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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 Lombardo, Paiva Weed, DaPonte, Ruggerio, and Goodwin

Date Introduced: April 04, 2013

Referred To: Senate Finance

(Governor)

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 3-10-1 of the General Laws in Chapter 3-10 entitled "Taxation of
2 Beverages" is hereby amended to read as follows:

3 **3-10-1. Manufacturing tax rates - Exemption of religious uses.** -- (a) There shall be
4 assessed and levied by the tax administrator on all beverages manufactured, rectified, blended, or
5 reduced for sale in this state a tax of three dollars (\$3.00) on every thirty-one (31) gallons, and a
6 tax at a like rate for any other quantity or fractional part. On any beverage manufactured,
7 rectified, blended, or reduced for sale in this state consisting in whole or in part of wine, whiskey,
8 rum, gin, brandy spirits, ethyl alcohol, or other strong liquors (as distinguished from beer or other
9 brewery products) the tax to be assessed and levied is as follows:

10 (1) Still wines (whether fortified or not), sixty cents (\$.60) per gallon;

11 (2) Still wines (whether fortified or not) made entirely from fruit grown in this state,
12 thirty cents (\$.30) per gallon;

13 (3) Sparkling wines (whether fortified or not), seventy five cents (\$.75) per gallon;

14 (4) Whiskey, rum, gin, brandy spirits, cordials, and other beverages consisting in whole
15 or in part of alcohol which is the product of distillation, three dollars and seventy-five cents
16 (\$3.75) per gallon, except that whiskey, rum, gin, brandy spirits, cordials, and other beverages
17 consisting in whole or in part of alcohol which is the product of distillation but which contains
18 alcohol measuring thirty (30) proof or less, one dollar and ten cents (\$1.10) per gallon;

19 (5) Ethyl alcohol to be used for beverage purposes, seven dollars and fifty cents (\$7.50)

1 per gallon; and

2 (6) Ethyl alcohol to be used for nonbeverage purposes, eight cents (\$.08) per gallon.

3 (b) Sacramental wines are not subject to any tax if sold directly to a member of the clergy
4 for use by the purchaser, or his or her congregation for sacramental or other religious purposes.

5 (c) A brewer who brews beer in this state which is actively and directly owned, managed,
6 and operated by an authorized legal entity which has owned, managed, and operated a brewery in
7 this state for at least twelve (12) consecutive months, shall receive a tax exemption on the first
8 one hundred thousand (100,000) barrels of beer that it produces and distributes in this state in any
9 calendar year. A barrel of beer is thirty one (31) gallons.

10 (1) For purposes of improving the tax expenditure report filed on a biennial basis
11 pursuant to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue,
12 any taxpayer benefiting from the tax exemption in subsection (c) above shall report to the
13 division of taxation the actual value of the tax exemption and authorize that this information as
14 well as the identification of the taxpayer be disclosed as part of the biennial tax expenditure
15 report. In order to qualify for the tax exemption in subsection (c) of this section, any taxpayer
16 shall comply with the requirements of this subsection. The tax administrator shall prescribe the
17 form in which the report required by this subsection shall be filed.

18 SECTION 2. Section 46-64-20 of the General Laws in Chapter 46-20 entitled "Rhode
19 Island Economic Development Corporation" is hereby amended to read as follows:

20 **42-64-20. Exemption from taxation.** -- (a) The exercise of the powers granted by this
21 chapter will be in all respects for the benefit of the people of this state, the increase of their
22 commerce, welfare, and prosperity and for the improvement of their health and living conditions
23 and will constitute the performance of an essential governmental function and the corporation
24 shall not be required to pay any taxes or assessments upon or in respect of any project or of any
25 property or moneys of the Rhode Island economic development corporation, levied by any
26 municipality or political subdivision of the state; provided, that the corporation shall make
27 payments in lieu of real property taxes and assessments to municipalities and political
28 subdivisions with respect to projects of the corporation located in the municipalities and political
29 subdivisions during those times that the corporation derives revenue from the lease or operation
30 of the projects. Payments in lieu of taxes shall be in amounts agreed upon by the corporation and
31 the affected municipalities and political subdivisions. Failing the agreement, the amounts of
32 payments in lieu of taxes shall be determined by the corporation using a formula that shall
33 reasonably ensure that the amounts approximate the average amount of real property taxes due
34 throughout the state with respect to facilities of a similar nature and size. Any municipality or

1 political subdivision is empowered to accept at its option an amount of payments in lieu of taxes
2 less than that determined by the corporation. If, pursuant to 42-64-13(f), the corporation shall
3 have agreed with a municipality or political subdivision that it shall not provide all of the
4 specified services, the payments in lieu of taxes shall be reduced by the cost incurred by the
5 corporation or any other person in providing the services not provided by the municipality or
6 political subdivision.

7 (b) The corporation shall not be required to pay state taxes of any kind, and the
8 corporation, its projects, property, and moneys and, except for estate, inheritance, and gift taxes,
9 any bonds or notes issued under the provisions of this chapter and the income (including gain
10 from sale or exchange) from these shall at all times be free from taxation of every kind by the
11 state and by the municipalities and all political subdivisions of the state. The corporation shall not
12 be required to pay any transfer tax of any kind on account of instruments recorded by it or on its
13 behalf.

14 (c) For purposes of the exemption from taxes and assessments upon or in respect of any
15 project under subsections (a) or (b) of this section, the corporation shall not be required to hold
16 legal title to any real or personal property, including any fixtures, furnishings or equipment which
17 are acquired and used in the construction and development of the project, but the legal title may
18 be held in the name of a lessee (including sublessees) from the corporation. This property, which
19 shall not include any goods or inventory used in the project after completion of construction, shall
20 be exempt from taxation to the same extent as if legal title of the property were in the name of the
21 corporation; provided that the board of directors of the corporation adopts a resolution confirming
22 use of the tax exemption for the project by the lessee. Such resolution shall not take effect until
23 thirty (30) days from passage. The resolution shall include findings that: (1) the project is a
24 project of the corporation under 42-64-3(20), and (2) it is in the interest of the corporation and of
25 the project that legal title be held by the lessee from the corporation. In adopting the resolution,
26 the board of directors may consider any factors it deems relevant to the interests of the
27 corporation or the project including, for example, but without limitation, reduction in potential
28 liability or costs to the corporation or designation of the project as a "Project of Critical Economic
29 Concern" pursuant to Chapter 117 of this title.

30 (d) For purposes of the exemption from taxes and assessments for any project of the
31 corporation held by a lessee of the corporation under subsection (c) of this section, any such
32 project shall be subject to the following additional requirements:

33 (1) The total sales tax exemption benefit to the lessee will be implemented through a
34 reimbursement process as determined by the division of taxation rather than an up-front purchase

1 exemption;

2 (2) The sales tax benefits granted pursuant to RIGL 42-64-20(c) shall only apply to
3 project approved prior to July 1, 2011 and shall: (i) only apply to materials used in the
4 construction, reconstruction or rehabilitation of the project and to the acquisition of furniture,
5 fixtures and equipment, except automobiles, trucks or other motor vehicles, or materials that
6 otherwise are depreciable and have a useful life of one year or more, for the project for a period
7 not to exceed six (6) months after receipt of a certificate of occupancy for any given phase of the
8 project for which sales tax benefits are utilized; and (ii) not exceed an amount equal to the income
9 tax revenue received by the state from the new full-time jobs with benefits excluding project
10 construction jobs, generated by the project within a period of three (3) years from after the receipt
11 of a certificate of occupancy for any given phase of the project. "Full- time jobs with benefits"
12 means jobs that require working a minimum of thirty (30) hours per week within the state, with a
13 median wage that exceeds by five percent (5%) the median annual wage for the preceding year
14 for full-time jobs in Rhode Island, as certified by the department of labor and training with a
15 benefit package that is typical of companies within the lessee's industry. The sales tax benefits
16 granted pursuant to Rhode Island general laws subsection 42-64-20(c) shall not be effective for
17 projects approved on or after July 1, 2011.

18 (3) The corporation shall transmit the analysis required by RIGL 42-64-10(a)(2) to the
19 house and senate fiscal committee chairs, the department of labor and training and the division of
20 taxation promptly upon completion. Annually thereafter, the department of labor and training
21 shall certify to the house and senate fiscal committee chairs, the house and senate fiscal advisors,
22 the corporation and the division of taxation the actual number of new full-time jobs with benefits
23 created by the project, in addition to construction jobs, and whether such new jobs are on target to
24 meet or exceed the estimated number of new jobs identified in the analysis above. This
25 certification shall no longer be required when the total amount of new income tax revenue
26 received by the state exceeds the amount of the sales tax exemption benefit granted above.

27 (4) The department of labor and training shall certify to the house and senate fiscal
28 committee chairs and the division of taxation that jobs created by the project are "new jobs" in the
29 state of Rhode Island, meaning that the employees of the project are in addition to, and without a
30 reduction of, those employees of the lessee currently employed in Rhode Island, are not relocated
31 from another facility of the lessee's in Rhode Island or are employees assumed by the lessee as
32 the result of a merger or acquisition of a company already located in Rhode Island. Additionally,
33 the corporation, with the assistance of the lessee, the department of labor and training, the
34 department of human services and the division of taxation shall provide annually an analysis of

1 whether any of the employees of the project qualify for RIte Care or RIte Share benefits and the
2 impact such benefits or assistance may have on the state budget.

3 (5) Notwithstanding any other provision of law, the division of taxation, the department
4 of labor and training and the department of human services are authorized to present, review and
5 discuss lessee specific tax or employment information or data with the corporation, the house and
6 senate fiscal committee chairs, and/or the house and senate fiscal advisors for the purpose of
7 verification and compliance with this resolution; and

8 (6) The corporation and the project lessee shall agree that, if at any time prior to the state
9 recouping the amount of the sales tax exemption through new income tax collections from the
10 project, not including construction job income taxes, the lessee will be unable to continue the
11 project, or otherwise defaults on its obligations to the corporation, the lessee shall be liable to the
12 state for all the sales tax benefits granted to the project plus interest, as determined in RIGL 44-1-
13 7, calculated from the date the lessee received the sales tax benefits.

14 (e) For purposes of improving the tax expenditure report filed on a biennial basis
15 pursuant to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue,
16 any taxpayer benefiting from the tax exemption in this section shall report to the division of
17 taxation the actual value of the tax exemption, and authorize that this information, as well as the
18 identification of the taxpayer be disclosed as part of the biennial tax expenditure report. In order
19 to qualify for the tax exemption in this section, any taxpayer shall comply with the requirements
20 of this subsection. The tax administrator shall prescribe the form in which the report required by
21 this subsection shall be filed.

