary" means the secretary of commerce.

26 (9) "Sponsoring campus, university or college" means a university or college that has
27 received approval to sponsor a tax-free Rhode Island area pursuant to this chapter.

28 (10) "State school" means the Community College of Rhode Island, Rhode Island
29 College, and the University of Rhode Island.

30 (11) "State university campus" or "state school campus" means a Rhode Island campus of
31 the state colleges and universities of higher education, including the Community College of
32 Rhode Island, Rhode Island College, and the University of Rhode Island.

33 (12) "Strategic state asset" means land or a building or group of buildings owned by the
34 state of Rhode Island, that is: (i) Closed; (ii) Vacant; or (iii) For which notice of closure has been

1 given pursuant to a Rhode Island statutory notice requirement or which is otherwise authorized to
2 be closed pursuant to the general laws.

3 (13) "START-UP Rhode Island approval board" or "board" means a board consisting of
4 three (3) members, one each appointed by the governor, the speaker of the house and the
5 president of the senate. Each member of the START-UP Rhode Island approval board shall have
6 significant expertise and experience in academic based economic development and may not have
7 a personal interest in a Rhode Island project that comes before the board.

8 (14) "Tax-free Rhode Island area" means the land or vacant space of a state university or
9 college that meets the eligibility criteria specified in this chapter and that has been approved as a
10 tax-free Rhode Island area pursuant to the provisions of this chapter. It also means a strategic
11 state asset that has been approved by the START-UP Rhode Island approval board.

12 (15) "Underutilized property" means vacant or abandoned land or space in an existing
13 industrial park, manufacturing facility, a brownfield site, or a distressed or abandoned property,
14 which shall be determined by factors including poverty, identified by the county or the town,
15 village or city that contains such distressed or abandoned property, as of the effective date of this
16 chapter. A college or university shall work with local municipalities or local economic
17 development entities to identify underutilized properties.

18 **44-70-3. Eligibility criteria for universities and colleges.**

19 (a) State university, college, and community college campuses. Subject to the limitations
20 in this section, the following will constitute the eligible land of a state school:

21 (1) A vacant space in a building located on a campus of a state university or college or
22 community college campus;

23 (2) Vacant land on a campus of a state university campus, community college or city
24 university campus;

25 (3) For a state university campus or community college, a total of two hundred thousand
26 (200,000) square feet of vacant land or vacant building space that is located within one mile of a
27 campus of the state university campus or community college; and

28 (4) A state incubator with a bona fide affiliation to the state university or college campus,
29 or community college campus, with approval of the secretary of commerce. In order for there to
30 be a bona fide affiliation of a Rhode Island state incubator with a state university or college or
31 community college campus;

32 (i) The incubator and the campus must have a partnership to provide assistance and
33 physical space to eligible businesses;

34 (ii) The incubator and the school campus shall and must directly work towards the goals

1 of jointly creating jobs and incubating new startup businesses; and

2 (iii) The mission and activities of the incubator must align with or further the academic
3 mission of the college or university.

4 (b) Factors considered. A state university campus or community college which qualifies
5 may apply to the secretary for a determination that identified vacant land or identified vacant
6 space in a building that is located more than one mile from its campus. The secretary shall give
7 consideration to factors including rural, suburban and urban geographic considerations and may
8 qualify the identified land or space in a building as eligible land if the secretary, in consultation
9 with the leadership of the state colleges and university, determines that the state university
10 campus or community college has shown that the use of the land or space will be consistent with
11 the requirements of this program and the plan submitted by the state university campus or
12 community college pursuant to this chapter. The aggregate amount of qualified land or space
13 under this section may not exceed two hundred thousand (200,000) square feet for a state
14 university campus or community college.

15 (c) Private colleges and universities and certain other campuses.

