

2021 -- S 0046

=====

LC000286

=====

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2021

—————

A N A C T

RELATING TO TAXATION

Introduced By: Senators Bell, Mack, Anderson, Calkin, and Mendes

Date Introduced: January 19, 2021

Referred To: Senate 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 70

4 AGREEMENT TO PHASE OUT CORPORATE INCENTIVES ACT

5 **44-70-1. Membership.**

6 Any state of the United States and the District of Columbia may become a member of this
7 agreement/compact by enacting this agreement in substantially the following form.

8 **44-70-2. Definitions.**

9 As used in this chapter:

10 (1) "Company-specific grant" means any disbursement of funds via property, cash or
11 deferred tax liability by the state government to a particular company.

12 (2) "Company-specific tax incentive" means any change in the general tax rate or valuation
13 offered or presented to a specific company that is not available to other similarly-situated
14 companies.

15 (3) "Corporate incentives" means any company-specific or industry-specific disbursement
16 of funds via property, cash or deferred or reduced tax liability by a state or local government to a
17 particular company or industry.

18 (4) "Located in any other member state" means any corporate headquarters, office space,
19 manufacturing facility or other real estate development that is physically located in another member

1 state, whether or not the company has other property in the member state.

2 (5) "Member state" means any state or the District of Columbia that has enacted a statute
3 agreeing to this compact.

4 **44-70-3. Findings.**

5 The member states find that:

6 (1) Corporate incentives are among the least effective uses of taxpayer dollars to create and
7 maintain jobs;

8 (2) Local and state leaders are in a prisoners' dilemma where it is best for all to create a
9 level playing field for all employers without any corporate incentives, but each level of government
10 has an incentive to subsidize a company, generating a race to the bottom;

11 (3) Governments should attract and retain companies based on general conditions
12 (including, but not limited to, modern infrastructure, an educated workforce, a clean environment,
13 and a favorable tax and regulatory climate), not based on a specific grant for a particular company;

14 (4) Corporate incentives fuel business inequality as only the largest businesses receive the
15 vast majority of these funds;

16 (5) A reasonable first step in phasing out corporate incentives is an anti-poaching
17 agreement among state governments prohibiting state company-specific tax incentives and state
18 company-specific grants as an inducement for entities to relocate existing facilities;

19 (6) Creating a national board of gubernatorial appointees charged with finding consensus
20 around improvements to this agreement over time in a phased approach will assist state and local
21 governments in escaping from the prisoners' dilemma and implementing a level playing field for
22 all employers.

23 **44-70-4. Anti-poaching prohibition.**

24 Each member state is prohibited from offering or providing any company-specific tax
25 incentive or company-specific grant to any entity for a corporate headquarters, manufacturing
26 facility, office space or other real estate development located in any other member state as an
27 inducement for the corporate headquarters, manufacturing facility, office space or other real estate
28 development to relocate to the offering member state.

29 **44-70-5. Exclusions.**

30 Workforce development grants that train employees are not subject to this agreement.
31 Company-specific tax incentives or company-specific grants from local governments are not
32 subject to this agreement, and state's company-specific tax incentives or state company-specific
33 grants to entities for corporate headquarters, office space, manufacturing facilities or real estate
34 developments located within that specific state are not subject to this agreement.

1 **44-70-6. Withdrawal.**

2 Any member state may withdraw from this agreement with six (6) months' notice and shall
3 do so in writing to the governor of every member state.

4 **44-70-7. Enforcement.**

5 The attorney general of each member state shall enforce this compact. A taxpaying resident
6 of any member state has standing in the courts of any member state to require the attorney general
7 of that member state to enforce this compact.

8 **44-70-8. National board to draft suggested improvements over time to the agreement.**

9 A national board of the agreement to phase out corporate incentives act is established by
10 this agreement. The governor of each member state shall appoint one member to the board. The
11 board shall accept appointees from non-member states that wish to appoint a member of the board.
12 The purpose of the board is to publish suggested revisions to this agreement in December of each
13 year to continue to phase out those forms of corporate incentives that the board finds reasonable to
14 include as suggested revisions to the agreement for member states to consider implementing. The
15 board shall convene at least annually, elect officers from its membership, establish rules and
16 procedures for its governance, and publish a report in December of each year that includes
17 suggested revisions and improvements to this agreement. The board shall collect testimony from
18 all interested parties, including organizations and associations representing state legislators,
19 taxpayers and subject matter experts on how the agreement can be improved and strengthened.

20 **44-70-7. Construction and severability.**

21 This compact shall be liberally construed so as to effectuate its purposes. If any phrase,
22 clause, sentence or provision of this compact, or the applicability of any phrase, clause, sentence
23 or provision of this compact to any government, agency, person or circumstance is declared in a
24 final judgment by a court of competent jurisdiction to be contrary to the constitution of the United
25 States or is otherwise held invalid, the validity of the remainder of this compact and the applicability
26 of the remainder of this compact to any government, agency, person or circumstance shall not be
27 affected.

28 If this compact is held to be contrary to the constitution of any member state, the compact
29 shall remain in full force and effect as to the remaining member states and in full force and effect
30 as to the affected member state as to all severable matters.

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

=====
LC000286
=====

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

- 1 This act would create an agreement to limit corporate incentives.
- 2 This act would take effect upon passage.

=====
LC000286
=====