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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2014

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A N A C T

RELATING TO TAXATION - RHODE ISLAND NEW QUALIFIED JOBS INCENTIVE ACT
OF 2014

Introduced By: Representatives Shekarchi, Ackerman, Finn, Serpa, and McNamara

Date Introduced: January 15, 2014

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 44 of the General Laws entitled "TAXATION" is hereby amended by
2 adding thereto the following chapter:

3 CHAPTER 69

4 RHODE ISLAND NEW QUALIFIED JOBS INCENTIVE ACT OF 2014

5 **44-69-1. Short title.** – This chapter shall be known and may be cited as the "Rhode
6 Island Qualified Jobs Incentive Act of 2014".

7 **44-69-2. Definitions.** – As used in this chapter, unless the context clearly indicates
8 otherwise, the following words and phrases shall have the following meanings:

9 (1) "Adjusted current employment" means, for any taxable year ending on or after June
10 30, 2014, the aggregate of the average daily number of qualified full-time equivalent active
11 employees employed within the state by an eligible company during such taxable year.

12 (2) "Affiliated entity" means any entity owned or controlled by the same persons or
13 shareholders who own or control an eligible company.

14 (3) "Base employment" means the aggregate number of qualified full-time equivalent
15 active employees employed within the state by an eligible company and its eligible subsidiaries
16 on July 1, 2014.

17 (4) "Eligible company" means any corporation (including a subchapter S corporation as
18 defined in 26 U.S.C. section 1361), state bank, federal savings bank, trust company, national

1 banking association, bank holding company, loan and investment company, mutual savings bank,
2 credit union, building and loan association, insurance company, investment company, broker-
3 dealer company or surety company, limited liability company partnership (including an eligible
4 subsidiary of any of the foregoing), or sole proprietorship.

5 (5) "Eligible subsidiary" means each entity eighty percent (80%) or more of the
6 outstanding voting equity of which is owned by an eligible company.

7 (6) "Qualified full-time equivalent active employee" means any employee of an eligible
8 company who: (i) Works a minimum of thirty (30) hours per week within the state, or two (2) or
9 more part-time employees whose combined weekly hours equal or exceed thirty (30) hours per
10 week within the state; (ii) Earns health care benefits; and (iii) Earns no less than two hundred fifty
11 percent (250%) of the hourly minimum wage prescribed by Rhode Island law. The first tax year
12 that an eligible company qualifies for a rate reduction pursuant to section 44-69-3, for purposes of
13 this section, two hundred fifty percent (250%) of the hourly minimum wage prescribed by Rhode
14 Island law shall mean two hundred fifty percent (250%) of the hourly minimum wage prescribed
15 by Rhode Island law at: (A) The time the employee was first treated as a full-time equivalent
16 active employee during a tax year that the eligible company qualified for a rate reduction
17 pursuant to section 44-69-3, or, if later; (B) The time the employee first earned at least two
18 hundred fifty percent (250%) of the hourly minimum wage prescribed by Rhode Island law as an
19 employee of the eligible company.

20 (7) "Initial new employment level" means the number of units of new employment
21 reported by an eligible company reported in 2016.

22 (8) "New employment" means for each taxable year the amount of adjusted current
23 employment for each taxable year (determined as of December 31 of each year) minus the
24 amount of base employment, but in no event less than zero; provided, however, no eligible
25 company is permitted to transfer, assign or hire employees who are already employed within the
26 state by such eligible company from itself or any affiliated entity or utilize any other artifice or
27 device for the purpose of artificially creating new employees in order to qualify for the rate
28 reduction provided for in this chapter. "New employment" shall not include employees already
29 employed in this state who become employees of an eligible company as a result of an acquisition
30 of an existing company by purchase, merger, or otherwise, if such existing company was eligible
31 for a rate reduction under the provisions of chapter 42-64.5, or the provisions of this chapter.

32 (9) "Rate reduction" means the reduction in the tax rate specified in section 44-69-4.

33 (10) "Small business concern" means an eligible company which has a base employment
34 level of less than one hundred (100) employees.

1 (11) "State" means the state of Rhode Island and Providence Plantations.

2 (12) "Total employment" for an eligible company as of any date means the total number
3 of qualified full-time equivalent active employees employed within the state by the eligible
4 company.