16 (1) The following will constitute the eligible land of a private college or university:

17 (i) A vacant space in a Rhode Island building located on a campus of a private university
18 or college;

19 (ii) Vacant land on a campus of a private university or college;

20 (iii) A state incubator with a bona fide affiliation to the private university or college, with
21 approval of the secretary. In order for there to be a bona fide affiliation of a Rhode Island state
22 incubator with a private university or college, the incubator and the private university or college
23 must have a partnership to provide assistance and physical space to eligible businesses. The
24 incubator and the private university or college must directly work towards the goals of jointly
25 creating jobs and incubating new startup businesses; and the mission and activities of the
26 incubator must align with or further the academic mission of the private university or college.

27 (d) Approvals. Up to three million (3,000,000) square feet is the maximum aggregate
28 amount of tax-free Rhode Island areas of private universities and colleges that may be utilized for
29 this program, which shall be designated in a manner that ensures regional balance and balance
30 among eligible rural, urban and suburban areas in the state. The secretary shall maintain an
31 accounting of the vacant land and space of private universities and colleges that have been
32 approved as tax-free Rhode Island areas and shall stop accepting applications for approval of tax-
33 free Rhode Island areas when that maximum amount has been reached.

34 (e) Initial amounts. An initial amount of seventy-five thousand (75,000) square feet shall

1 be designated as tax-free Rhode Island areas at each of the state colleges and universities.

2 (f) Additional approvals. In addition, the board may approve up to three (3) applications,
3 one for each state school, that includes eligible land owned or leased by each of the state colleges
4 and university and that is directly adjacent to the campus of the school. The board may approve
5 an additional application from a state school, or private university or college in the county not
6 previously approved under this section.

7 (g) Prohibition. A state school is prohibited from relocating or eliminating an academic
8 program, an administrative program, offices, housing facilities, dining facilities, athletic facilities,
9 or other facility, space or program that actively serves students, faculty or staff in order to create
10 vacant land or space to be utilized for the program authorized by this chapter. In addition, nothing
11 in this chapter shall be deemed to waive or impair the rights or benefits of employees of the state
12 school that otherwise would be available to them pursuant to the terms of agreements between the
13 certified representatives of such employees and their employers. No services or work currently
14 performed by public employees of a state school or future work that is similar in scope and nature
15 to the work being currently performed by public employees shall be contracted out or privatized
16 by the state school or by an affiliated entity or associated entity of the state school. For the
17 purpose of this section, an affiliated associated entity shall not include a business that is
18 participating in the START-UP Rhode Island program.

19 **44-70-4. Eligibility criteria for businesses.**

20 In order to participate in the START-UP Rhode Island program, a business must satisfy
21 all of the following criteria:

22 (1) The mission and activities of the business must align with or further the academic
23 mission of the campus, college or university sponsoring the tax-free Rhode Island area in which it
24 seeks to locate, and the business's participation in the START-UP Rhode Island program must
25 have positive community and economic benefits.

26 (2) The business must demonstrate that it will, in its first year of operation, create net new
27 jobs. After its first year of operation, the business must maintain net new jobs. In addition, the
28 average number of employees of the business and its related persons in the state during the year
29 must equal or exceed the sum of:

30 (i) The average number of employees of the business and its related persons in the state
31 during the year immediately preceding the year in which the business submits its application to
32 locate in a tax-free Rhode Island area; and

33 (ii) Net new jobs of the business in the tax-free Rhode Island area during the year. The
34 average number of employees of the business and its related persons in the state shall be

1 determined by adding together the total number of employees of the business and its related
2 persons in the state on March 31, June 30, September 30 and December 31 and dividing the total
3 by the number of such dates occurring within such year.

4 (3) Except as provided in subsections (7) and (8) of this section, at the time it submits its
5 application for the START-UP Rhode Island program, the business must be a new business to the
6 state.

7 (4) The business may be organized as a corporation, a partnership, limited liability
8 company or a sole proprietorship.

9 (5) Upon completion of its first year in the START-UP Rhode Island program and
10 thereafter, the business must complete and timely file the annual report required under this
11 chapter.

