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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2014

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A N A C T

RELATING TO EDUCATION - HIGHER EDUCATION - JOB CREATION THROUGH  
EDUCATIONAL OPPORTUNITY PROGRAM

Introduced By: Representatives Blazejewski, Kazarian, Lally, Ajello, and Cimini

Date Introduced: January 23, 2014

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 16 of the General Laws entitled "EDUCATION" is hereby amended  
2 by adding thereto the following chapter:

3 CHAPTER 57.1

4 JOB CREATION THROUGH EDUCATIONAL OPPORTUNITIES PROGRAM ACT OF 2014

5 **16-57.1-1. Short title.** -- This act shall be known and may be cited as the "Job Creation  
6 Through Educational Opportunity Program Act of 2014."

7 **16-57.1-2. Program established.** -- (a) The Job Creation Through Educational  
8 Opportunity Program, referred to in this chapter as the "program," is created to reimburse  
9 education-related costs for Rhode Island residents who obtain an associate's degree or a  
10 bachelor's degree in science, technology, engineering, or design in this state, and live, work for a  
11 start-up business, and pay taxes in this state thereafter. The program is designed to achieve the  
12 following goals:

13 (1) Promote economic opportunity for people in this state by ensuring access to the  
14 training and higher education that higher-paying jobs require;

15 (2) Bring more and higher-paying jobs to this state by increasing the skill level of this  
16 state's workforce;

17 (3) Offer educational opportunity and retraining to individuals impacted by job loss,  
18 workplace injury, disability or other hardship;

1 (4) Keep young people in this state through incentives for educational opportunity and  
2 creation of more high-paying jobs;

3 (5) Encourage an entrepreneurial economy in Rhode Island; and

4 (6) Accomplish all of the goals in this chapter with as little bureaucracy as possible.

5 **16-57.1-3. Definitions. -- As used in this chapter the following terms have the following**  
6 **meanings unless the context clearly requires otherwise:**

7 (1) "Accredited Rhode Island community college, college or university" means an  
8 institution that is accredited by a regional accrediting association or by one of the specialized  
9 accrediting agencies recognized by the United States Secretary of Education and is:

10 (i) Any campus of the Rhode Island Community College System;

11 (ii) Any campus of the University of Rhode Island;

12 (iii) Any campus of Rhode Island College;

13 (iv) Any educational institution that is located in this state and has authorization to confer  
14 an associate's degree or a bachelor's degree, in accordance with the Rhode Island general laws.

15 (2) "Board" means the board of education.

16 (3) "Covered degree" means an associate's degree or bachelor's degree in science,  
17 technology, engineering, or design from an accredited Rhode Island community college, college,  
18 or university.

19 (4) "Educational institution" means an institution of higher learning or a vocational  
20 school, or an eligible institution as identified by the Rhode Island higher education assistance  
21 authority pursuant to chapter 16-57.

22 (5) "Educational opportunity tax credit" means the tax credit provided for in this chapter.

23 (6) "Financial aid package" means all financial aid received by a student and includes any  
24 loans that are certified by an accredited Rhode Island community college, college or university's  
25 financial aid office, subject to any changes made by that institution's financial aid office. These  
26 loans may include private loans for the cost of attendance at an accredited Rhode Island  
27 community college, college or university or less than the full amount of loans under federal  
28 programs, depending on the practices of the accredited Rhode Island community college, college  
29 or university.

30 (7) "Rhode Island resident" means an individual who, at the time the individual  
31 commences the relevant degree program, is registered to vote in the state or occupies a dwelling  
32 in the state and continues to occupy a dwelling in the state during the school year, except periods  
33 when it is reasonably necessary for the individual to live elsewhere as part of an accredited Rhode  
34 Island community college, college or university's academic programs.

1 (8) "Science, technology, engineering, or design" and/or "covered fields" means the fields  
2 of mathematics, applied mathematics, computer science, information technology, physics,  
3 biophysics, chemistry, biochemistry, biology, neuroscience, marine biology, oceanography,  
4 engineering, architecture, graphic design, and industrial design.

5 (9) "Start-up business" means (i) A for-profit Rhode Island based business with fifty (50)  
6 or fewer employees that has existed for ten (10) years or less and is focused on research,  
7 development, and marketing of products or systems based on creative applications of the covered  
8 fields; or

9 (ii) A business admitted to or a graduate of a Rhode Island-based start-up accelerator  
10 program;

11 (iii) For the purposes of this section, "Rhode Island-based" means having a principal  
12 place or business and at least fifty-one percent (51%) of employees in this state.

13 (10) "Tax administrator" or "state tax administrator" means the tax administrator within  
14 the department of revenue appointed by the director of revenue with the approval of the governor  
15 pursuant to § 44-1-1.

