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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2014

A N A C T

RELATING TO TAXATION - MUNICIPAL ECONOMIC DEVELOPMENT ZONES

Introduced By: Representatives Johnston, Messier, O`Grady, and O`Neill

Date Introduced: February 12, 2014

Referred To: House Finance

It is enacted by the General Assembly as follows:

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

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

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

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

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

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

18 (5) Legislation enacted to encourage redevelopment of the deteriorated, blighted areas
19 through the formation of local redevelopment agencies has had very limited success;

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

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

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

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

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

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

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

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

26 (1) In order to ~~attract new construction and development~~ promote revitalization in a
27 municipal economic development zone (MED) as provided in this section, upon the designation
28 of such a zone as set forth in subsection (c) of this section, all businesses engaging in qualifying
29 sales and located ~~in new construction~~ in a MED zone (a MED zone business) shall be exempt
30 from the requirement to charge and collect fifty percent (50%) of the current sales and use tax
31 pursuant to sections 44-18-18 and 44-18-20 for a period of ten (10) years. Sales and use taxes
32 collected in a MED zone shall be returned to the same MED zone in accordance with the
33 provisions of this section. The ten (10) year exemption period for all MED zone businesses shall
34 begin to run from the latest to occur of: (i) the date that is three (3) years from the effective date

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

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

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

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

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

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

16 (ii) ~~Has a population less than fifty thousand (50,000) persons; and~~ [The MED zone shall](#)
17 [be located in a municipally designated and state-approved "growth center" in accordance with the](#)
18 [Land-Use 2025 element of the state guide plan.](#)

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

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

26 (3) The city or town council, in designating a MED zone, shall after public notice,
27 hearing and vote as provided by section 45-32-4, comply with the plan requirements of section
28 45-32-8 and shall be responsible for carrying on the plan. The city or town council in
29 implementing the MED zone plan shall have the power of eminent domain as set forth in section
30 45-32-24, and the provisions of sections 45-32-25 -- 45-32-41 shall apply to all such
31 condemnations.

32 (4) All sales and use taxes collected within a MED zone shall be reimbursed to the
33 municipality in which the MED zone is located, and may be expended by the municipality to
34 implement the capital improvement component of the MED zone plan for MED zone property or

1 for property located within one mile of the MED zone or for such other capital improvements as
2 the municipality may determine are required to mitigate MED zone impacts.

3 (5) West Warwick. - The following area or portions of them of the town of West
4 Warwick may be designated as the town's municipal economic development zone by the town
5 council of the town of West Warwick after public notice, hearing and vote as provided in section
6 45-32-4:

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

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

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

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

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

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- 1 This act would expand the number of municipal economic zones permitted by law.
- 2 This act would take effect upon passage.

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