12 (6) Except as provided in subsections (7) and (8) of this section, the business must not be
13 engaged in a line of business that is currently or was previously conducted by the business or a
14 related person in the last five (5) years in Rhode Island.

15 (7) If a business does not satisfy the eligibility standards set forth in subsection (3) or (6)
16 of this section, because at one point in time it operated in Rhode Island but moved its operations
17 out of the state on or before June 1, 2016, the secretary shall grant that business permission to
18 apply to participate in the START-UP Rhode Island program if the secretary determines that the
19 business has demonstrated that it will substantially restore the jobs in the state of Rhode Island
20 that it previously had moved out of state.

21 (8) If a business seeks to expand its current operations in the state of Rhode Island into a
22 tax-free Rhode Island area, but the business does not qualify as a new business, or the business
23 does not satisfy the eligibility standard set forth in subsection (6) of this section, the secretary
24 shall grant the business permission to apply to participate in the START-UP Rhode Island
25 program if the secretary determines that the business has demonstrated that it will create net new
26 jobs in the tax-free Rhode Island area and that it or a Rhode Island related person has not
27 eliminated Rhode Island job(s) in the state in connection with this expansion.

28 (9) The following types of businesses are prohibited from participating in the START-UP
29 Rhode Island program:

30 (i) Retail and wholesale businesses;

31 (ii) Restaurants;

32 (iii) Real estate brokers;

33 (iv) Law firms;

34 (v) Medical or dental practices;

- 1 (vi) Real estate management companies;
2 (vii) Hospitality;
3 (viii) Finance and financial services;
4 (ix) Businesses providing personal services;
5 (x) Businesses providing business administrative or support services, unless such
6 business has received permission from the secretary to apply to participate in the START-UP
7 Rhode Island program upon demonstration that the business would create no fewer than one
8 hundred (100) net new jobs in the tax-free Rhode Island area;
9 (xi) Accounting firms;
10 (xii) Businesses providing utilities; and
11 (xiii) Businesses engaged in the generation or distribution of electricity, the distribution
12 of natural gas, or the production of steam associated with the generation of electricity.

13 (10) A business must be in compliance with all worker protection and environmental
14 laws and regulations. In addition, a business may not owe past due federal or state taxes or local
15 property taxes.

16 (11) A Rhode Island business that has successfully completed residency in a state
17 incubator subject to approval of the secretary, may apply to participate in the START-UP Rhode
18 Island program provided that such business locates in a tax-free Rhode Island area,
19 notwithstanding the fact that the business may not constitute a new business.

20 **44-70-5. Tax benefits.**

21 (a) A business that is accepted into the START-UP Rhode Island program and locates in
22 a tax-free Rhode Island area or the owner of a business that is accepted into the START-UP
23 Rhode Island program and locates in a tax-free Rhode Island area is eligible for tax benefits. For a
24 period of up to ten (10) years, the business shall be able to operate tax free. More specifically,
25 during the time period:

26 (1) The business shall be exempt from paying any business, corporate, state, or local
27 taxes or sales and use taxes and franchise fees; and

28 (2) Employees of such business shall not pay state income tax on their earnings from
29 such business.

30 (b) The aggregate number of net new jobs approved for personal income tax benefits
31 under this chapter shall not exceed ten thousand (10,000) jobs per year during the period in which
32 applications are accepted.

33 (c) The secretary shall allocate to each business accepted to locate in a tax-free Rhode
34 Island area a maximum number of net new jobs that shall be eligible for the personal income tax

1 benefits described in this section, based on the schedule of job creation included in the application
2 of such business. At such time as the total number of net new jobs under such approved
3 applications reaches the applicable allowable total of aggregate net new jobs for tax benefits for
4 the year in which the application is accepted, the secretary shall stop granting eligibility for
5 personal income tax benefits for net new jobs until the next year.