16 **16-57.1-4. Eligibility for the program. -- To be eligible to participate in the program:**

17 (1) An individual must be a Rhode Island resident;

18 (2) An individual must attend and obtain a covered degree from an accredited Rhode  
19 Island community college, college or university. The individual need not obtain the degree from  
20 the institution in which that individual originally enrolled, as long as all course work toward the  
21 degree is performed at an accredited Rhode Island community college, college or university;

22 (3) An individual must live in this state while pursuing the degree, excepting periods  
23 when it is reasonably necessary for the individual to live elsewhere as part of the relevant  
24 institution's academic programs. The individual must also agree to live in this state after obtaining  
25 the degree during any period when that individual seeks to take advantage of the educational  
26 opportunity tax credit;

27 (4) An individual must be employed by a start-up business; and

28 (5) An individual must maintain records relating to loan payments claimed under the  
29 educational opportunity tax credit for five (5) years after those payments are claimed.

30 **16-57.1-5. Educational loans. -- The following provisions apply with respect to an**  
31 **individual's educational loans:**

32 (1) The individual may claim the educational opportunity tax credit only with respect to  
33 loans that are part of that individual's financial aid package and that have a term of at least eight  
34 (8) years;

1 (2) If the individual makes any prepayment, that prepayment is not eligible for the  
2 educational opportunity tax credit;

3 (3) The individual, including an individual who has graduated from an accredited Rhode  
4 Island community college, college or university after September 1, 2014, may refinance  
5 educational loans only if they remain separate from other debt, whether noneducational debt or  
6 educational debt incurred in a program other than the degree program for which the educational  
7 opportunity tax credit is claimed.

8 **16-57.1-6. Administration. --** The program must be administered as described in this  
9 section:

10 (1) The board of education, in consultation with the state tax administrator, shall make  
11 information about the program available on the board's publicly accessible website. The board  
12 shall refer any questions regarding the program to the relevant accredited Rhode Island  
13 community college, college or university's financial aid office. The assessor shall provide to an  
14 accredited Rhode Island community college, college or university information that is necessary to  
15 document a student's eligibility for the educational opportunity tax credit;

16 (2) A Rhode Island resident who enrolls in an accredited Rhode Island community  
17 college, college or university and receives financial aid in the form of loans must have the  
18 opportunity to participate in the program. An accredited Rhode Island community college, college  
19 or university shall, at a minimum, provide information about the program in financial aid award  
20 materials, entrance interviews, exit interviews, materials listing financial aid resources and, as  
21 appropriate, any promotional materials provided by state agencies, to the extent such contacts  
22 with students are already part of the accredited Rhode Island community college, college or  
23 university's procedures;

24 (3) An accredited Rhode Island community college, college or university must document  
25 for the student information required for purposes of the educational opportunity tax credit. The  
26 accredited Rhode Island community college, college or university shall provide an original or  
27 certified copy to the student and shall retain a copy of the documentation in its files for at least  
28 ten (10) years after the student graduates;

29 (4) An individual may take advantage of any forbearance or deferment provisions in the  
30 relevant loan agreements without forfeiting the right to claim the educational opportunity tax  
31 credit when the individual resumes repayment. This paragraph applies to a student that obtained a  
32 bachelor's or associate's degree from an accredited Rhode Island community college, college or  
33 university after September 1, 2014.

34 **16-57.1-7. Effective date; participation by individual already enrolled in degree**

1 **program.** -- The program must commence for the first semester that begins after the effective  
2 date of this chapter. A Rhode Island resident who, when the program commences, is enrolled in  
3 an associate's or a bachelor's degree program at an accredited Rhode Island community college,  
4 college or university may participate, subject to the same essential terms as other program  
5 participants. Such an individual need only meet the eligibility requirements in this chapter from  
6 September 1, 2014 forward. Provided, that in calculating the benefits available to the person  
7 under this chapter, including, but not limited to, credits and reimbursements, only education  
8 undertaken and expenses incurred on or after the effective date of this chapter may be considered  
9 for calculating the amount of the principal cap and/or any other additional benefits under this  
10 chapter.

11 **16-57.1-8. Promotion by state agencies.** -- The board, the higher education assistance  
12 authority established pursuant to chapter 16-57, the Rhode Island commerce corporation, and any  
13 other agency engaging in education-related outreach shall integrate promotion of the program into  
14 existing educational opportunity outreach efforts to the extent possible in a manner consistent  
15 with the scope of the program and its centrality to the state's efforts to raise educational  
16 attainment.