22 SECTION 3. Sections 42-64.3-6 and 42-64.3-7 of the General Laws in Chapter 42-64.3
23 entitled "Distressed Areas Economic Revitalization Act" are hereby amended to read as follows:

24 **42-64.3-6. Business tax credits. --** A qualified business in an enterprise zone is allowed a
25 credit against the tax imposed pursuant to chapters 11, 13 (except the taxation of tangible
26 personal property under 44-13-13), 14, 17, and 30 of title 44:

27 (1) A credit equal to fifty percent (50%) of the total amount of wages paid to those
28 enterprise job employees comprising the five percent (5%) new jobs referenced in 42-64.3-
29 3(4)(i)(A). The wages subject to the credit shall be reduced by any direct state or federal wage
30 assistance paid to employers for the employee(s) in the taxable year. The maximum credit
31 allowed per taxable year under the provisions of this subsection shall be two thousand five
32 hundred dollars (\$2,500), per employee. A taxpayer who takes this business tax credit shall not be
33 eligible for the resident business owner modification pursuant to 42-64.3-7.

34 (2) A credit equal to seventy five percent (75%) of the total amount of wages paid to

1 those enterprise job employees who are domiciliaries of an enterprise zone comprising the five
2 percent (5%) new jobs referenced in 42-64.3-3(4)(i)(A). The wages subject to the credit shall be
3 reduced by any direct state or federal wage assistance in the taxable year. The maximum credit
4 allowed per taxable year under the provisions of this subdivision shall be five thousand dollars
5 (\$5,000) per employee. A taxpayer who takes this business tax credit is not eligible for the
6 resident business owner modification. The council shall promulgate appropriate rules to certify
7 that the enterprise job employees are domiciliaries of an enterprise zone and shall advise the
8 qualified business and the tax administrator. A taxpayer taking a credit for employees pursuant to
9 this subdivision (2) shall not be entitled to a credit pursuant to subdivision (1) of this section for
10 the employees.

11 (3) Any tax credit as provided in subdivision (1) or (2) of this section shall not reduce the
12 tax below the minimum tax. Fiscal year taxpayers must claim the tax credit in the year into which
13 the December 31st of the certification year falls. The credit shall be used to offset tax liability
14 pursuant to the provisions of either chapters 11, 13, 14, 17, or 30 of title 44, but not more than
15 one chapter.

16 (4) In the case of a corporation, the credit allowed under this section is only allowed
17 against the tax of that corporation included in a consolidated return that qualifies for the credit
18 and not against the tax of other corporations that may join in the filing of a consolidated tax
19 return.

20 (5) In the case of multiple business owners, the credit provided in subdivision (1) or (2)
21 of this section is apportioned according to the ownership interests of the qualified business.

22 (6) The tax credits established pursuant to this section may be carried forward for a
23 period of three (3) years if in each of the three (3) calendar years a business which has qualified
24 for tax credits under this section: (a) does not reduce the number of its employees from the last
25 Effective Date of Certification; (b) obtains certificates of good standing from the Rhode Island
26 division of taxation, the corporations division of the Rhode Island secretary of state and the
27 appropriate municipal tax collector; (c) provides the council an affidavit stating under oath that
28 this business has not within the preceding twelve (12) months changed its legal status for the
29 purpose of gaining favorable treatment under the provisions of chapter 64.3 of this title; and (d)
30 meets any other requirements as may be established by the council in its rules and regulations.

31 (7) For purposes of improving the tax expenditure report filed on a biennial basis
32 pursuant to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue,
33 any taxpayer benefiting from the tax credits in this section shall report to the division of taxation
34 the actual value of the tax credits, and authorize that this information, as well as the identification

1 [of the taxpayer be disclosed as part of the biennial tax expenditure report. In order to qualify for](#)
2 [the tax credits in this section, any taxpayer shall comply with the requirements of this subsection.](#)
3 [The tax administrator shall prescribe the form in which the report required by this subsection](#)
4 [shall be filed.](#)

5 **42-64.3-7. Resident business owner tax modification.** -- (a) In computing his or her
6 annual tax liability pursuant to the provisions of chapter 11 or 30 of title 44, a domiciliary of an
7 enterprise zone who owns and operates a qualified business facility in that zone and which
8 business is not required to file under chapter 11,13,14 or 17 of title 44 may:

9 (1) For the first three (3) years after certification, whether or not consecutive, deduct fifty
10 thousand dollars (\$50,000) per year as a modification reducing federal adjusted gross income; and

11 (2) For the fourth and fifth years after certification, whether or not consecutive, deduct
12 twenty-five thousand dollars (\$25,000) per year as a modification reducing federal adjusted gross
13 income.

14 (b) Any modification provided in subdivisions (1) and (2) of subsection (a) shall not be
15 available in taxable years other than the year in which the taxpayer qualifies for tax modification.

16 (c) In the case of multiple business owners, the modifications provided in subdivisions
17 (1) and (2) of subsection (a) shall be apportioned according to the ownership interests of the
18 domiciliary owners of the qualified business.

19 (d) A taxpayer who elects this modification shall not be eligible for the business tax
20 credits under 42-64.3-6.

21 [\(e\) For purposes of improving the tax expenditure report filed on a biennial basis](#)
22 [pursuant to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue,](#)
23 [any taxpayer benefiting from the tax modification in this section shall report to the division of](#)
24 [taxation the actual value of the tax modification, and authorize that this information, as well as](#)
25 [the identification of the taxpayer be disclosed as part of the biennial tax expenditure report. In](#)
26 [order to qualify for the tax modification in this section, any taxpayer shall comply with the](#)
27 [requirements of this subsection. The tax administrator shall prescribe the form in which the report](#)
28 [required by this subsection shall be filed.](#)

29 SECTION 4. Section 42-64.5-3 of the General Laws in Chapter 42-64.5 entitled "Jobs
30 Development Act" is hereby amended to read as follows:

31 **42-64.5-3. Tax rate reduction.** -- (a) The rate of tax payable by an eligible company and
32 each of its eligible subsidiaries for any taxable year ending on or after July 1, 1995, on its net
33 income pursuant to the applicable income tax provisions of the general laws, including the
34 provisions of 44-11-2(a), 44-14-3(a), 44-14-4 and 44-17-1, or on its gross earnings pursuant to

1 44-13-4(4), shall be reduced by the amount specified in 42-64.5-4; this rate reduction shall be
2 applied annually once to those eligible companies which are permitted by law to file a
3 consolidated state tax return and in the case of eligible companies not permitted by law to file
4 consolidated state tax returns, then the rate reduction shall be applied annually to each eligible
5 company and its eligible subsidiaries; provided, however, except as provided in 42-64.5-7, should
6 any eligible company fail to maintain in any taxable year after 1997 or, if applicable, the third
7 taxable year following the base employment period election set forth in 42-64.5-5, the number of
8 units of new employment it reported for its 1997 tax year or, if applicable, the third taxable year
9 following the base employment period election set forth in 42-64.5-5; the rate reduction provided
10 for in this chapter shall expire permanently.

11 (b) For purposes of improving the tax expenditure report filed on a biennial basis
12 pursuant to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue,
13 any taxpayer benefiting from the tax reduction in this section shall report to the division of
14 taxation the actual value of the tax reduction, and authorize that this information, as well as the
15 identification of the taxpayer be disclosed as part of the biennial tax expenditure report. In order
16 to qualify for the tax reduction in this section, any taxpayer shall comply with the requirements of
17 this subsection. The tax administrator shall prescribe the form in which the report required by this
18 subsection shall be filed.

19 SECTION 5. Section 42-64.6-4 of the General Laws in Chapter 42-64.6 entitled "Jobs
20 Training Tax Credit Act" is hereby amended to read as follows:

21 **42-64.6-4. Determination of credit.** – (a) The credit provided in this chapter is equal to
22 twenty-five percent (25%) of the qualifying expenses incurred in 1996 and fifty percent (50%) of
23 the qualifying expenses incurred after 1996 to provide training and/or retraining for a qualifying
24 employee, of which fifty percent (50%) of the credit shall be allowed in the taxable year in which
25 the expense is paid and the balance of the credit shall be allowed in the following taxable year.
26 The maximum amount of credit per employee shall not exceed five thousand dollars (\$5,000) in
27 any three (3) year period. The credit allowed pursuant to the provisions of this chapter that is
28 attributable to the cost of providing training and/or retraining to a qualifying employee shall be
29 recaptured if the employee involuntarily other than as a result of death or disability no longer
30 qualifies as a qualifying employee of the employer at any time during the eighteen (18) month
31 period following the employee's completion of the program.

32 (b) For purposes of improving the tax expenditure report filed on a biennial basis
33 pursuant to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue,
34 any taxpayer benefiting from the tax credit in this section shall report to the division of taxation

1 the actual value of the tax credit, and authorize that this information, as well as the identification
2 of the taxpayer be disclosed as part of the biennial tax expenditure report. In order to qualify for
3 the tax credit in this section, any taxpayer shall comply with the requirements of this subsection.
4 The tax administrator shall prescribe the form in which the report required by this subsection
5 shall be filed.

6 SECTION 6. Section 42-64.11-4 of the General Laws in Chapter 42-64.11 entitled "Jobs
7 Growth Act" is hereby amended to read as follows:

8 **42-64.11-4. Partial modification of performance-based compensation.--** (a) Fifty
9 percent (50%) of the performance-based compensation realized by an eligible employee in any
10 credit year shall be allowed as a modification decreasing adjusted gross income and alternative
11 minimum income for purposes of the personal income tax.

12 (b) The modification provided under subsection (a) shall be taken into account in
13 determining withholding under 44-30-71 to be deducted by a fully-certified company with respect
14 to performance-based compensation paid to eligible employees.

15 (c) The amount of income, otherwise qualifying as performance-based compensation,
16 derived from employer granted stock options is subject to the fifty percent (50%) modification
17 provided for in subsection (a) only to the extent that the same amount is subject to tax under 42-
18 64.11-5.

19 (d) For purposes of improving the tax expenditure report filed on a biennial basis
20 pursuant to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue,
21 any taxpayer benefiting from the tax modification in this section shall report to the division of
22 taxation the actual value of the tax modification, and authorize that this information, as well as
23 the identification of the taxpayer be disclosed as part of the biennial tax expenditure report. In
24 order to qualify for the tax modification in this section, any taxpayer shall comply with the
25 requirements of this subsection. The tax administrator shall prescribe the form in which the report
26 required by this subsection shall be filed.

27 SECTION 7. Section 44-11-41 of the General Laws in Chapter 44-11 entitled "Business
28 Corporation Act" is hereby amended to read as follows:

29 **44-11-41. Tax credit for machine tool, metal trade or plastic process technician**
30 **apprenticeships. --** (a) Any taxpayer who employs a machine tool and metal trade apprentice or
31 plastic process technician apprentice duly enrolled and registered under the terms of a qualified
32 program (as determined by the state apprenticeship council) is entitled to a tax credit for each
33 eligible apprentice for fifty percent (50)% of actual wages paid, or four thousand eight hundred
34 dollars (\$4,800), whichever is less; provided, that the apprenticeships meet the following

1 requirements:

2 (1) The tax credit is limited to qualified Machine Tool, Metal Trade and Plastics Process
3 Technician programs with apprenticeship periods of duration which are more than four thousand
4 (4,000) hours and less than ten thousand (10,000) hours.