6 (d) A Rhode Island business not granted such personal income tax benefits for net new
7 jobs for such reason shall be granted such benefits in the next year prior to the consideration of
8 new applicants. In addition, if the total number of net new jobs approved for tax benefits in a
9 given year is less than the maximum allowed under this subsection, the difference shall be carried
10 over to the next year. A business may amend its schedule of job creation in the same manner that
11 it applied for participation in the START-UP Rhode Island program, and a Rhode Island increase
12 in eligibility for personal income tax benefits on behalf of additional net new jobs shall be subject
13 to the limitations of this subsection. If the business accepted to locate in a tax-free Rhode Island
14 area creates more net new jobs than for which it is allocated personal income tax benefits, the
15 personal income tax benefits it is allocated shall be provided to those individuals employed in
16 those net new jobs based on the employees' dates of hiring.

17 **44-70-6. Approval of tax-free Rhode Island areas.**

18 (a) The president or chief executive officer of a state school seeking to sponsor a tax-free
19 Rhode Island area and have some of its eligible land be designated as a tax-free Rhode Island area
20 must submit a plan to the secretary that specifies the land or space the state school wants to
21 include, describes the type of business or businesses that may locate on that land or in that space,
22 explains how those types of businesses align with or further the academic mission of the state
23 school and how participation by those types of businesses in the START-UP Rhode Island
24 program would have positive community and economic benefits, and describes the process the
25 state school will follow to select participating businesses. At least thirty (30) days prior to
26 submitting such plan, the state school must provide the municipality or municipalities in which
27 the proposed tax-free Rhode Island area is located, local economic development entities, the
28 applicable state school faculty senate, union representatives and the campus student government
29 with a copy of the plan. In addition, if the plan of the state school includes land or space located
30 outside of the state school campus boundaries, the state school must consult with the municipality
31 or municipalities in which such land or space is located prior to including such space or land in its
32 proposed tax-free Rhode Island area and shall give preference to underdeveloped properties.
33 Before approving or rejecting the plan submitted by a state school, the secretary shall consult with
34 the leadership of the applicable state college or university.

1 (b) The president or chief executive officer of a Rhode Island private college or
2 university seeking to sponsor a tax-free Rhode Island area and have some of its eligible land be
3 designated as a tax-free Rhode Island area must submit a plan to the secretary that specifies the
4 land or space the college or university wants to include, describes the type of business or
5 businesses that may locate on that land or in that space, explains how those types of businesses
6 align with or further the academic mission of the college or university and how participation by
7 those types of businesses in the START-UP Rhode Island program would have positive
8 community and economic benefits, and describes the process the private school will follow to
9 select participating businesses. In addition, if the plan of the private school includes land or space
10 located outside of the campus boundaries, the private school must consult with the municipality
11 or municipalities in which such land or space is located prior to including such space or land in its
12 proposed tax-free Rhode Island area and shall notify local economic development entities. The
13 secretary shall forward the plan submitted under this subsection to the START-UP Rhode Island
14 approval board. In evaluating such plans, the board shall examine the merits of each proposal,
15 including, but not limited to, compliance with the provisions of this chapter, reasonableness of the
16 economic and fiscal assumptions contained in the application and in supporting documentation
17 and potential of the proposed project to create new jobs, and shall prioritize for acceptance and
18 inclusion into the START-UP Rhode Island program plans for tax-free Rhode Island areas in
19 counties that contain a city or town with a population of one hundred thousand (100,000) or more.
20 No preference shall be given based on the time of submission of the plan, provided that
21 submission deadlines established by the board are met. In addition, the board shall give
22 preference to private colleges or universities that include underutilized properties within their
23 proposed tax-free Rhode Island areas. The board by a majority vote shall approve or reject each
24 plan forwarded to it by the secretary.