5 (13) "Units of new employment" means:

6 (i) For eligible companies which are not small business concerns, the amount of new
7 employment divided by fifty (50), rounded down to the nearest multiple of fifty (50); and

8 (ii) For eligible companies which are small business concerns, the amount of new
9 employment divided by ten (10), rounded down to the nearest multiple of ten (10).

10 **44-69-3. Tax rate reduction.** – The rate of tax payable by an eligible company and each
11 of its eligible subsidiaries for any taxable year ending on or after June 30, 2014, on its net income
12 pursuant to the applicable income tax provisions of the general laws, including the provisions of
13 sections 44-11-2(a), 44-14-3(a), 44-14-4 and 44-17-1, or on its gross earnings pursuant to sections
14 44-13-4(4), 44-30-2.6, or 44-30-2.10 shall be reduced by the amount specified in section 44-69-4;
15 this rate reduction shall be applied once annually to those eligible companies which are permitted
16 by law to file a consolidated state tax return and in the case of eligible companies not permitted
17 by law to file consolidated state tax returns, then the rate reduction shall be applied annually to
18 each eligible company and its eligible subsidiaries; in the case of an eligible company the income
19 of which is subject to tax pursuant to sections 44-30-2.6 or 44-30-2.10, the rate reduction shall be
20 applied annually only to the portion of net income of such taxpayer attributable to the eligible
21 company; provided, however, should any eligible company fail to maintain in any taxable year on
22 or after December 31, 2016, the number of units of new employment it reported for such 2015 tax
23 year, the rate reduction provided for in this chapter shall expire permanently.

24 **44-69-4. Reduction rate schedule.** – The amount of the rate reduction specified in
25 section 44-69-3 for any eligible company for each taxable year ending on or after June 30, 2014,
26 shall be based upon the aggregate amount of new employment of the eligible company and its
27 eligible subsidiaries for such taxable year, and shall be determined by multiplying the numerical
28 equivalent of one-quarter of one percent (.25%) by the number of units of new employment for
29 each such taxable year through the taxable year ending on or before December 31, 2016 and for
30 each taxable year thereafter, the number of units of new employment reported for such taxable
31 year ending in 2016; provided, however, the amount of each rate reduction shall in no event be
32 greater than six (6) percentage points for the applicable income tax rate or greater than three (3)
33 percentage points for the applicable personal income tax rate.

34 **44-69-5. Rule of construction.** – This chapter is to be construed in a manner consistent

1 with and complementary to provisions of chapter 42-64.5 of the general laws. The rate reduction
2 received under the provisions of this chapter shall be in addition to the rate reduction, if any, that
3 an eligible company shall be entitled to receive under the provisions of said chapter 42-64.5 of
4 the general laws.

5 **44-69-6. Reporting requirement.** – (a) By August 15th of each year the division of
6 taxation shall report the name, address, and amount of tax credit received for each eligible
7 company during the previous state fiscal year to the chairpersons of the house and senate finance
8 committees, the house and senate fiscal advisors, and the division of taxation. This report shall be
9 available to the public for inspection by any person and shall be published by the tax
10 administrator on the tax division website.

11 (b) On or before September 1, 2014, and every September 1 thereafter, all eligible
12 companies qualifying for a rate reduction pursuant to section 44-69-3 shall file an annual report
13 with the tax administrator to determine if an eligible company is entitled to the rate reduction
14 provided for in this chapter. Said report shall contain each full-time equivalent active employee's
15 name, date of hire, and hourly wage as of the immediately preceding July 1 and such other
16 information deemed necessary by the tax administrator. The report shall be filed on a form and in
17 a manner prescribed by the tax administrator.

18 **44-69-7. Severability.** – If any provision of this chapter or the application of any section
19 or part of this chapter to any person or circumstance is held invalid, the invalidity shall not affect
20 other provisions or applications of this chapter which can be given effect without the invalid
21 provision or application.

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

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO TAXATION - RHODE ISLAND NEW QUALIFIED JOBS INCENTIVE ACT
OF 2014

- 1 This act would create a financial incentive for business entities to create new jobs by
- 2 offering a business tax reduction.
- 3 This act would take effect upon passage.

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