

2014 -- S 2146

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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 TAXATION - SALES AND USE TAXES - LIABILITY AND  
COMPUTATION

Introduced By: Senators Picard, and Cote

Date Introduced: January 29, 2014

Referred To: Senate Finance

(by request)

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-18-30.C of the General Laws in Chapter 44-18 entitled "Sales  
2 and Use Taxes - Liability and Computation" is hereby amended to read as follows:

3 ~~44-18-30.C. Exemption from or stabilization of sales and use taxes for municipal~~  
4 ~~economic development zones -- West Warwick. --~~ Exemption from or stabilization of sales  
5 and use taxes for municipal economic development zones -- West Warwick and  
6 Woonsocket. -- (a) Findings. - The general assembly makes the following findings of fact:

7 (1) Various sections of several towns in the state, including, but not limited to, the town  
8 of West Warwick and the city of Woonsocket, are deteriorated, blighted areas which have created  
9 very difficult challenges to economic development;

10 (2) Several areas of the state are in a distressed financial condition as defined by section  
11 45-13-12(b) and cannot finance economic development projects on its own without the  
12 participation of private enterprise;

13 (3) The general assembly has found that it is nearly impossible for private enterprise  
14 alone to meet these challenges;

15 (4) In certain sections of financially distressed communities, the serious challenges of  
16 economic development and/or redevelopment have not been met by private enterprise alone and  
17 the impact is being felt throughout the community;

18 (5) Legislation enacted to encourage redevelopment of the deteriorated, blighted areas

1 through the formation of local redevelopment agencies has had very limited success;

2 (6) Various states, such as New Jersey, Pennsylvania and Michigan have had a great deal  
3 of success in generating economic development by exercising the authority to exempt and/or  
4 stabilize taxes;

5 (7) The state of Rhode Island has generated economic growth by redirecting and/or  
6 exempting certain commercial and retail activity from the imposition of sales, use and income  
7 taxes with recent examples being the Providence Place Mall, the Arts Districts in the cities of  
8 Providence, Pawtucket and Westerly, and financial services and aquaculture industries;

9 (8) Most recently, municipalities in our state have had great success in attracting large  
10 commercial development, including financial services, manufacturing, and major energy  
11 facilities, due in large part to the authority to exempt and/or stabilize property, tangible and/or  
12 inventory taxes;

13 (9) Attracting large non-residential developments or encouraging expansion of existing  
14 commercial entities can be extremely important to municipalities, where the quality of public  
15 education is largely dependent on the local tax base, thereby expanding the commercial tax base  
16 and reducing reliance upon the residential tax base;

17 (10) The ability to attract this development and increase the non-residential tax base, in  
18 turn, improves municipalities' ability to finance school systems, municipal services and  
19 infrastructure, thereby improving the quality of life;

20 (11) In addition to increasing the local non-residential tax base, this development creates  
21 construction jobs, permanent jobs, and spurs additional investment by private enterprises; and

22 (12) Providing authority to offer tax exemptions from, or to stabilize, the imposition of  
23 sales and use taxes will attract and assist in expanding, revitalizing and redeveloping the tax base  
24 in our municipalities, thereby providing long-term economic benefits and development.

25 (b) Exemption or stabilization of sales and use taxes imposed on sales from businesses  
26 located in a municipal economic development zone.

27 (1) In order to attract new construction and development in a municipal economic  
28 development zone (MED) as provided in this section, upon the designation of such a zone as set  
29 forth in subsection (c) of this section, all businesses engaging in qualifying sales and located in  
30 new construction in a MED zone (a MED zone business) shall be exempt from the requirement to  
31 charge and collect fifty percent (50%) of the current sales and use tax pursuant to sections 44-18-  
32 18 and 44-18-20 for a period of ten (10) years. Sales and use taxes collected in a MED zone shall  
33 be returned to the same MED zone in accordance with the provisions of this section. The ten (10)  
34 year exemption period for all MED zone businesses shall begin to run from the latest to occur of:

1 (i) the date that is three (3) years from the effective date of the January session 2003 amendments  
2 [July 17, 2003] or (ii) the date that is two (2) years from the date upon which the city or town  
3 council designates the MED zone for its municipality; or (iii) the date the first MED zone  
4 business obtains a certification of exemption as set forth in subdivision (c)(6) of this section.

5 (2) For purposes of this section, "qualifying sales" for a MED zone business shall not  
6 include gambling activities, or the retail sales of motor vehicles, furniture, home furnishings  
7 including mattresses and oriental rugs, tobacco products, or packaged alcoholic beverages.

8 (3) "Qualifying sales" shall be sales at which the point of sale is located within the same  
9 MED zone and point of delivery is located within the same MED zone.

10 (c) Creation of the municipal economic development zone.