17 **16-57.1-9. Credit for educational opportunity.** -- (a) Definitions. -- As used in this  
18 section, unless the context otherwise indicates, the following terms have the following meanings:

19 (1) "Employer" means a start-up business as determined in § 16-57.1-3;

20 (2) "Full-time" employment means employment with a normal workweek of thirty-two  
21 (32) hours or more;

22 (3) "Part-time" employment means employment with a normal workweek of between  
23 sixteen (16) and thirty-two (32) hours;

24 (4) "Qualified employee" means an employee who is eligible for the credit provided in  
25 this section and who is employed at least part- time;

26 (5) "Opportunity program participant" means an individual who obtains the specified  
27 degree and complies with the requirements under this chapter;

28 (6) "Resident individual" has the same meaning as "Rhode Island resident" as defined in  
29 this chapter;

30 (7) "Seasonal employment" means employment in an industry in which, because of the  
31 seasonal nature thereof, it is customary to operate only during a regularly recurring period or  
32 periods of less than twenty-six (26) weeks in a calendar year;

33 (8) "Term of employment" includes all months when the individual is actually employed.  
34 It includes time periods when an individual is on leave or vacation. It extends to the full year for

1 individuals working for employers who customarily operate only during a regularly recurring  
2 period of nine (9) months or more in a calendar year. For individuals working for employers who  
3 customarily operate only during regularly recurring periods of less than nine (9) months in a  
4 calendar year, including seasonal employment, the term of employment extends only to time  
5 periods when the individual is actually working.

6 (b) Credit allowed. -- A taxpayer constituting an opportunity program participant or an  
7 employer of a qualified employee is allowed a credit against the state personal or business  
8 corporation tax, whichever is appropriate, for each taxable year under the terms established in this  
9 section. The credit is created to implement the Job Creation Through Educational Opportunity  
10 Program established under this chapter 16-57.1.

11 (c) Credit not to reduce tax to less than zero. -- The credit may not reduce the tax  
12 otherwise due under this section to less than zero dollars (\$0.00). A taxpayer entitled to the credit  
13 for any taxable year may carry over and apply to the tax liability for any one or more of the next  
14 succeeding ten (10) years the portion, as reduced from year to year, of any unused credits. More  
15 than one taxpayer may claim a credit based on loan payments actually made to a relevant lender  
16 or lenders to benefit a single opportunity program participant, but no two (2) taxpayers may claim  
17 the credit based on the same payment.

18 (d) Calculation of the credit. -- The credit in this section is determined on the basis of the  
19 amount under subsection (b) or subsection (c), of this section, whichever is less, multiplied by the  
20 proration factor. For purposes of this subsection, the proration factor is the amount derived by  
21 dividing the total number of academic credit hours earned for a bachelor's or associate's degree  
22 after December 31, 2013 by the total number of academic credit hours earned for the bachelor's or  
23 associate's degree.

24 (e) Conditions for an opportunity program participant claiming the credit. -- An  
25 opportunity program participant may claim the credit only if the participant is a resident  
26 individual. The participant may claim the credit based only on regular payments made during  
27 months in which the individual was working for an employer located in this state. A married  
28 couple filing jointly under may claim the credit only to the extent that the spouse on whose behalf  
29 the credit is claimed meets these requirements.

30 (f) Conditions for an employer claiming the credit. -- (1) A taxpayer who is an employer  
31 may claim the credit under this section under the following circumstances. The employer may  
32 undertake to make partial or full loan payments directly to the relevant lender or lenders on behalf  
33 of a qualified employee, having taken reasonable steps to ascertain that the employee is in fact a  
34 qualified employee, and may claim a credit based on amounts that came due and were paid by the

1 employer during the term of employment. To receive the credit, the employer must retain for five  
2 (5) years any proof of eligibility that the employee or independent contractor provides.

3 (2) The employer may claim a credit against the business corporation tax liability or, for  
4 an unincorporated employer, against business income or personal income tax liability, but not  
5 both, for the amount that the qualified employee could have claimed during any months when the  
6 qualified employee was employed, had the qualified employee made the partial or full loan  
7 payments instead, under conditions where the qualified employee had sufficient income to claim  
8 the full credit for the taxable year. If the qualified employee is employed only on a part-time  
9 basis, the employer may claim a credit only up to half of the total that the qualified employee  
10 could have claimed had the qualified employee made all payments and earned sufficient income  
11 to claim the full credit for the taxable year, but the amount the employer claims must still be  
12 based on amounts actually paid.

13 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 EDUCATION - HIGHER EDUCATION - JOB CREATION THROUGH  
EDUCATIONAL OPPORTUNITY PROGRAM

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1           This act would establish the "Job Creation Through Educational Opportunity Program  
2 Act of 2014." The purpose of this program would be to create incentives for individual residents  
3 of this state to pursue higher education in science, technology, engineering, and design, and to  
4 remain within this state after attaining a post-secondary degree. One of the key components of  
5 this program would be an educational opportunity tax credit which could be claimed for certain  
6 expenses associated with post-secondary education, as calculated by the mechanisms provided in  
7 this chapter.

8           This act would take effect upon passage.

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