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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2015

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A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- DISTRESSED AREAS
ECONOMIC REVITALIZATION ACT

Introduced By: Representatives Marshall, Serpa, Costantino, Casey, and Shekarchi

Date Introduced: March 13, 2015

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 42-64.3-3 and 42-64.3-6 of the General Laws in Chapter 42-64.3
2 entitled "Distressed Areas Economic Revitalization Act" are hereby amended to read as follows:

3 **42-64.3-3. Definitions.** -- As used in this chapter, the following words and terms shall
4 have the following meanings unless the context shall indicate another or different meaning or
5 intent:

6 (1) "Council" or "enterprise zone council" means the governmental agency created
7 pursuant to § 42-64.3-3.1.

8 (2) "Enterprise zone," "economic revitalization zone," or "zone" means an economically
9 distressed United States bureau of the census division or delineation in need of expansion of
10 business and industry, and the creation of jobs, which is designated to be eligible for the benefits
11 of this chapter.

12 (3) "Governing authority" means the governing body of a state, city or town within
13 which a qualified United States bureau of the census division or delineation lies.

14 (4) (i) "Qualified business" or "business facility" means any business corporation, sole
15 proprietorship, partnership, ~~or~~ limited partnership, ~~or~~ limited liability company, limited liability
16 partnership, or any other form of business entity which:

17 (A) After the date of its original application for membership in the enterprise zone
18 program or the date annual membership is renewed creates and hires a minimum of five percent

1 (5%) new or additional enterprise jobs or in the case of a company having twenty (20) employees
2 or less, this requirement shall be that the company create and hire one new or additional
3 enterprise job, in the respective zone during the same certification year; and

4 (B) Whose total Rhode Island wages including those Rhode Island wages for additional
5 enterprise jobs, exceeds the total Rhode Island wages paid to its employees in the prior calendar
6 year; and

7 (C) Obtains certificates of good standing from the Rhode Island division of taxation, the
8 corporations division of the Rhode Island secretary of state and the appropriate municipal
9 authority at the time of certification; and

10 (D) Provides the council with an affidavit stating under oath that the entity seeking
11 certification as a qualified business has not within the preceding twelve (12) months from the date
12 of application for certification changed its legal status for the purpose of gaining favorable
13 treatment under the provisions of chapter 64.3 of this title; and

14 (E) Meets certain other requirements as set forth by the council; and

15 (F) Has received certification from the council pursuant to the rules and regulations
16 promulgated by the council.

17 (ii) In the event that an applicant for certification meets the criteria of subdivisions
18 (4)(i)(A) and (4)(i)(C) to (F), but fails to meet the requirements of subdivision (4)(i)(B) solely
19 because the amount of wages paid to the owner or owners of the business has decreased from the
20 prior calendar year, the Council may, for good cause shown, certify the applicant as a qualified
21 business. The applicant shall have the burden to show, notwithstanding its failure to meet the
22 requirements of subdivision (4)(i)(B) above, that the applicant has met the intent of this chapter.
23 For the purposes of this provision, owner shall mean a person who has at least twenty percent
24 (20%) of the indicia of ownership of the applicant.

25 (5) "Effective date of certification" means the date upon which the qualified business
26 meets the tests imposed in subdivisions (4)(i)(A) through (F) above and applies to the calendar
27 year for which these tests were performed.

28 (6) "Enterprise job employees" means those full-time employees whose annual salary
29 compensation is not less than the sum of forty thousand dollars (\$40,000) and whose business
30 activity originates and terminates from within the enterprise zone business and facility on a daily
31 basis, and who are domiciled residents of the state (or who, in the case of employees of a high
32 performance manufacturer as that term is defined in § 44-31-1(b)(3)(i), pay personal income taxes
33 to the state) and hired (or transferred, in the case of existing out-of-state employees) and
34 employed by the qualified business in the enterprise zone after the effective date of certification

1 or annual recertification in excess of those full-time employees employed by the qualified
2 business in any Rhode Island enterprise zone in the prior calendar year. An employee who is
3 hired and terminated in the same certification period does not constitute an enterprise job
4 employee.