11 (1) The city or town council of a financially distressed community may designate in  
12 accordance with the provisions of this section one MED zone in the municipality, provided that  
13 the municipality is:

14 (i) A financially distressed community as defined by section 45-13-12(b), using the  
15 criteria set forth in section 45-13-12(b)(1) through (4);

16 (ii) Has a population less than fifty thousand (50,000) persons; and

17 (iii) The MED zone shall be a parcel of or contiguous parcels of land consisting in total  
18 of not less than ten (10) acres, but not more than thirty (30) acres in the area served by adequate  
19 utilities and transportation facilities.

20 (2) The city or town council of any financially distressed city or town, as set forth in  
21 subdivision (1) of this subsection, in creating a MED zone, shall have the power and authority of  
22 a redevelopment agency, as provided in chapter 32 of title 45, to undertake the redevelopment of  
23 a MED zone.

24 (3) The city or town council, in designating a MED zone, shall after public notice,  
25 hearing and vote as provided by section 45-32-4, comply with the plan requirements of section  
26 45-32-8 and shall be responsible for carrying on the plan. The city or town council in  
27 implementing the MED zone plan shall have the power of eminent domain as set forth in section  
28 45-32-24, and the provisions of sections 45-32-25 -- 45-32-41 shall apply to all such  
29 condemnations.

30 (4) All sales and use taxes collected within a MED zone shall be reimbursed to the  
31 municipality in which the MED zone is located, and may be expended by the municipality to  
32 implement the capital improvement component of the MED zone plan for MED zone property or  
33 for property located within one mile of the MED zone or for such other capital improvements as  
34 the municipality may determine are required to mitigate MED zone impacts.

1 (5) West Warwick. - The following area or portions of them of the town of West  
2 Warwick may be designated as the town's municipal economic development zone by the town  
3 council of the town of West Warwick after public notice, hearing and vote as provided in section  
4 45-32-4:

5 The area bounded generally by the East Coast Bike Path in the east, Archambault and  
6 Gardner Avenue in the north, Payan Street to Curson Street, Curson Street to McNiff, McNiff to  
7 Barnes Street, Barnes Street to Nowicki Street to East Street, East Street to Blanchard Street,  
8 Blanchard Street to West Street in the west, West Street to Washington Street, Washington Street  
9 to Nolan Street, Nolan Street to the East Coast Bike Path in the south, all as more particularly  
10 described on the West Warwick municipal economic development zone map on file with the town  
11 clerk.

12 (6) The tax administrator shall issue a certification of exemption to the MED zone  
13 business at the time the business applies for its permit to make sales at retail and provides the tax  
14 administrator with a MED zone business certificate issued by the town clerk stating that the  
15 business is located in new construction in the MED zone. The duration of the certificate shall be  
16 determined in accordance with subdivision (b)(1) of this section.

17 (7) No business shall be permitted to become a MED zone business or to receive a  
18 certificate of exemption pursuant to subdivision (6) of this subsection by relocating from any area  
19 within the state of Rhode Island but outside the MED zone to new construction within the MED  
20 zone, unless the relocation results in the creation of new permanent employment positions that  
21 increase the total employment of the business by not less than fifty percent (50%) of its average  
22 total employment for the two (2) year period immediately preceding the year in which it applies  
23 for its certificate of exemption. Any business that expands its operations by adding a new location  
24 within the MED zone and then ceases to operate any of its locations within the state of Rhode  
25 Island that existed prior to the establishment of the MED zone location shall immediately have its  
26 certificate of exemption for the MED zone location revoked.

27 (8) Woonsocket. The entire area of the city of Woonsocket may be designated as the  
28 city's municipal economic development zone by the city council of the city of Woonsocket after  
29 public notice, hearing, and vote as provided in § 45-32-4. This provision shall be repealed and  
30 expire ten (10) years after passage.

31 (d) The director of the department of revenue shall perform an annual review of all  
32 municipal economic development zones created pursuant to this section regarding compliance  
33 with their MED zone plans, the receipt and the expenditure of funds, the status of any capital  
34 improvement projects and the names of any businesses granted a tax certificate of exemption.

1 This annual review shall be performed on or before December 31 of each year and provided to  
2 the chairpersons of the house and senate finance committees on or before February 1 of each  
3 year. The general assembly can expand the municipal economic development zone or create  
4 additional MED zones, or both, if there is favorable economic progress in the zone, based upon  
5 the annual review provided by the director of the department of revenue.

6 SECTION 2. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

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1           This act would authorize the creation of a municipal economic development zone  
2 consisting of the entire city of Woonsocket and require that the director of the department of  
3 revenue perform an annual review of all MED zones and transmit said review to the chairpersons  
4 of the house and senate finance committees.

5           This act would take effect upon passage.

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