5 (2) The apprentice must be employed on a full-time basis, which is defined as working a
6 minimum of one hundred twenty (120) hours per month at the trade. Up to eighty (80) hours may
7 be applied during the tax year against the one hundred twenty (120) hour limitation.

8 (3) Pre-apprentices are not counted as apprenticeships begun and wages earned by pre-
9 apprentices are not eligible for tax credits under this regulation.

10 (4) The number of apprenticeships for which tax credit is allowed must exceed the
11 average number of apprenticeships begun during the five (5) preceding income years.

12 (b) The tax credit is limited to the following trade: machinist, toolmaker, tool and
13 diemaker, model maker, gage maker, patternmaker, tool and machine setter, diesinker,
14 moldmaker, machine tool repairer, plastic process technician and in similar occupations which, as
15 above, involve multiple work processes including the shaping of metals by machine tool
16 equipment designed to perform cutting, grinding, milling, turning, drilling, boring, planing,
17 hobbing, and abrading operations.

18 (c) For purposes of improving the tax expenditure report filed on a biennial basis
19 pursuant to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue,
20 any taxpayer benefiting from the tax credits in this section shall report to the division of taxation
21 the actual value of the tax credits, and authorize that this information, as well as the identification
22 of the taxpayer be disclosed as part of the biennial tax expenditure report. In order to qualify for
23 the tax credits in this section, any taxpayer shall comply with the requirements of this subsection.
24 The tax administrator shall prescribe the form in which the report required by this subsection
25 shall be filed.

26 SECTION 8. Section 44-30-1.1 of the General Laws in Chapter 44-30 entitled "Personal
27 Income Tax" is hereby amended to read as follows:

28 **44-30-1.1. Exemption from tax for writers, composers and artists.** -- (a) This section
29 shall only apply to writers, composers and artists residing within a section of the defined
30 economic development zone within the city of Providence, Pawtucket, Woonsocket or Warwick,
31 or the economic development zone within the town of Westerly as defined in 44-18-30B(c)(1)(i),
32 or within the city of Newport or within the town of Tiverton or the town of Little Compton, or
33 within those areas of the town of Warren which are zoned "waterfront district," "special district,"
34 "village business district," "manufacturing district," "business district" or "Warren historic

1 district", or a tax pass-through entity wholly owned by one or more such individuals and who
2 create such work while residing in the zone, or in the case of Newport or the town of Little
3 Compton, within those areas of the city or town which are zoned "general business," "waterfront
4 business" or "limited business" or have been designated by the city of Newport as part of the arts
5 district, or in the case of Warren, within those areas of the town which are zoned "waterfront
6 district," "special district," "village business district," "manufacturing district," "business district"
7 or "Warren historic district," or in the case of Tiverton with those areas of the town which are
8 zoned "business commercial," "business waterfront" or "village commercial." For the purposes of
9 this section, a "work" means an original and creative work, whether written, composed, created or
10 executed for "one-of-a-kind, limited" production, before or after the passing of this section, which
11 falls into one of the following categories: (1) a book or other writing; (2) a play or the
12 performance of said play; (3) a musical composition or the performance of said composition; (4)
13 a painting or other like picture; (5) a sculpture; (6) traditional and fine crafts; (7) the creation of a
14 film or the acting of said film; (8) the creation of a dance or the performance of said dance. For
15 purposes of this section, a "work" does not apply to any piece or performance created or executed
16 for industry oriented or related production.

17 (b) (1) This section shall apply to any individual:

18 (i) Who is a resident within the section of the economic development zone designated as
19 the arts and entertainment district in the downtown areas of the cities of Providence, Woonsocket
20 or Pawtucket, and deriving the income exempted from within said district while a resident of said
21 zone, or who is a resident within the section of the arts and entertainment district in the town of
22 Westerly, as defined in 44-18-30B(c)(1)(i) and who derives the income exempted from within
23 said district while a resident of said zone. For the purposes of this section, the "Providence arts
24 and entertainment district" is defined as the area bounded by Pine Street to the southeast,
25 Dorrance Street to the northeast, Sabin Street to the northwest and Empire Street to the southwest.
26 Said Providence arts and entertainment district also includes the area beginning at the point of
27 intersection of Acorn Street and Harris Avenue, then turning east onto Atwells Avenue to Service
28 Road 7, then turning southerly onto Service Road 7 to Westminster Street, then turning westerly
29 onto Westminster Street, continuing until Bridgham, then turning south onto Bridgham to
30 Cranston Street, then turning southwesterly onto Cranston Street, then continuing to Messer
31 Street, then turning north onto Messer Street to Westminster Street, turning west onto
32 Westminster Street to US Hwy 6 off ramp, then heading west on US Hwy 6 to Sheridan Street,
33 then heading northeast on Sheridan Street to Aleppo Street, then turning southeast along Aleppo
34 Street to Pelham Street, then heading northeast on Pelham Street to Manton Avenue, then

1 continuing southeast on Manton Avenue until Delaine Street, then heading northeast on Delaine
2 Street until Appleton Street, then continuing northwesterly on Appleton Street until Bowdoin
3 Street, then heading north on Bowdoin Street until Barstow Street, then heading east on Barstow
4 until Valley Street, then heading northeast on Valley Street to Hemlock Street, then turning
5 southeast on Hemlock Street until Promenade Street, then heading east on Promenade Street to
6 Acorn Street, then heading south on Acorn Street to the intersection of Acorn Street and Harris
7 Avenue. The abovementioned streets shall be included in the district. The "Westerly arts and
8 entertainment district" is defined in 44-18-30B(c)(1)(i). The "Pawtucket arts and entertainment
9 district" shall be defined as the area beginning at the point of intersection of Dexter Street and the
10 Central Falls line, then east along the Central Falls Line to the Blackstone River, then north along
11 the city boundary on the Blackstone River to the Cumberland line, then west along the Pawtucket
12 city boundary line to I-95, then south along I-95 to Pine Street, then north on Pine Street to
13 AMTRAK Right of Way, then northwest along the AMTRAK Right of Way to Dexter Street,
14 then north on Dexter Street to the Central Falls line. The abovementioned streets shall be included
15 in the district. The "Woonsocket arts and entertainment district" shall be defined as the area
16 beginning at a point of land on the southwest bank of the Blackstone River abutting the bridge for
17 the Providence & Worcester Railroad and proceeding northerly to a point at the intersection of
18 Worrall Street, Clinton Street and Harry S. Truman Drive, then proceeding northwesterly along
19 Worrall Street to its intersection with Social Street, then turning westerly on Social Street
20 proceeding to its intersection with Main Street, Blackstone Street and North Main Street, then
21 turning northwesterly and proceeding along Blackstone Street to its intersection with River Street,
22 then turning northerly and proceeding along River Street to its intersection with the northeast
23 bank of Blackstone River, then following the riverbank southerly to the bridge at Bernon Street
24 and turning easterly crossing the Blackstone River via Bernon Street and proceeding to its
25 intersection with Front Street, then turning northeasterly on Front Street and proceeding to its
26 intersection with Hamlet Avenue, and to include the former Courthouse on the southerly side of
27 Front Street at its intersection with Hamlet Avenue, then turning easterly on Hamlet Avenue and
28 proceeding to its intersection with Manville Road, then turning southeasterly on Manville Road
29 and proceeding to its intersection with Davison Avenue, then turning northeasterly on Davison
30 Avenue and proceeding to a point on the southwest bank of the Blackstone River, then turning
31 northerly, following the southerly riverbank to the point of beginning. The abovementioned
32 streets are included in the district. The Warwick arts district is defined as that area known as
33 Pontiac Village, beginning on Route 5 at the Warwick/Cranston municipal boundary, then south
34 to the intersection of Route 5 and the Pawtuxet River, then following the Pawtuxet River in an

1 easterly and northerly direction to the municipal boundary in the vicinity of Knight Street, then
2 from the intersection of Knight Street and the municipal boundary westerly along the
3 Warwick/Cranston municipal boundary to the intersection of Route 5 and Greenwich Avenue.
4 The above named streets are included in the district.

5 This section shall also apply to any individual who is a resident of the city of Newport or
6 the town of Tiverton or the town of Little Compton and whose income otherwise qualifies for an
7 exemption as provided for in this section.

8 This section shall also apply to any individual who is a resident of the town of Warren
9 and whose income otherwise qualifies for an exemption as provided for in this section.

10 (ii) Who is determined by the tax administrator, after consideration of any evidence in
11 relation to the matter which the individual submits to him or her and after such consultation as
12 may seem to him or her to be necessary with such person or body of persons as in his or her
13 opinion may be of assistance to him or her, to have written, composed or executed either solely or
14 jointly with another individual, a work or works that would fall into one of the categories listed in
15 subsection (a) of this section.

16 (c) (1) An individual to whom this section applies and who duly makes a claim to the tax
17 administrator in that behalf shall, subject to subdivision (2) of this subsection, be entitled to have
18 the profits or gains arising to him or her from the publication, production or sale of a work or
19 works in relation to which the tax administrator has made a determination under paragraph
20 (b)(1)(ii) of this section to be taken as a modification reducing federal adjusted gross income.

21 (2) The modification authorized by this section shall apply to the year in which the profit
22 or gain from the publication, production or sale of a work is realized.

23 (d) The tax administrator may serve on an individual who makes a claim under this
24 subsection a notice or notices, in writing, requiring him or her to make available within any time
25 that may be specified in the notice of all such books, accounts and documents in his or her
26 possession or power as may be requested, being books, accounts and documents relating to the
27 publication, production or sale of the work in respect of the profits or gains of which exemption is
28 claimed.

29 (e) For the purpose of determining the amount of profits or gains subject to modification
30 under this section, the tax administrator may make any apportionment of receipts and expenses
31 that may be necessary.

32 (f) Notwithstanding any other provisions of this chapter, any individual seeking relief
33 under this section shall file a Rhode Island personal income tax return listing the modification
34 reducing federal adjusted gross income relating to profits or gains realized from the works as

1 defined in this section.

2 (g) For purposes of improving the tax expenditure report filed on a biennial basis
3 pursuant to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue,
4 any taxpayer benefiting from the tax modification in this section shall report to the division of
5 taxation the actual value of the tax modification, and authorize that this information, as well as
6 the identification of the taxpayer be disclosed as part of the biennial tax expenditure report. In
7 order to qualify for the tax modification in this section, any taxpayer shall comply with the
8 requirements of this subsection. The tax administrator shall prescribe the form in which the report
9 required by this subsection shall be filed.

