

2013 -- S 0392

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2013

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A N A C T

RELATING TO TAXATION

Introduced By: Senators Cote, Sheehan, E O'Neill, Satchell, and Archambault

Date Introduced: February 26, 2013

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 68

4 JOB CREATION INCENTIVE ACT

5 **44-68-1. Short title.** -- This chapter shall be known and may be cited as "The Job  
6 Creation Incentive Act".

7 **44-68-2. Tax incentives.** --There are established tax incentives, which shall be computed  
8 in accordance with section 44-68-4.1, for newly established businesses in the state of Rhode  
9 Island that hire and retain a minimum of two (2) employees (not including the owner of the  
10 business).

11 **44-68-3. Definitions.** -- For purposes of this chapter:

12 (1) "Business" or "Businesses" mean any corporation, limited liability company,  
13 partnership, individual, sole proprietorship, joint stock company, joint venture, or any other legal  
14 entity through which business is legally conducted or any successors or assigns of the legal entity.

15 (2) "Tax incentive or "incentives" means a deduction or modification in computed taxes  
16 owed by a claimant's business, as provided in section 44-68-5.

17 **44-68-4. Criteria for tax incentives.** -- (a) A business who meets the following criteria  
18 as certified by the tax administrator shall be entitled to a tax incentive in the amount of five  
19 percent (5%) for the first three (3) years of the claimant's allowable expenses for wages and

1 benefits and a tax incentive in the amount of two and one-half percent (2.5%) for the next three  
2 (3) years of the claimant's allowable expenses for wages and benefits:

3 (1) In order to avail itself of the incentive, the business must file for the incentive with the  
4 tax administrator within thirty (30) days from the date the business hires its second (2<sup>nd</sup>)  
5 employee.

6 (2) An employee cannot be a relative of any controlling shareholder, director, or officer  
7 of the claimant corporation, nor controlling shareholder, officer, or manager of the claimant  
8 limited liability company, nor partner or owner of any claimant partnership, joint venture, sole  
9 proprietorship or any other type of legal business entity claiming the incentive under this chapter.

10 **44-68-5. Incentive provisions.--** (a) The deduction or modification is not refundable but  
11 may be used by the claimant business for the tax against it pursuant to this chapter in the  
12 following manner:

13 (1) A deduction for purposes of computing the corporate income tax in accordance with  
14 chapter 11 of this title;

15 (2) A deduction from gross earnings for purposes of computing the public service  
16 corporation tax in accordance with chapter 13 of this title;

17 (3) A deduction for the purposes of computing deposits in accordance with chapter 15 of  
18 this title;

19 (4) A deduction for the purposes of computing gross premiums in accordance with  
20 chapter 17 of this title; or

21 (5) A modification reducing federal adjusted gross income in accordance with chapter 30  
22 of this title.

23 (b) The modification allowed under this chapter for any taxable year shall not reduce the  
24 tax due for that year to below the minimum tax imposed under the applicable chapter of this title.  
25 Any amount of modification not used in that taxable year may not be carried over to the  
26 following year.

27 (c) In the event that the claimant business is electing a subchapter S corporation, limited  
28 liability company, partnership, or a joint venture, the incentive shall be divided as income.

29 (d) In the event that the taxpayer is liable for taxes imposed under both chapters 14 and  
30 15 of this title, the taxpayer must elect the tax against which it wishes to claim the incentive. This  
31 election shall be made as part of the taxpayer's filings in accordance with sections 44-14-6 and  
32 44-15-5. The taxpayer may not divide the incentive for any year between the two (2) tax  
33 liabilities for which it is liable.

34 (e) In the event that the hiring of the employees is used to obtain any other tax incentive

1 [or tax benefit for the business, then the business will not be eligible for the incentive available in](#)  
2 [this chapter.](#)

3 **44-68-6. Administration. --** [The tax administrator shall make available suitable forms](#)  
4 [with instructions for claiming the incentive. The claim shall be in a form the tax administrator](#)  
5 [may prescribe. The tax administrator may also prescribe rules and regulations, not inconsistent](#)  
6 [with law, to carry into effect the provisions of this chapter.](#)

7 SECTION 2. This act would take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
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- 1           This act would provide a tax incentive to newly created Rhode Island businesses that hire
- 2 two or more employees.
- 3           This act would take effect upon passage.

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