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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 -- RHODE ISLAND ECONOMIC DEVELOPMENT TAX
INCENTIVES EVALUATION ACT OF 2013

Introduced By: Senators DaPonte, Goodwin, Ruggerio, Paiva Weed, and Lynch

Date Introduced: March 13, 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 48.2

4 "RHODE ISLAND ECONOMIC DEVELOPMENT TAX INCENTIVES EVALUATION ACT
5 OF 2013"

6 44-48.2-1. Short title. -- This chapter shall be known and may be cited as the "Economic
7 Development Tax Incentives Evaluation Act of 2013."

8 44-48.2-2. Legislative findings and purpose. -- The general assembly finds and declares
9 that:

10 (1) The state of Rhode Island relies on a number of tax incentives, including credits,
11 exemptions, and deductions, to encourage businesses to locate, hire employees, expand, invest,
12 and/or remain in the state;

13 (2) These various tax incentives are intended as a tool for economic development,
14 promoting new jobs and business growth in Rhode Island;

15 (3) The state needs a systematic approach for evaluating whether incentives are fulfilling
16 their intended purposes in a cost-effective manner;

17 (4) In order to improve state government's effectiveness in serving the residents of this
18 state, the legislature finds it necessary to provide for the systematic and comprehensive analysis

1 of economic development tax incentives, and for those analyses to be incorporated into the
2 budget and policymaking processes.

3 **44-48.2-3. Economic development tax incentive defined.** -- (a) As used in this section,
4 the term "economic development tax incentive" shall include:

5 (1) Those tax credits, deductions, exemptions, exclusions, and other preferential tax
6 benefits associated with sections 42-64.3-6, 42-64.3-7, 42-64.5-3, 42-64.6-4, 42-64.11-4, 44-30-
7 1.1, 44-31-1, 44-31-1.1, 44-31-2, 44-31.2-5, 44-32-1, 44-32-2, 44-32-3, 44-39.1-1, 44-43-2, 44-
8 43-3, and 44-63-2, and;

9 (2) Any future incentives enacted after the effective date of this section for the purpose of
10 recruitment or retention of businesses in the state of Rhode Island.

11 (b) In determining whether a future tax incentive is enacted for "the purpose of
12 recruitment or retention of businesses," the office of revenue analysis shall consider legislative
13 intent, including legislative statements of purpose and goals, and may also consider whether the
14 tax incentive is promoted as a business incentive by the state's economic development agency or
15 other relevant state agency.

16 **44-48.2-4. Economic Development Tax Incentive Evaluations, Schedule.** -- (a) In
17 accordance with the following schedule, the tax expenditure report produced by the chief of the
18 office of revenue analysis pursuant to section 44-48.1-1, shall include an additional analysis
19 component, consistent with section 44-48.2-5 and produced in consultation with the director of
20 the economic development corporation, the director of the office of management and budget, and
21 the director of the department of labor and training:

22 (1) Analyses of economic development tax incentives as listed in subdivision 44-48.2-
23 3(1) shall be completed at least once between July 1, 2014 and June 30, 2017, and no less than
24 once every three (3) years thereafter;

25 (2) Analyses of any economic development tax incentives created after July 1, 2013, shall
26 be completed within five (5) years of taking effect, and no less than once every three (3) years
27 thereafter;

28 (b) No later than the tenth (10th) of January each year, beginning in 2014, the office of
29 revenue analysis will submit to the chairs of the senate and house finance committees a three (3)
30 year plan for evaluating economic development tax incentives.

31 **44-48.2-5. Economic Development Tax Incentive Evaluations, Analysis.** --

32 (a) The additional analysis as required by section 44-48.2-4 shall include, but not be
33 limited to:

34 (1) A baseline assessment of the tax incentive, including, if applicable, the number of

1 aggregate jobs associated with the taxpayers receiving such tax incentive and the aggregate
2 annual revenue that such taxpayers generate for the state through the direct taxes applied to them
3 and through taxes applied to their employees;

4 (2) The statutory and programmatic goals and intent of the tax incentive, if said goals and
5 intentions are included in the incentive's enabling statute or legislation;

6 (3) The number of taxpayers granted the tax incentive during the previous twelve (12)
7 month period;

8 (4) The value of the tax incentive granted, and ultimately claimed, listed by the North
9 American Industrial Classification System (NAICS) Code associated with the taxpayers receiving
10 such benefit, if such NAICS Code is available;

11 (5) An assessment and five (5) year projection of the potential impact on the state's
12 revenue stream from carry forwards allowed under such tax incentive;

13 (6) An estimate of the economic impact of the tax incentive including, but not limited to:

14 (i) A cost-benefit comparison of the revenue foregone by allowing the tax incentive
15 compared to tax revenue generated by the taxpayer receiving the credit, including direct taxes
16 applied to them and taxes applied to their employees;

17 (ii) An estimate of the number of jobs that were the direct result of the incentive; and

18 (iii) A statement by the director of the economic development corporation as to whether,
19 in his or her judgment, the statutory and programmatic goals of the tax benefit are being met, with
20 obstacles to such goals identified, if possible;

21 (7) The estimated cost to the state to administer the tax incentive, if such information is
22 available;

23 (8) An estimate of the extent to which benefits of the tax incentive remained in state or
24 flowed outside the state, if such information is available;

25 (9) In the case of economic development tax incentives where measuring the economic
26 impact is significantly limited due to data constraints, whether any changes in statute would
27 facilitate data collection in a way that would allow for better analysis;

28 (10) Whether the effectiveness of the tax incentive could be determined more definitively
29 if the general assembly were to clarify or modify the tax incentive's goals and intended purpose;

30 (11) A recommendation as to whether the tax incentive should be continued, modified or
31 terminated, the basis for such recommendation, and the expected impact of such recommendation
32 on the state's economy;

33 (12) The methodology and assumptions used in carrying out the assessments, projections
34 and analyses required pursuant to subdivisions (1) through (8) of this section.

1 (b) All departments, offices, boards, and agencies of the state shall cooperate with the
2 chief of the office of revenue analysis and shall provide to the office of revenue analysis any
3 records, information (documentary and otherwise), data, and data analysis as may be necessary
4 to complete the report required pursuant to this section.

5 **44-48.2-6. Consideration by the governor. --** The governor's budget submission as
6 required under chapter 35-3 shall identify each economic development tax incentive for which an
7 evaluation was completed in accordance with this chapter in the period since the governor's
8 previous budget submission. For each evaluated tax incentive, the governor's budget submission
9 shall include a recommendation as to whether the tax incentive should be continued, modified, or
10 terminated.

11 SECTION 2. This act shall take effect sixty (60) days after passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO TAXATION -- RHODE ISLAND ECONOMIC DEVELOPMENT TAX
INCENTIVES EVALUATION ACT OF 2013

- 1 This act would create the "Rhode Island Economic Development Tax Incentives
- 2 Evaluation Act of 2013" to provide an assessment of the state's tax incentive programs.
- 3 This act would take effect sixty (60) days after passage.

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