10 SECTION 9. Sections 44-31-1, 44-31-1.1 and 44-31-2 of the General Laws in Chapter
11 44-31 entitled "Investment Tax Credit" are hereby amended to read as follows:

12 **44-31-1. Investment tax credit.** -- (a) A taxpayer shall be allowed a credit, to be
13 computed as provided in this chapter, against the tax imposed by chapters 11, 14, 17, and 30 of
14 this title. The amount of the credit shall be two percent (2%) of the cost or other basis for federal
15 income tax purposes of tangible personal property and other tangible property, including
16 buildings and structural components of buildings, described in subsection (b) of this section,
17 acquired, constructed, reconstructed, or erected after December 31, 1973. Provided, that the
18 amount of the credit shall be four percent (4%) of the: (i) cost or other basis for federal income
19 tax purposes of tangible personal property and other tangible property, including buildings and
20 structural components of buildings, described in subdivision (b)(1) of this section, acquired,
21 constructed, reconstructed or erected after December 31, 1993; and (ii) qualified amounts for
22 leased assets of tangible personal property and other tangible property described in subdivision
23 (b)(1) of this section, acquired, constructed, reconstructed, or erected after January 1, 1998, and
24 the amount of the credit shall be ten percent (10%) of the cost or other basis for federal income
25 tax purposes, and the qualified amounts for leased assets, of tangible personal property and other
26 tangible property described in subdivision (b)(3) of this section, acquired, constructed,
27 reconstructed, or erected after January 1, 1998, and with respect to buildings and structural
28 components which are acquired, constructed, reconstructed or erected after July 1, 2001, as
29 described in subdivision (b)(3) of this section.

30 (b) (1) A credit shall be allowed under this section with respect to tangible personal
31 property and other tangible property, including buildings and structural components of buildings,
32 which are depreciable pursuant to 26 U.S.C. 167, have a useful life of four (4) years or more, are
33 acquired by purchase as defined in 26 U.S.C. 179(d) or are acquired by lease as prescribed in
34 paragraph (3)(iv) of this subsection, have a situs in this state and are principally used by the

1 taxpayer in the production of goods by manufacturing, process, or assembling. The credit shall be
2 allowable in the year the property is first placed in service by the taxpayer, which is the year in
3 which, under the taxpayer's depreciation practice, the period for depreciation with respect to the
4 property begins, or the year in which the property is placed in a condition or state of readiness
5 and availability for a specifically assigned function, whichever is earlier. For purposes of this
6 paragraph, "manufacturing" means the process of working raw materials into wares suitable for
7 use or which gives new shapes, new quality or new combinations to matter that already has gone
8 through some artificial process by the use of machinery, tools, appliances, and other similar
9 equipment. Property used in the production of goods includes machinery, equipment, or other
10 tangible property which is principally used in the repair and service of other machinery,
11 equipment, or other tangible property used principally in the production of goods and includes all
12 facilities used in the production operation, including storage of material to be used in production
13 and of the products that are produced.

14 (2) Within the meaning of subdivision (1) of this subsection, the term "manufacturing"
15 means the activities of a "manufacturer" as defined in 44-3-3(20)(iii) and (iv).

16 (3) (i) A credit shall be allowed under this section with respect to tangible personal
17 property and other tangible property, (excluding motor vehicles, furniture, buildings and
18 structural components of buildings, except as provided in this section), which are depreciable
19 pursuant to 26 U.S.C. 167, have a useful life of four (4) years or more, are acquired by purchase
20 as defined in 26 U.S.C. 179(d) or acquired by lease as prescribed in paragraph (iv) of this
21 subdivision, have a situs in this state and to the extent the property is used by a qualified taxpayer,
22 as that term is defined in paragraph (v) of this subdivision, in any of the businesses described in
23 major groups 20 through 39, 50 and 51, 60 through 67, 73, 76, 80 through 82, 87 and 89 in the
24 standard industrial classification manual prepared by the technical committee on industrial
25 classification, office of the statistical standards, executive office of the president, United States
26 Bureau of the Budget, as revised from time to time ("SIC Code") and/or any of the businesses
27 described in the three (3) digit SIC Code 781.

28 (ii) A credit shall be allowed under this section with respect to buildings and structural
29 components that are acquired, constructed, reconstructed, or erected after July 1, 2001, which are
30 depreciable pursuant to 26 U.S.C. 167, have a useful life of four (4) years or more, are acquired
31 by purchase as defined in 26 U.S.C. 179(d) or acquired by lease for a term of twenty (20) years or
32 more, excluding renewal periods, have a situs in this state and to the extent the property is used
33 by a high performance manufacturer. The term "high performance manufacturer" means a
34 taxpayer: (A) engaged in any of the businesses described in the major groups 28, 30, 34, to 36,

1 and 38 of the SIC Codes, (B) that pays its full-time equivalent employees a median annual wage
2 above the average annual wage paid by all taxpayers in the state which share the same two-digit
3 SIC Code, unless the high performance manufacturer is the only high performance manufacturer
4 in the state conducting business in that two-digit SIC Code, in which case this requirement shall
5 not apply, and (C)(I) whose expenses for training or retraining its employees exceeds two percent
6 (2%) of its total payroll costs, or (II) that pays its full-time equivalent employees a median annual
7 wage equal to or greater than one hundred twenty-five percent (125%) of the average annual
8 wage paid in this state by employers to employees, or (III) that pays its full-time equivalent
9 employees classified as production workers by the Rhode Island department of labor and training
10 an average annual wage above the average annual wage paid to the production workers of all
11 taxpayers in the state which share the same two-digit SIC Code.

12 (iii) To the extent allowable, the credit allowed under this section is allowed for
13 computers, software and telecommunications hardware used by a taxpayer even if the property
14 has a useful life of less than four (4) years;

15 (iv) The credit for property acquired by lease is based on the fair market value of the
16 property at the inception of the lease times the portion of the depreciable life of the property
17 represented by the term of the lease, excluding renewal options. The credit described in this
18 subdivision for high performance manufacturers that lease buildings and their structural
19 components for a term of twenty (20) years or more, excluding renewal periods, shall be
20 calculated in the same manner as for property acquired by purchase; and

21 (v) For purposes of this subsection, a "qualified taxpayer" means a taxpayer in any of the
22 businesses described in major groups 20 through 39, 50 and 51, 60 through 67, 73, 76, 80 through
23 82, 87 and 89 of the SIC Code, and/or any of the businesses described in the three (3) digit SIC
24 Code 781, and which meet the following criteria:

25 (A) The median annual wage paid to a qualified taxpayer's full-time equivalent
26 employees must be above the average annual wage paid by all taxpayers in the state which share
27 the same two-digit SIC Code, unless that qualified taxpayer is the only qualified taxpayer in the
28 state conducting business in that two-digit SIC Code, in which case this requirement does not
29 apply; and

30 (B) With respect to major groups 50 and 51, 60 through 67, 73, 76, 80 through 82, 87 and
31 89 and/or the three (3) digit SIC Code 781(except for those qualified taxpayers whose businesses
32 are described in any of the four (4) digit SIC Codes 7371, 7372 and 7373) only:

33 (I) More than one-half (1/2) of its gross revenues are a result of sales to customers outside
34 of the state; or

1 (II) More than one-half (1/2) of its gross revenues are a result of sales to the federal
2 government; or

3 (III) More than one-half (1/2) of its gross revenues are a result of a combination of sales
4 described in items (I) and (II) of this subparagraph.

5 (4) For purposes of this section, "sales to customers outside the state" means sales to
6 individuals, businesses and other entities, as well as divisions and/or branches of businesses and
7 other entities, residing or located outside of the state. The requirement of subparagraph (v)(A) of
8 this subdivision does not apply to any qualified taxpayer: (i) whose expenses for training or
9 retraining its employees exceeds two percent (2%) of these qualified taxpayer's total payroll
10 costs; or (ii) whose median annual wage paid to its full-time equivalent employees is equal to or
11 greater than one hundred twenty-five percent (125%) of the average annual wage paid in this state
12 by employers to employees; or (iii), with respect to major groups 20 through 39 only, the average
13 annual wage paid to these qualified taxpayer's full-time equivalent employees, classified as
14 production workers by the Rhode Island department of labor and training, is above the average
15 annual wage paid to the production workers of all these taxpayers in the state which share the
16 same two-digit SIC Code. At the election of a taxpayer, which is made at any time and in any
17 manner that may be determined by the tax administrator, the taxpayer's ability in a particular
18 fiscal year to qualify as a qualified taxpayer may be based on the expenses and gross receipts of
19 the taxpayer for either the prior fiscal year or the immediately preceding fiscal year rather than
20 on the expenses and gross receipts for that fiscal year. For purposes of this chapter, the director of
21 the Rhode Island human resource investment council shall certify as to legitimate training and
22 retraining expenses in accordance with the guidelines established in chapter 64.6 of title 42, and
23 any rules and regulations promulgated under this chapter. For purposes of this subsection, a "full-
24 time equivalent employee" means an employee who works a minimum of thirty (30) hours per
25 week within the state or two (2) part-time employees who together work a minimum of thirty (30)
26 hours per week within the state. For purposes of this subsection, the director of the Rhode Island
27 department of labor and training, upon receipt of an application from a qualified taxpayer, shall
28 certify whether this qualified taxpayer meets the requirement in subparagraph (v)(A) of this
29 subdivision or is exempt from this requirement because the median annual wage it pays its full-
30 time equivalent employees is equal to or greater than one hundred twenty-five (125%) percent of
31 the average annual wage paid in this state by employers to employees or, with respect to major
32 groups 20 through 39 only, the average annual wage paid to this qualified taxpayer's full-time
33 equivalent employees, classified as production workers by the Rhode Island department of labor
34 and training, is above the average annual wage paid to the production workers of all these

1 taxpayers in the state which share the same two-digit SIC Code. The director of the Rhode Island
2 department of labor and training shall promulgate rules and regulations as required for the
3 implementation of this requirement.

4 (5) To the extent otherwise allowable, the credit provided by paragraphs (3)(i) and (ii) of
5 this subsection are also allowed for the property having a situs in Rhode Island and used, however
6 acquired, by a property and casualty insurance company.

7 (c) Subject to the provisions of subdivision (b)(3) of this section, a taxpayer is not
8 allowed a credit under subsection (a) of this section with respect to tangible personal property and
9 other tangible property, including buildings and structural components of buildings, which it
10 leases to any other person or corporation and is not allowed a credit under subsection (a) of this
11 section with respect to buildings and structural components of buildings it leases from any other
12 person or corporation. For the purposes of the preceding sentence, any contract or agreement to
13 lease or rent or for a license to use the property is considered a lease, unless a contract or
14 agreement is treated for federal income tax purposes as an installment purchase rather than a
15 lease.