5 (7) "Wages" means wages, tips and other compensation as defined in the Internal
6 Revenue Code of 1986, 26 U.S.C. § 1 et seq.

7 **42-64.3-6. Business tax credits.** -- A qualified business in an enterprise zone is allowed a
8 credit against the tax imposed pursuant to chapters 11, 13 (except the taxation of tangible
9 personal property under § 44-13-13), 14, 17, and 30 of title 44:

10 (1) A credit equal to fifty percent (50%) of the total amount of wages paid to those
11 enterprise job employees comprising the five percent (5%) new jobs referenced in § 42-64.3-
12 3(4)(i)(A). The wages subject to the credit shall be reduced by any direct state or federal wage
13 assistance paid to employers for the employee(s) in the taxable year. The maximum credit
14 allowed per taxable year under the provisions of this subsection shall be ~~two thousand five~~
15 ~~hundred dollars (\$2,500)~~ fifteen thousand dollars (\$15,000), per employee. A taxpayer who takes
16 this business tax credit shall not be eligible for the resident business owner modification pursuant
17 to § 42-64.3-7.

18 (2) A credit equal to seventy five percent (75%) of the total amount of wages paid to
19 those enterprise job employees who are domiciliaries of an enterprise zone comprising the five
20 percent (5%) new jobs referenced in § 42-64.3-3(4)(i)(A). The wages subject to the credit shall be
21 reduced by any direct state or federal wage assistance in the taxable year. The maximum credit
22 allowed per taxable year under the provisions of this subdivision shall be ~~five thousand dollars~~
23 ~~(\$5,000)~~ fifteen thousand dollars (\$15,000) per employee. A taxpayer who takes this business tax
24 credit is not eligible for the resident business owner modification. The council shall promulgate
25 appropriate rules to certify that the enterprise job employees are domiciliaries of an enterprise
26 zone and shall advise the qualified business and the tax administrator. A taxpayer taking a credit
27 for employees pursuant to this subdivision (2) shall not be entitled to a credit pursuant to
28 subdivision (1) of this section for the employees.

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

34 (4) In the case of a corporation, the credit allowed under this section is only allowed

1 against the tax of that corporation included in a consolidated return that qualifies for the credit
2 and not against the tax of other corporations that may join in the filing of a consolidated tax
3 return.

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

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

15 SECTION 2. Chapter 42-64.3 of the General Laws entitled "Distressed Areas Economic
16 Revitalization Act" is hereby amended by adding thereto the following section:

17 **42-64.3-14. Designation of the state of Rhode Island as an enterprise zone. – In**
18 **addition to the existing enterprise zones designated by the council pursuant to this chapter, the**
19 **remainder of the census tracts or delineations of the state of Rhode Island that are not designated**
20 **as an enterprise zone shall temporarily be deemed and designated as such pursuant to the**
21 **provisions of this chapter; with such expanded designation to be in effect until such time as the**
22 **state unemployment rate meets or falls below the national unemployment rate, as published by**
23 **the United States Department of Labor, Bureau of Labor Statistics. Notwithstanding these**
24 **provisions, the expiration of the enterprise zone designation shall not apply to any enterprise zone**
25 **previously in existence or to any zone which has an application already filed and pending at the**
26 **time of the effective date of this section.**

27 SECTION 3. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- DISTRESSED AREAS
ECONOMIC REVITALIZATION ACT

1 This act would temporarily designate the entire state an enterprise zone, increase the
2 amount of tax credits allowed to fifteen thousand dollars (\$15,000) per employee, and amend the
3 definition of eligible employees to those who make a minimum salary of forty thousand dollars
4 (\$40,000).

5 This act would take effect upon passage.

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