25 (c) A campus, university or college may amend its approved plan, provided that the
26 school may not violate the terms of a lease with a business located in the approved tax-free Rhode
27 Island area. In addition, if a business located in a tax-free Rhode Island area does not have a lease
28 with a school, and such business is terminated from the START-UP Rhode Island program, and
29 subsequently does not relocate outside of the tax-free Rhode Island area, a school may amend its
30 approved plan to allocate an amount of vacant land or space equal to the amount of space
31 occupied by the business that is terminated. The amendment must be approved pursuant to the
32 procedures and requirements set forth in this chapter.

33 **44-70-7. Tax free Rhode Island areas.**

34 The START-UP Rhode Island approval board, by majority vote, shall designate up to

1 twenty (20) strategic state assets as tax-free areas. Each shall be affiliated with a state university
2 campus, college campus, community college, or private college or university, and such
3 designation shall require the support of the affiliated school. Each strategic state asset may not
4 exceed a maximum of two hundred thousand (200,000) square feet of vacant land or vacant
5 building space designated as a tax-free Rhode Island area. Designation of strategic state assets as
6 tax-free areas shall not count against any square footage limitations in this chapter.

7 **44-70-8. Rules and regulations.**

8 The secretary shall promulgate rules and regulations to effectuate the purposes of this
9 chapter, including, but not limited to:

10 (1) Establishing the process for the plan submissions and approvals of tax-free Rhode
11 Island areas;

12 (2) Establishing the process for the evaluation and possible rejection of applications, the
13 eligibility criteria that will be applied in evaluating those applications;

14 (3) Determining the number of jobs which must be created and sustained for an entity to
15 obtain the tax benefits afforded by this chapter; and

16 (4) Establishing the process for terminations from the START-UP Rhode Island Program
17 and administrative appeals of such terminations.

18 **44-70-9. Businesses locating in tax-free Rhode Island areas.**

19 (a) A college or university that has sponsored a tax-free Rhode Island area, including a
20 strategic state asset affiliated with the state school, shall solicit and accept applications from
21 businesses to locate in such area that are consistent with the plan of such college or university
22 school or strategic state asset that has been approved pursuant to this chapter. A Rhode Island
23 business that wants to locate in a tax-free Rhode Island area must submit an application to the
24 school which is sponsoring the tax-free Rhode Island area by December 31, 2024. Prior to such
25 date, the secretary shall prepare an evaluation on the effectiveness of the START-UP Rhode
26 Island program and deliver it to the governor and the legislature to determine continued eligibility
27 for application submissions.

28 (b)(1) The sponsoring school shall provide the application and all supporting
29 documentation of a Rhode Island business it decides to accept into its tax-free Rhode Island area
30 to the secretary for review. Such application shall be in a form prescribed by the secretary and
31 shall contain all information the secretary determines is necessary to properly evaluate the
32 business's application, including, but not limited to, the name, address, and employer
33 identification number of the business; a description of the land or space the business will use, the
34 terms of the lease agreement, if applicable, between the sponsoring school and the business, and

1 whether or not the land or space being used by the business is being transferred or sublet to the
2 business from some other business. The application must include a certification by the business
3 that it meets the eligibility criteria specified in this chapter, will align with or further the academic
4 mission of the sponsoring state school, and that the business's participation in the START-UP
5 Rhode Island program will have positive community and economic benefits. The application
6 must also describe whether or not the business competes with other businesses in the same
7 community, but outside the tax-free Rhode Island area. In addition, the application must include a
8 description of how the business plans to recruit employees from the local workforce.

9 (c) The secretary shall review such application and documentation within sixty (60) days
10 and may reject such application upon a determination that the business does not meet the
11 eligibility criteria in this chapter, has submitted an incomplete application, or has failed to
12 demonstrate that the business's participation in the START-UP Rhode Island program will have
13 positive community and economic benefits, which shall be evaluated based on factors including,
14 but not limited to, whether or not the business competes with other businesses in the same
15 community, but outside the tax-free Rhode Island area as prohibited by this chapter.