16 (d) The credit allowed under this section for any taxable year does not reduce the tax due
17 for the year by more than fifty percent (50%) of the tax liability that would be payable, and
18 further in the case of corporations, to less than the minimum tax as prescribed in 44-11-2(e);
19 provided, that in the case of the credit allowed to high performance manufacturers under
20 subdivision (b)(3) of this section, the fifty percent (50%) limitation shall not apply. If the amount
21 of credit allowable under this section for any taxable year is less than the amount of credit
22 available to the taxpayer, any amount of credit not deductible in the taxable year may be carried
23 over to the following year or years (not to exceed seven (7) years) and may be deducted from the
24 taxpayer's tax for the year or years.

25 (e) At the option of the taxpayer, air or water pollution control facilities which qualify for
26 elective amortization deduction may be treated as property principally used by the taxpayer in the
27 production of goods by manufacturing, processing, or assembling; provided, that if the property
28 qualifies under subsection (b) of this section, in which event, an amortization deduction is not
29 allowed.

30 (f) With respect to property which is disposed of or ceases to be in qualified use prior to
31 the end of the taxable year in which the credit is to be taken, the amount of the credit shall be that
32 portion of the credit provided for in subsection (a) of this section, which represents the ratio
33 which the months of qualified use bear to the months of useful life. If property on which credit
34 has been taken is disposed of or ceases to be in qualified use prior to the end of its useful life, the

1 difference between the credit taken and the credit allowed for actual use must be added back in
2 the year of disposition. If this property is disposed of or ceases to be in qualified use after it has
3 been in qualified use for more than twelve (12) consecutive years, it is not necessary to add back
4 the credit as provided in this subsection. A credit allowed to a qualified taxpayer is not recaptured
5 merely because the taxpayer subsequently fails to retain the classification as a qualified taxpayer.
6 The amount of credit allowed for actual use shall be determined by multiplying the original credit
7 by the ratio, which the months of qualified use bear to the months of useful life. For purposes of
8 this subsection, "useful life of property" is the same as the taxpayer (or in the case of property
9 acquired by lease, the owner of the property) uses for depreciation purposes when computing his
10 or her federal income tax liability. Comparable rules are used in the case of property acquired by
11 lease to determine the amount of credit, if any, that will be recaptured if the lease terminates
12 prematurely or if the property covered by the lease otherwise fails to be in qualified use.

13 (g) The credit allowed under this section is only allowed against the tax of that
14 corporation included in a consolidated return that qualifies for the credit and not against the tax of
15 other corporations that may join in the filing of a consolidated tax return.

16 (h) For purposes of improving the tax expenditure report filed on a biennial basis
17 pursuant to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue,
18 any taxpayer benefiting from the tax credits in this section shall report to the division of taxation
19 the actual value of the tax credits, and authorize that this information, as well as the identification
20 of the taxpayer be disclosed as part of the biennial tax expenditure report. In order to qualify for
21 the tax credits in this section, any taxpayer shall comply with the requirements of this subsection.
22 The tax administrator shall prescribe the form in which the report required by this subsection
23 shall be filed.

24 **44-31-1.1. Biotechnology investment tax credit.** -- (a) Any company primarily engaged
25 in commercial biological research and development or manufacturing and sale of biotechnology
26 products or active pharmaceutical ingredients which pays its employees that work a minimum of
27 thirty (30) hours per week within the state a median annual wage equal or greater than one
28 hundred and twenty-five percent (125%) of the average annual wage paid by all employers in the
29 state to employees that work a minimum of thirty (30) hours per week within the state, and
30 provides benefits typical to the biotechnology industry, shall be allowed a credit of ten percent
31 (10%) of the cost or other basis for federal tax purposes of tangible personal property and other
32 tangible property, including buildings and structural components of buildings acquired,
33 constructed, reconstructed, or leased with situs in Rhode Island and principally used in the
34 production of biotechnology products after December 31, 2001.

1 (1) "Biotechnology products" means those products that are applicable to the prevention,
2 treatment, or cure of a disease or condition of human beings, and that are produced using living
3 organisms, or materials derived from living organisms, or cellular, sub cellular, or molecular
4 component of living organisms.

5 (2) "Principally" means the company's sales of biotechnology products or costs related to
6 the development of biotechnology products constitute at least fifty percent of its overall receipts
7 or its overall costs respectively.

8 (3) "Tangible personal property" and "other tangible property" includes buildings and
9 structural components of buildings acquired, constructed, reconstructed, or leased with situs in
10 Rhode Island and principally used in the production of biotechnology products after December
11 31, 2001 that:

12 (A) is depreciable pursuant to 26 USC. Section 167,

13 (B) has a useful life of four (4) years or more, and

14 (C) is acquired by purchase as defined in 26 U.S.C. 179(d), or

15 (D) is acquired by lease based on the fair market value of the property at the inception of
16 the lease times the portion of the depreciable life of the property represented by the term of the
17 lease, excluding renewal options, for a term of twenty (20) years; and

18 (E) does not include vehicles or furniture.

19 (4) "Wages" means all remuneration paid for personal services, including commissions
20 and bonuses and the cash value of all remuneration paid in any medium other than cash and all
21 other remuneration which is defined as taxable wages by the Internal Revenue Service, as
22 certified by the department of labor and training.

23 (b) If the amount of credit allowable for any taxable year is less than the amount of credit
24 available to the taxpayer, any amount of credit not used in the taxable year will be available the
25 following year or years not to exceed fifteen (15) years and may be deducted from the taxpayer's
26 tax for the year or years.

27 (1) The credit may be extended beyond seven (7) years only in a year in which:

28 (A) The company maintains an average quarterly number of employees for each calendar
29 year that is nine and one half percent (9.5%) greater than average quarter number of employees in
30 the fourth year of the initial credit. Employees are defined as those that work a minimum of thirty
31 (30) hours per week within the state with benefits typical to the biotechnology industry;

32 (B) The company's average quarterly median wage is not less than the company's average
33 of its quarterly median wage for the three (3) previous calendar years;

34 (C) The company pays its employees a median annual wage equal or greater than one

1 hundred and twenty-five percent (125%) of the average annual wage paid by all employers in the
2 state. Employees are defined as those that work a minimum of thirty (30) hours per week within
3 the state with benefits typical to the biotechnology industry; and

4 (D) The department of labor and training certifies to the tax administrator that the criteria
5 in (A) - (C) have been met.

6 (2) Unused credits after the seventh year are forfeited permanently if any of these wage
7 and employment criteria are unmet after the seventh year.

8 (3) The company may determine the order in which the credits generated in different tax
9 years are utilized, provided that credits available for more than seven (7) years may not reduce
10 current year liability by more than seventy-five percent (75%); and provided further that in no
11 event, can liability be reduced below the minimum tax prescribed in 44-11-2.

12 (c) For purposes of improving the tax expenditure report filed on a biennial basis
13 pursuant to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue,
14 any taxpayer benefiting from the tax credits in this section shall report to the division of taxation
15 the actual value of the tax credits and, authorize that this information, as well as the identification
16 of the taxpayer be disclosed as part of the biennial tax expenditure report. In order to qualify for
17 the tax credits in this section, any taxpayer shall comply with the requirements of this subsection.
18 the tax administrator shall prescribe the form in which the report required by this subsection shall
19 be filed.

20 **44-31-2. Specialized investment tax credit.** -- (a) A certified building owner, as
21 provided in chapter 64.7 of title 42, may be allowed a specialized investment tax credit against the
22 tax imposed by chapters 11, 14, 17 and 30 of this title.

23 (b) The taxpayer may claim credit for the rehabilitation and reconstruction costs of a
24 certified building, which has been substantially rehabilitated. Once substantial rehabilitation is
25 established by the taxpayer, the taxpayer may claim credit for all rehabilitation and reconstruction
26 costs incurred with respect to the certified building within five (5) years from the date of final
27 designation of the certified building by the council pursuant to 42-64.7-6.

28 (c) The credit shall be ten percent (10%) of the rehabilitation and reconstruction costs of
29 the certified building. The credit shall be allowable in the year the substantially rehabilitated
30 certified building is first placed into service, which is the year in which, under the taxpayer's
31 depreciation practice, the period for depreciation with respect to such property begins, or the year
32 in which the property is placed in a condition or state of readiness and availability for its
33 specifically assigned function, whichever is earlier.

34 (d) The credit shall not offset any tax liability in taxable years other than the year or years

1 in which the taxpayer qualifies for the credit. The credit shall not reduce the tax below the
2 minimum. Amounts of unused credit for this taxpayer may be carried over and offset against this
3 taxpayer's tax for a period not to exceed the following seven (7) taxable years.

4 (e) In the case of a corporation, this credit is only allowed against the tax of that of a
5 corporation included in a consolidated return that qualifies for the credit and not against the tax of
6 other corporations that may join in the filing of a consolidated tax return.

7 (f) For purposes of improving the tax expenditure report filed on a biennial basis pursuant
8 to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue, any
9 taxpayer benefiting from the tax credits in this section shall report to the division of taxation the
10 actual value of the tax credits, and authorize that this information, as well as the identification of
11 the taxpayer be disclosed as part of the biennial tax expenditure report. In order to qualify for the
12 tax credits in this section, any taxpayer shall comply with the requirements of this subsection.
13 The tax administrator shall prescribe the form in which the report required by this subsection
14 shall be filed.

15 SECTION 10. Section 44-31.2-of the General Laws in Chapter 44-31.2 entitled "Motion
16 Picture Production Tax Credits" is hereby amended to read as follows:

17 **44-31.2-5. Motion picture production company tax credit.** -- (a) A motion picture
18 production company shall be allowed a credit to be computed as provided in this chapter against a
19 tax imposed by chapters 11, 14, 17 and 30 of this title. The amount of the credit shall be twenty-
20 five percent (25%) of the state certified production costs incurred directly attributable to activity
21 within the state, provided that the primary locations are within the state of Rhode Island and the
22 total production budget as defined herein is a minimum of one hundred thousand dollars
23 (\$100,000). The credit shall be earned in the taxable year in which production in Rhode Island is
24 completed, as determined by the film office in final certification pursuant to subsection 44-31.2-
25 6(c).

26 (b) For the purposes of this section: "total production budget" means and includes the
27 motion picture production company's pre-production, production and post-production costs
28 incurred for the production activities of the motion picture production company in Rhode Island
29 in connection with the production of a state-certified production. The budget shall not include
30 costs associated with the promotion or marketing of the film, video or television product.

31 (c) Notwithstanding subsection (a), the credit shall not exceed five million dollars
32 (\$5,000,000) and shall be allowed against the tax for the taxable period in which the credit is
33 earned and can be carried forward for not more than three (3) succeeding tax years. Pursuant to
34 rules promulgated by the tax administrator, the administrator may issue a waiver of the five

1 million dollar (\$5,000,000) tax credit cap for any feature-length film or television series up to the
2 remaining funds available pursuant to section (e).

3 (d) Credits allowed to a motion picture production company, which is a subchapter S
4 corporation, partnership, or a limited liability company that is taxed as a partnership, shall be
5 passed through respectively to persons designated as partners, members or owners on a pro rata
6 basis or pursuant to an executed agreement among such persons designated as subchapter S
7 corporation shareholders, partners, or members documenting an alternate distribution method
8 without regard to their sharing of other tax or economic attributes of such entity.

9 (e) No more than fifteen million dollars (\$15,000,000) in total may be issued for any tax
10 year beginning after December 31, 2007 for motion picture tax credits pursuant to this chapter
11 and/or musical and theatrical production tax credits pursuant to chapter 31.3 of this title. Said
12 credits shall be equally available to motion picture productions and musical and theatrical
13 productions. No specific amount shall be set aside for either type of production.

14 (f) For purposes of improving the tax expenditure report filed on a biennial basis pursuant
15 to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue, any
16 taxpayer benefiting from the tax credits in this section shall report to the division of taxation the
17 actual value of the tax credits, and authorize that this information, as well as the identification of
18 the taxpayer be disclosed as part of the biennial tax expenditure report. In order to qualify for the
19 tax credits in this section, any taxpayer shall comply with the requirements of this subsection.
20 The tax administrator shall prescribe the form in which the report required by this subsection
21 shall be filed.

22 SECTION 11. Sections 44-32-1, 44-32-2 and 44-32-3 of the General Laws in Chapter
23 44-32 entitled "Elective Deduction For Research And Development Facilities" are hereby
24 amended to read as follows:

25 **44-32-1. Elective deduction against allocated entire net income.** (a) *General.* Except
26 as provided in subsection (c) of this section, at the election of a taxpayer who is subject to the
27 income tax imposed by chapters 11 or 30 of this title, there shall be deducted from the portion of
28 its entire net income allocated within the state the items prescribed in subsection (b) of this
29 section, in lieu of depreciation or investment tax credit.

30 (b) *One-year write-off of new research and development facilities.*

31 (1) Expenditures paid or incurred during the taxable year for the construction,
32 reconstruction, erection or acquisition of any new, not used, property as described in subsection
33 (c) of this section, which is used or to be used for purposes of research and development in the
34 experimental or laboratory sense. The purposes are not deemed to include the ordinary testing or

1 inspection of materials or products for quality control, efficiency surveys, management studies,
2 consumer surveys, advertising, promotion, or research in connection with literary, historical, or
3 similar projects. The deduction shall be allowed only on condition that the entire net income for
4 the taxable year and all succeeding taxable years is computed without the deduction of any
5 expenditures and without any deduction for depreciation of the property, except to the extent that
6 its basis may be attributable to factors other than the expenditures, (expenditures and depreciation
7 deducted for federal income tax purposes shall be added to the entire net income allocated to
8 Rhode Island), or in case a deduction is allowable pursuant to this subdivision for only a part of
9 the expenditures, on condition that any deduction allowed for federal income tax purposes on
10 account of the expenditures or on account of depreciation of the property is proportionately
11 reduced in computing the entire net income for the taxable year and all succeeding taxable years.
12 Concerning property that is used or to be used for research and development only in part, or
13 during only part of its useful life, a proportionate part of the expenditures shall be deductible. If
14 all or part of the expenditures concerning any property has been deducted as provided in this
15 section, and the property is used for purposes other than research and development to a greater
16 extent than originally reported, the taxpayer shall report the use in its report for the first taxable
17 year during which it occurs, and the tax administrator may recompute the tax for the year or years
18 for which the deduction was allowed, and may assess any additional tax resulting from the
19 recomputation as a current tax, within three (3) years of the reporting of the change to the tax
20 administrator. Any change in use of the property in whole or in part from that, which originally
21 qualified the property for the deduction, requires a recomputation. The tax administrator has the
22 authority to promulgate regulations to prevent the avoidance of tax liability.

23 (2) The deduction shall be allowed only where an election for amortization of air or water
24 pollution control facilities has not been exercised in respect to the same property.

25 (3) The tax as a result of recomputation of a prior year's deduction is due as an additional
26 tax for the year the property ceases to qualify.

27 (c) *Property covered by deductions.* The deductions shall be allowed only with respect to
28 tangible property which is new, not used, is depreciable pursuant to 26 U.S.C. 167, was acquired
29 by purchase as defined in 26 U.S.C. 179(d), has a situs in this state, and is used in the taxpayer's
30 trade or business. For the taxable years beginning on or after July 1, 1974, a taxpayer is not
31 allowed a deduction under this section with respect to tangible property leased by it to any other
32 person or corporation or leased from any other person or corporation. For purposes of the
33 preceding sentence, any contract or agreement to lease or rent or for a license to use the property
34 is considered a lease, unless the contract or agreement is treated for federal income tax purposes

1 as an installment purchase rather than a lease. With respect to property that the taxpayer uses
2 itself for purposes other than leasing for part of a taxable year and leases for a part of a taxable
3 year, the taxpayer shall be allowed a deduction under this section in proportion to the part of the
4 year it uses the property.

5 (d) *Entire net income.* "Entire net income", as used in this section, means net income
6 allocated to this state.

7 (e) *Carry-over of excess deductions.* If the deductions allowable for any taxable
8 year pursuant to this section exceed the portion of the taxpayer's entire net income allocated to this
9 state for that year, the excess may be carried over to the following taxable year or years, not to
10 exceed three (3) years, and may be deducted from the portion of the taxpayer's entire net income
11 allocated to this state for that year or years.

12 (f) *Gain or loss on sale or disposition of property.* In any taxable year when property is
13 sold or disposed of before the end of its useful life, with respect to which a deduction has been
14 allowed pursuant to subsection (b) of this section, the gain or loss on this entering into the
15 computation of federal taxable income is disregarded in computing the entire net income, and
16 there is added to or subtracted from the portion of the entire net income allocated within the state
17 the gain or loss upon the sale or other disposition. In computing the gain or loss, the basis of the
18 property sold or disposed of is adjusted to reflect the deduction allowed with respect to the
19 property pursuant to subsection (b) of this section; provided, that no loss is recognized for the
20 purpose of this subsection with respect to a sale or other disposition of property to a person whose
21 acquisition of this property is not a purchase as defined in 26 U.S.C. 179(d).

22 (g) *Investment credit not allowed on research and development property.* No investment
23 credit under chapter 31 of this title shall be allowed on the research and development property for
24 which accelerated write-off is adopted under this section.

25 (h) *Consolidated returns.* The research and development deduction shall only be allowed
26 against the entire net income of the corporation included in a consolidated return and shall not be
27 allowed against the entire net income of other corporations that may join in the filing of a
28 consolidated state tax return.

29 (i) For purposes of improving the tax expenditure report filed on a biennial basis pursuant
30 to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue, any
31 taxpayer benefiting from the tax modification in this section shall report to the division of
32 taxation the actual value of the tax modification, and authorize that this information, as well as
33 the identification of the taxpayer be disclosed as part of the biennial tax expenditure report. In
34 order to qualify for the tax modification in this section, any taxpayer shall comply with the

1 [requirements of this subsection. The tax administrator shall prescribe the form in which the report](#)
2 [required by this subsection shall be filed.](#)

3 **44-32-2. Credit for research and development property acquired, constructed, or**
4 **reconstructed or erected after July 1, 1994.** -- (a) A taxpayer shall be allowed a credit against
5 the tax imposed by chapters 11, 17, or 30 of this title. The amount of the credit shall be ten
6 percent (10%) of the cost or other basis for federal income tax purposes of tangible personal
7 property, and other tangible property, including buildings and structural components of buildings,
8 described in subsection (b) of this section; acquired, constructed or reconstructed, or erected after
9 July 1, 1994.

10 (b) A credit shall be allowed under this section with respect to tangible personal property
11 and other tangible property, including buildings and structural components of buildings which
12 are: depreciable pursuant to 26 U.S.C. 167 or recovery property with respect to which a deduction
13 is allowable under 26 U.S.C. 168, have a useful life of three (3) years or more, are acquired by
14 purchase as defined in 26 U.S.C. 179(d), have a situs in this state and are used principally for
15 purposes of research and development in the experimental or laboratory sense which shall also
16 include property used by property and casualty insurance companies for research and
17 development into methods and ways of preventing or reducing losses from fire and other perils.
18 The credit shall be allowable in the year the property is first placed in service by the taxpayer,
19 which is the year in which, under the taxpayer's depreciation practice, the period for depreciation
20 with respect to the property begins, or the year in which the property is placed in a condition or
21 state of readiness and availability for a specifically assigned function, whichever is earlier. These
22 purposes shall not be deemed to include the ordinary testing or inspection of materials or products
23 for quality control, efficiency surveys, management studies, consumer surveys, advertising,
24 promotions, or research in connection with literary, historical or similar projects.

25 (c) A taxpayer shall not be allowed a credit under this section with respect to any
26 property described in subsections (a) and (b) of this section, if a deduction is taken for the
27 property under 44-32-1.

28 (d) A taxpayer shall not be allowed a credit under this section with respect to tangible
29 personal property and other tangible property, including buildings and structural components of
30 buildings, which it leases to any other person or corporation. For purposes of the preceding
31 sentence, any contract or agreement to lease or rent or for a license to use the property is
32 considered a lease.

33 (e) The credit allowed under this section for any taxable year does not reduce the tax due
34 for that year, in the case of corporations, to less than the minimum fixed by 44-11-2(e). If the

1 amount of credit allowable under this section for any taxable year is less than the amount of credit
2 available to the taxpayer, any amount of credit not credited in that taxable year may be carried
3 over to the following year or years, up to a maximum of seven (7) years, and may be credited
4 against the taxpayer's tax for the following year or years. For purposes of chapter 30 of this title,
5 if the credit allowed under this section for any taxable year exceeds the taxpayer's tax for that
6 year, the amount of credit not credited in that taxable year may be carried over to the following
7 year or years, up to a maximum of seven (7) years, and may be credited against the taxpayer's tax
8 for the following year or years.

9 (f) (1) With respect to property which is depreciable pursuant to 26 U.S.C. 167 and which
10 is disposed of or ceases to be in qualified use prior to the end of the taxable year in which the
11 credit is to be taken, the amount of the credit is that portion of the credit provided for in this
12 section which represents the ratio which the months of qualified use bear to the months of useful
13 life. If property on which credit has been taken is disposed of or ceases to be in qualified use prior
14 to the end of its useful life, the difference between the credit taken and the credit allowed for
15 actual use must be added back in the year of disposition. If the property is disposed of or ceases to
16 be in qualified use after it has been in qualified use for more than twelve (12) consecutive years,
17 it is not necessary to add back the credit as provided in this subdivision. The amount of credit
18 allowed for actual use is determined by multiplying the original credit by the ratio which the
19 months of qualified use bear to the months of useful life. For purposes of this subdivision, "useful
20 life of property" is the same as the taxpayer uses for depreciation purposes when computing his
21 federal income tax liability.