16 (d) If the secretary rejects such application, it shall provide notice of such rejection to the
17 sponsoring school and business. If the secretary does not reject such application within sixty (60)
18 days, such business is accepted to locate in such tax-free Rhode Island area, and the application of
19 such business shall constitute a contract between such business and the sponsoring school. The
20 sponsoring school must provide accepted businesses with documentation of their acceptances in
21 such form as prescribed by the secretary which will be used to demonstrate such business's
22 eligibility for the tax benefits under this chapter.

23 (e) If a school campus proposes to enter into a lease with a business for eligible land in a
24 tax-free Rhode Island area with a term greater than forty (40) years, including options to renew,
25 or for eligible land in a tax-free Rhode Island area of one million (1,000,000) or more square feet,
26 the school campus, at the same time as the application is provided to the secretary, also must
27 submit the lease for review to the START-UP Rhode Island approval board. If the board does not
28 disapprove of the lease terms within thirty (30) days, the lease is deemed approved. If the board
29 disapproves the lease terms, the school campus must submit modified lease terms to the secretary
30 for review. The secretary's sixty (60) day review period is suspended while the board is reviewing
31 the lease and during the time it takes for the school campus to modify the lease terms.

32 (f) Except as otherwise provided in this chapter, proprietary information or supporting
33 documentation submitted by a business to a sponsoring school shall only be utilized for the
34 purpose of evaluating such business's application or compliance with the provisions of this

1 chapter and shall not be otherwise disclosed. A school employee who willfully discloses such
2 information to a third party for any other purpose whatsoever shall be guilty of a misdemeanor.

3 **44-70-10. Business agreement required.**

4 The business submitting the application, as part of the application, must:

5 (1) Agree to allow the department of administration, division of taxation to share its tax
6 information with the sponsoring school;

7 (2) Agree to allow the department of labor to share its tax and employer information with
8 the department and the sponsoring campus, university or college;

9 (3) Allow the department of administration and its agents and the sponsoring state school
10 access to any and all books and records the sponsoring school may require to monitor
11 compliance;

12 (4) Include performance benchmarks, including the number of net new jobs that must be
13 created, the schedule for creating those jobs, and details on job titles and expected salaries. The
14 application must specify the consequences for failure to meet such benchmarks, as determined by
15 the business and the sponsoring school:

16 (i) Suspension of such business's participation in the START-UP Rhode Island program
17 for one or more tax years as specified in such application;

18 (ii) Termination of such business's participation in the START-UP Rhode Island
19 program; and/or

20 (iii) Proportional recovery of tax benefits awarded under the START-UP Rhode Island
21 program of the tax law;

22 (5) Provide the following information to the department and sponsoring school upon
23 request:

24 (i) The prior three (3) years of federal and state income or franchise tax returns,
25 unemployment insurance quarterly returns, real property tax bills and audited financial
26 statements;

27 (ii) The employer identification or social security numbers for all related persons to the
28 business, including those of the members of a Rhode Island limited liability company or partners
29 in a partnership;

30 (iii) Provide a clear and detailed presentation of all related persons to the business to
31 assure that jobs are not being shifted within the state; and

32 (iv) Certify, under penalty of perjury, that it is in substantial compliance with all
33 environmental, worker protection, and local, state, and federal tax laws, and that it satisfies all the
34 eligibility requirements to participate in the START-UP Rhode Island program.

1 **44-70-11. Conclusion of lease term.**

2 (a) At the conclusion of the term of a lease by the sponsoring school to a business of land
3 or space in a tax-free Rhode Island area owned by the sponsoring school, the leased land or space
4 and improvements thereon shall revert to the sponsoring school, unless the lease is renewed.