22 (2) Except with respect to that property to which subdivision (3) of this subsection
23 applies, with respect to three (3) year property, as defined in 26 U.S.C. 168(c), which is disposed
24 of or ceases to be in qualified use prior to the end of the taxable year in which the credit is to be
25 taken, the amount of the credit shall be that portion of the credit provided for in this section which
26 represents the ratio which the months of qualified use bear to thirty-six (36). If property on which
27 credit has been taken is disposed of or ceases to be in qualified use prior to the end of thirty-six
28 (36) months, the difference between the credit taken and the credit allowed for actual use must be
29 added back in the year of disposition. The amount of credit allowed for actual use is determined
30 by multiplying the original credit by the ratio that the months of qualified use bear to thirty-six
31 (36).

32 (3) With respect to any recovery property to which 26 U.S.C. 168 applies, which is a
33 building or a structural component of a building and which is disposed of or ceases to be in
34 qualified use prior to the end of the taxable year in which the credit is to be taken, the amount of

1 the credit is that portion of the credit provided for in this section which represents the ratio which
2 the months of qualified use bear to the total number of months over which the taxpayer chooses
3 to deduct the property under 26 U.S.C. 168. If property on which credit has been taken is
4 disposed of or ceases to be in qualified use prior to the end of the period over which the taxpayer
5 chooses to deduct the property under 26 U.S.C. 168, the difference between the credit taken and
6 the credit allowed for actual use must be added back in the year of disposition. If the property is
7 disposed of or ceases to be in qualified use after it has been in qualified use for more than twelve
8 (12) consecutive years, it is not necessary to add back the credit as provided in this subdivision.
9 The amount of credit allowed for actual use is determined by multiplying the original credit by
10 the ratio that the months of qualified use bear to the total number of months over which the
11 taxpayer chooses to deduct the property under 26 U.S.C. 168.

12 (g) No deduction for research and development facilities under 44-32-1 shall be allowed
13 for research and development property for which the credit is allowed under this section.

14 (h) No investment tax credit under 44-31-1 shall be allowed for research and development
15 property for which the credit is allowed under this section.

16 (i) The investment tax credit allowed by 44-31-1 shall be taken into account before the
17 credit allowed under this section.

18 (j) The credit allowed under this section only allowed against the tax of that corporation
19 included in a consolidated return that qualifies for the credit and not against the tax of other
20 corporations that may join in the filing of a consolidated return.

21 (k) In the event that the taxpayer is a partnership, joint venture or small business
22 corporation, the credit shall be divided in the same manner as income.

23 (l) For purposes of improving the tax expenditure report filed on a biennial basis pursuant
24 to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue, any
25 taxpayer benefiting from the tax credits in this section shall report to the division of taxation the
26 actual value of the tax credits, and authorize that this information, as well as the identification of
27 the taxpayer be disclosed as part of the biennial tax expenditure report. In order to qualify for the
28 tax credits in this section, any taxpayer shall comply with the requirements of this subsection.
29 The tax administrator shall prescribe the form in which the report required by this subsection
30 shall be filed.

31 **44-32-3. Credit for qualified research expenses.** -- (a) A taxpayer shall be allowed a
32 credit against the tax imposed by chapters 11, 17 or 30 of this title. The amount of the credit shall
33 be five percent (5%)(and in the case of amounts paid or accrued after January 1, 1998, twenty-
34 two and one-half percent (22.5%) for the first twenty-five thousand dollars (\$25,000) worth of

1 credit and sixteen and nine-tenths percent (16.9%) for the amount of credit above twenty-five
2 thousand dollars (\$25,000)) of the excess, if any, of:

3 (1) The qualified research expenses for the taxable year, over

4 (2) The base period research expenses.

5 (b) (1) "Qualified research expenses" and "base period research expenses" have the same
6 meaning as defined in 26 U.S.C. 41; provided, that the expenses have been incurred in this state
7 after July 1, 1994.

8 (2) Notwithstanding the provisions of subdivision (1) of this subsection, "qualified
9 research expenses" also includes amounts expended for research by property and casualty
10 insurance companies into methods and ways of preventing or reducing losses from fire and other
11 perils.

12 (c) The credit allowed under this section for any taxable year shall not reduce the tax due
13 for that year by more than fifty percent (50%) of the tax liability that would be payable, and in the
14 case of corporations, to less than the minimum fixed by 44-11-2(e). If the amount of credit
15 allowable under this section for any taxable year is less than the amount of credit available to the
16 taxpayer any amount of credit not credited in that taxable year may be carried over to the
17 following year or years, up to a maximum of seven (7) years, and may be credited against the
18 taxpayer's tax for that year or years. For purposes of chapter 30 of this title, if the credit allowed
19 under this section for any taxable year exceeds the taxpayer's tax for that year, the amount of
20 credit not credited in that taxable year may be carried over to the following year or years, up to a
21 maximum of seven (7) years, and may be credited against the taxpayer's tax for that year or years.
22 For purposes of determining the order in which carry-overs are taken into consideration, the
23 credit allowed by 44-32-2 is taken into account before the credit allowed under this section.

24 (d) The investment tax credit allowed by 44-31-1 shall be taken into account before the
25 credit allowed under this section.

26 (e) The credit allowed under this section shall only be allowed against the tax of that
27 corporation included in a consolidated return that qualifies for the credit and not against the tax of
28 other corporations that may join in the filing of a consolidated return.

29 (f) In the event the taxpayer is a partnership, joint venture or small business corporation,
30 the credit is divided in the same manner as income.

31 (g) For purposes of improving the tax expenditure report filed on a biennial basis
32 pursuant to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue,
33 any taxpayer benefiting from the tax credits in this section shall report to the division of taxation
34 the actual value of the tax credits, and authorize that this information, as well as the identification

1 of the taxpayer be disclosed as part of the biennial tax expenditure report. In order to qualify for
2 the tax credits in this section, any taxpayer shall comply with the requirements of this subsection.
3 The tax administrator shall prescribe the form in which the report required by this subsection
4 shall be filed.

5 SECTION 12. Section 44-39.1-1 of the General Laws in Chapter 44-39.1 entitled
6 "Employment Tax Credit" is hereby amended to read as follows:

7 **44-39.1-1. Employment tax credit.** -- (a) An employer who participates in the bonus
8 program in conjunction with chapter 6.3 of title 40 shall be eligible for a tax credit as set forth in
9 section 40-6.3-4.

10 (b) For purposes of improving the tax expenditure report filed on a biennial basis
11 pursuant to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue,
12 any taxpayer benefiting from the tax credits in this section shall report to the division of taxation
13 the actual value of the tax credits, and authorize that this information, as well as the identification
14 of the taxpayer be disclosed as part of the biennial tax expenditure report. In order to qualify for
15 the tax credits in this section, any taxpayer shall comply with the requirements of this subsection.
16 The tax administrator shall prescribe the form in which the report required by this subsection
17 shall be filed.

18 SECTION 13. Section 44-42-2 of the General Laws in Chapter 44-42 entitled "Education
19 Assistance and Development Tax Credit" is hereby amended to read as follows:

20 **44-42-2. Tax credit.** -- (a) A taxpayer shall be allowed a credit against the tax imposed
21 by chapters 11, 13 (except section 44-13-13), 14 and 17 of this title. The amount of the credit
22 shall be eight percent (8%) of:

23 (1) The amount in excess of ten thousand dollars (\$10,000) in any taxable year
24 contributed to an institution of higher education for the establishment or maintenance of a faculty
25 chair, department, or program for scientific research or education;

26 (2) The amount in excess of ten thousand dollars (\$10,000) in any taxable year
27 contributed to an institution of higher education for a work fellowship program that is providing
28 training connected with scientific research or education and is established by an institution of
29 higher education for the students of an institution; and

30 (3) The cost or other basis for federal income tax purposes, determined immediately
31 prior to the contributions, in excess of ten thousand dollars (\$10,000) in any taxable year of
32 tangible personal property contributed to an institution of higher education for use in an
33 educational, training, or research program for scientific research or education conducted by an
34 institution in this state, excluding sale discounts and sale-gift or similar arrangements pertaining

1 to the purchase of equipment.

2 (b) For purposes of improving the tax expenditure report filed on a biennial basis
3 pursuant to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue,
4 any taxpayer benefiting from the tax credits in this section shall report to the division of taxation
5 the actual value of the tax credits, and authorize that this information, as well as the identification
6 of the taxpayer be disclosed as part of the biennial tax expenditure report. In order to qualify for
7 the tax credits in this section, any taxpayer shall comply with the requirements of this subsection.
8 The tax administrator shall prescribe the form in which the report required by this subsection
9 shall be filed.

10 SECTION 14. Section 44-43-2 of the General Laws in Chapter 44-43 entitled "Tax
11 Incentives for Capital Investment in Small Businesses" is hereby amended to read as follows:

12 **44-43-2. Deduction or modification.** -- (a) In the year in which a taxpayer first makes a
13 qualifying investment in a certified venture capital partnership or the year in which an
14 entrepreneur first makes an investment in a qualifying entity, the taxpayer or the entrepreneur
15 shall be allowed:

16 (1) A deduction for purposes of computing net income or net worth in accordance with
17 chapter 11 of this title; or

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

20 (3) A deduction for the purposes of computing net income in accordance with chapter 14
21 of this title; or

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

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

26 (b) The deduction or modification shall be in an amount equal to the taxpayer's
27 qualifying investment in a certified venture capital partnership or an entrepreneur's investment in
28 a qualifying business entity and shall be measured at the year end of the certified venture capital
29 partnership, the year end of the qualifying business entity, or the year end of the investing
30 taxpayer, whichever comes first.

31 (c) For purposes of improving the tax expenditure report filed on a biennial basis
32 pursuant to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue,
33 any taxpayer benefiting from the tax deduction or modification in this section shall report to the
34 division of taxation the actual value of the tax deduction or modification, and authorize that this

1 [information, as well as the identification of the taxpayer be disclosed as part of the biennial tax](#)
2 [expenditure report. In order to qualify for the tax deduction or modification in this section, any](#)
3 [taxpayer shall comply with the requirements of this subsection. The tax administrator shall](#)
4 [prescribe the form in which the report required by this subsection shall be filed.](#)

5 SECTION 15. Section 44-46-3 of the General Laws in Chapter 44-46 entitled "Adult
6 Education Tax Credit" is hereby amended to read as follows:

7 **44-46-3. Credits.** -- (a) An employer shall be allowed a credit as provided in section 44-
8 46-1 up to a maximum credit of three hundred dollars (\$300) against taxes otherwise due under
9 provisions of chapters 11, 13, 14, 15, 17 and 30 of this title per paid employee. The employee
10 must remain in the employ of the business for a minimum period of thirteen (13) consecutive
11 weeks, and a minimum of four hundred and fifty-five (455) hours of paid employment before the
12 employer can become eligible for the income credit. The credit shall not reduce the tax under
13 chapter 11 of this title to less than one hundred dollars (\$100). The credit is not refundable. Any
14 amount of credit not deductible in that taxable year may not be carried over to the following year.
15 In the event that the employer is a partnership, joint venture or small business corporation, the
16 credit shall be divided in the same manner as income. This credit may not be applied against the
17 tax until all other credits available to this taxpayer for the taxable year have been applied.