5 (b) If, at any time, the sponsoring school or the secretary determines that a business no
6 longer satisfies any of the eligibility criteria specified in this chapter, the sponsoring school shall
7 recommend to the secretary that the secretary terminate or the secretary, on their own initiative,
8 shall immediately terminate such business's participation in the START-UP Rhode Island
9 program. Such business shall be notified of such termination by a method which allows for
10 verification of receipt of such termination notice. A copy of such termination notice shall be sent
11 to the secretary. Upon such termination, such business shall not be eligible for the tax benefits
12 specified in this chapter for any future taxable year, calendar quarter or sales tax quarter, although
13 employees of such business may continue to claim the tax benefit for their wages during the
14 remainder of that taxable year. Further, such lease or contract between the sponsoring school and
15 such business shall be rescinded, effective on the thirtieth day after the secretary mailed such
16 termination notice to such business and the land or space and improvements thereon shall revert
17 to the sponsoring school.

18 **44-70-12. State agency status.**

19 (a) Any individual, public corporation or authority, private corporation, limited liability
20 company or partnership or other entity entering into a contract, subcontract, lease, grant, bond,
21 covenant or other agreement for a project undertaken on a strategic state asset in a tax-free Rhode
22 Island area shall be deemed a state agency. Such contracts shall be deemed state contracts.

23 (b) A business on a strategic state asset in a tax-free Rhode Island area may require a
24 contractor awarded a contract, subcontract, lease, grant, bond, covenant or other agreement for a
25 project to enter into a project labor agreement and be subject to the requirements for state
26 purchases during and for the work involved with such project when such requirement is part of
27 the business's request for proposals for the project and when the business determines that the
28 record supporting the decision to enter into such an agreement establishes that the interests
29 underlying the competitive bidding laws are best met by requiring a project labor agreement
30 including: obtaining the best work at the lowest possible price; preventing favoritism, fraud and
31 corruption; the impact of delay; the possibility of cost savings; and any local history of labor
32 unrest.

33 (c) For the purposes of this section "project" shall mean capital improvement work on a
34 strategic state asset to be subject to a Rhode Island lease, transfer or conveyance, other than

1 conveyance of title. Such capital improvement work shall include the design, construction,
2 reconstruction, demolition, excavation, rehabilitation, repair, renovation, alteration or
3 improvement of a strategic state asset.

4 **44-70-13. START-UP Rhode Island approval board.**

5 There is hereby established the "START-UP Rhode Island approval board" or "board."
6 The board shall consist of three (3) members, one each to be appointed by the governor, the
7 speaker of the house and the president of the senate. Each member of the START-UP Rhode
8 Island approval board must have significant expertise and experience in academic-based
9 economic development and may not have a personal interest in a Rhode Island project that comes
10 before the board.

11 **44-70-14. Rhode Island state business incubator.**

12 (a) There is hereby authorized, established, and created a Rhode Island state business
13 incubator to be located in a Rhode Island tax-free zone as set forth in this chapter. The
14 incubator shall be designed to foster the growth of businesses through a multi-tenant, mixed-use
15 facility serving companies in a variety of industries including, but not limited to: services,
16 distribution, light manufacturing, or technology-based businesses. The incubator shall provide a
17 range of services designed to assist these new businesses, including, but not limited to: flexible
18 leases, shared office equipment, use of common areas such as conference rooms, and will provide
19 (directly or indirectly) easily accessible business management, training, financial, legal,
20 accounting, and marketing services.

21 (b) The incubator shall be established as a non-business corporation, and shall have tax
22 exempt status under U.S. Internal Revenue Code 26 U.S.C. § 501(c)(3), and shall have an
23 independent board of directors. The board of directors, in consultation with the START-UP
24 Rhode Island approval board, shall adopt guidelines and performance measures for the purposes
25 of operating and monitoring the incubator.

26 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 TAXATION - START-UP RHODE ISLAND TAX FREE ZONE PROGRAM

1 This act would establish the "Start-Up Rhode Island Act," to allow for the establishment
2 of tax free zones. Businesses selected for access to such tax free zones would not be required to
3 pay state income, business, corporate taxes, local taxes or franchise fees for a period of up to ten
4 (10) years.

5 This act would take effect upon passage.

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