18 [\(b\) For purposes of improving the tax expenditure report filed on a biennial basis](#)
19 [pursuant to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue,](#)
20 [any taxpayer benefiting from the tax credits in this section shall report to the division of taxation](#)
21 [the actual value of the tax credits, and authorize that this information, as well as the identification](#)
22 [of the taxpayer be disclosed as part of the biennial tax expenditure report. In order to qualify for](#)
23 [the tax credits in this section, any taxpayer shall comply with the requirements of this subsection.](#)
24 [The tax administrator shall prescribe the form in which the report required by this subsection](#)
25 [shall be filed.](#)

26 SECTION 16. Section 44-47-1 of the General Laws in Chapter 44-47 entitled "Adult and
27 Child Day Care Assistance and Development Tax Credit" is hereby amended to read as follows:

28 **44-47-1. Tax credit.** -- (a) A taxpayer that pays for or provides adult or child day care
29 services to its employees or to the employees of its commercial tenants, or that provides real
30 property or dedicates rental space for child day care services, is allowed a credit, to be computed
31 as provided in this chapter, against the tax imposed by chapters 11 and 13, except section 44-13-
32 13, and chapters 14, 17, 30 of this title. The amount of the credit shall be:

33 (1) Thirty percent (30%) of the total amount expended in the state of Rhode Island
34 during the taxable year by a taxpayer for day care services purchased to provide care for the

1 dependent children or dependent adult family members of the taxpayer's employees or employees
2 of commercial tenants of the taxpayer during the employees' hours of employment;

3 (2) Thirty percent (30%) of the total amount expended during the taxable year by a
4 taxpayer in the establishment and/or operation of a day care facility in the state of Rhode Island
5 used primarily by the dependent children of the taxpayer's employees or employees of
6 commercial tenants of the taxpayer during the employees' hours of employment;

7 (3) Thirty percent (30%) of the total amount expended during the taxable year by a
8 taxpayer in conjunction with one or more other taxpayers for the establishment and/or operation
9 of a day care facility in the state of Rhode Island used primarily by the dependent children of the
10 taxpayer's employees or employees of commercial tenants of the taxpayer during that employee's
11 hours of employment;

12 (4) Thirty percent (30%) of the total amount foregone in rent or lease payments related to
13 the dedication of rental or lease space to child day care services. The amount foregone shall be
14 the difference between fair market rental and actual rental.

15 (b) No credit shall be allowed pursuant to this chapter unless the child day care facility is
16 licensed pursuant to chapter 72.1 of title 42, and agrees to accept children whose child care
17 services are paid for in full or in part by the Rhode Island department of human services; and/or
18 the adult day care facility is certified by the department of elderly affairs.

19 (c) For purposes of improving the tax expenditure report filed on a biennial basis
20 pursuant to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue,
21 any taxpayer benefiting from the tax credit in this section shall report to the division of taxation
22 the actual value of the tax credit, and authorize that this information, as well as the identification
23 of the taxpayer be disclosed as part of the biennial tax expenditure report. In order to qualify for
24 the tax credit in this section, any taxpayer shall comply with the requirements of this subsection.
25 The tax administrator shall prescribe the form in which the report required by this subsection
26 shall be filed.

27 SECTION 17. Section 44-54-1 of the General Laws in Chapter 44-54 entitled "Disabled
28 Access Credit For Small Businesses" is hereby amended to read as follows:

29 **44-54-1. Tax credit.** -- (a) A small business taxpayer that pays for or incurs expenses to
30 provide access to persons with disabilities shall be allowed a credit, to be computed against the
31 tax imposed by chapters 11 and 13 of this title. The expenses must be paid or incurred to enable
32 the small business to comply with federal or state laws protecting the rights of persons with
33 disabilities. The credit is equal to ten percent (10%) of the total amount expended in the state of
34 Rhode Island during the taxable year but in no event shall exceed the sum of one thousand dollars

1 (\$1,000) for:

2 (1) Removing architectural, communication, physical, or transportation barriers;

3 (2) Providing qualified interpreters or other effective methods of delivering aurally
4 delivered materials to persons with hearing impairments;

5 (3) Providing readers, tapes or other effective means of making visually delivered
6 materials available to persons with visual impairments;

7 (4) Providing job coaches or other effective methods of supporting workers with severe
8 impairments in competitive employment;

9 (5) Providing specialized transportation services to employees or customers with
10 mobility impairments;

11 (6) Buying or modifying equipment for persons with disabilities; and

12 (7) Providing similar services, modifications, material or equipment for persons with
13 disabilities;

14 (b) As used in this chapter, the following words have the following meanings:

15 (1) "Small business" is one that for the preceding year had thirty (30) or fewer full-time
16 employees, or had one million dollars (\$1,000,000) or less in gross receipts.

17 (2) "Full-time employee" is one employed at least thirty (30) hours a week for twenty
18 (20) or more calendar weeks in the preceding year.

19 (3) "Federal or state laws protecting the rights of persons with disabilities" includes but
20 is not limited to the: Americans with Disabilities Act of 1990, 42 U.S.C. section 12101 et. seq.;
21 Title V of the Rehabilitation Act of 1973, 29 U.S.C. section 794; Declaration of Certain
22 Constitutional Rights and Principles -- Discrimination, R.I. Const. art. 1, section 2; Civil Rights
23 of People with Disabilities, chapter 87 of title 42; Open Meeting Handicapped Accessibility for
24 persons with disabilities, section 42-46-13; Access for persons with disabilities, section 37-8-15;
25 and AIDS Discrimination Prohibited, section 23-6.3-11.

26 (4) "Amount expended" means the actual sum of money spent.

27 (c) For purposes of improving the tax expenditure report filed on a biennial basis
28 pursuant to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue,
29 any taxpayer benefiting from the tax credit in this section shall report to the division of taxation
30 the actual value of the tax credit, and authorize that this information, as well as the identification
31 of the taxpayer be disclosed as part of the biennial tax expenditure report. In order to qualify for
32 the tax credit in this section, any taxpayer shall comply with the requirements of this subsection.
33 The tax administrator shall prescribe the form in which the report required by this subsection
34 shall be filed.

1 SECTION 18. Section 44-55-4.1 of the General Laws in Chapter 44-55 entitled "Tax
2 Incentives for Employers" is hereby amended to read as follows:

3 **44-55-4.1. Incentive provisions.** -- (a) The deduction or modification is not refundable
4 but may be used by the claimant business for the tax against it pursuant to chapters 11, 13, 14, 15,
5 17, and 30 of this title, not including any tax imposed under section 44-13-13 or other similar
6 provisions in the following manner:

7 (1) A deduction for purposes of computing net income in accordance with chapter 11 of
8 this title;

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

11 (3) A deduction for the purposes of computing net income in accordance with chapter 14
12 of this title;

13 (4) A deduction for the purposes of computing deposits in accordance with chapter 15 of
14 this title;

15 (5) A deduction for the purposes of computing gross premiums in accordance with
16 chapter 17 of this title; or

17 (6) A modification reducing federal adjusted gross income in accordance with chapter 30
18 of this title.

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

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

25 (d) In the event that the taxpayer is liable for taxes imposed under both chapters 14 and
26 15 of this title, the taxpayer must elect the tax against which it wishes to claim the incentive. This
27 election shall be made as part of the taxpayer's filings in accordance with sections 44-14-6 and
28 44-15-5. The taxpayer may not divide the incentive for any year between the two (2) tax
29 liabilities for which it is liable.

30 (e) In the event that the hiring of the employee is used to obtain any other tax incentive
31 or tax benefit for the business, then the business will not be eligible for the incentive available in
32 this chapter.

33 [\(f\) For purposes of improving the tax expenditure report filed on a biennial basis pursuant](#)
34 [to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue, any](#)

1 taxpayer benefiting from the tax deduction or modification in this section shall report to the
2 division of taxation the actual value of the tax deduction or modification, and authorize that this
3 information, as well as the identification of the taxpayer be disclosed as part of the biennial tax
4 expenditure report. In order to qualify for the tax deduction or modification in this section, any
5 taxpayer shall comply with the requirements of this subsection. The tax administrator shall
6 prescribe the form in which the report required by this subsection shall be filed.

7 SECTION 19. Section 44-63-2 of the General Laws in Chapter 44-63 entitled "Incentives
8 for Innovation and Growth" is hereby amended to read as follows:

9 **44-63-2. Innovation credit. [Repealed effective December 31, 2016 pursuant to**
10 **section 44-63-5.] --** (a) An eligible qualified innovative company may apply to the division of
11 taxation for a tax credit certificate in an amount equal to fifty percent (50%) of any investment
12 made in the company, but in no case shall the amount of the tax credit certificate exceed one
13 hundred thousand dollars (\$100,000). The tax credit certificate may be issued in the name of the
14 eligible company, or an executive employee or employees of the company, an investor in the
15 company, or any combination thereof as requested by the company, and may be applied against
16 state tax liability arising under chapters 44-11, 44-12, or 44-30 by the holders of the certificates.
17 If not applied in full at the time of the next following tax filing period, the certificate(s) or the
18 remaining value thereof may be carried forward for a period not to exceed three (3) years.

19 (b) For purposes of improving the tax expenditure report filed on a biennial basis
20 pursuant to chapter 44-48.1, and improving the reliability of the estimates of foregone revenue,
21 any taxpayer benefiting from the tax credit in this section shall report to the division of taxation
22 the actual value of the tax credit, and authorize that this information, as well as the identification
23 of the taxpayer be disclosed as part of the biennial tax expenditure report. In order to qualify for
24 the tax credit in this section, any taxpayer shall comply with the requirements of this subsection.
25 The tax administrator shall prescribe the form in which the report required by this subsection
26 shall be filed.

27 SECTION 20. This act shall take effect upon passage.

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LC02188
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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO TAXATION

1 This act would require increased transparency for certain existing tax credits, deductions
2 and exemptions. The biennial tax expenditure report would require more information about these
3 tax benefits, including the name of recipients, and the value of foregone revenue to the state. The
4 division of taxation would be responsible for collecting the information as part of a taxpayer's tax
5 return.

6 This act would take effect upon passage.

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