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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2019

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A N A C T

RELATING TO TAXATION -- PAWTUCKET OPPORTUNITY ZONE INCOME TAX
CREDIT ACT

Introduced By: Senators Conley, Nesselbush, Crowley, and Cano

Date Introduced: January 31, 2019

Referred To: Senate Housing & Municipal Government

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 PAWTUCKET OPPORTUNITY ZONE INCOME TAX CREDIT ACT

5 **44-70-1. Short title.**

6 This chapter shall be known and may be cited as "Pawtucket Opportunity Zone Income
7 Tax Credit Act."

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

9 The following words and phrases used in this chapter shall have the meanings given to
10 them in this chapter unless the context indicates otherwise:

11 (1) "Code" means the federal Internal Revenue Code (the "code") 26 U.S.C. 1 et seq.

12 (2) " Corporation" means the governmental agency and public instrumentality, formerly
13 known as the "Rhode Island port authority and economic development corporation" and/or also
14 formerly known as the "Rhode Island economic development corporation," and now known as the
15 Rhode Island commerce corporation authorized, created, and established pursuant to § 42-64-4,
16 or any subsidiary corporation thereof which is established pursuant to § 42-64-7.1.

17 (3) "Director" means the chief executive officer of the Rhode Island commerce
18 corporation.

1 (4) "Pawtucket qualified opportunity fund" means a qualified opportunity fund, as
2 defined in 26 U.S.C. 1400Z-2(d) of the code, that invests, either directly or through a qualified
3 opportunity zone business, not less than two hundred fifty thousand dollars (\$250,000) in a
4 qualified opportunity zone which is located in the city of Pawtucket.

5 (5) "Pawtucket qualified opportunity zone business property" means qualified
6 opportunity zone business property as defined in 26 U.S.C. 1400Z-2(d)(2)(D) of the code that is
7 located in a qualified opportunity zone which is located in the city of Pawtucket.

8 (6) "Placed in service" means the earlier of:

9 (i) The date the owner of the Pawtucket qualified opportunity zone business property
10 receives, for any portion of the Pawtucket qualified opportunity zone business property, a
11 certificate or other authorization for occupancy;

12 (ii) The year in which, under the depreciation practice of the owner of the qualified
13 opportunity zone property, the period for depreciation with respect to the property begins; or

14 (iii) The year in which the qualified opportunity zone business property is placed in a
15 condition or state of readiness and availability for its specifically assigned function.

16 (7) "Qualified opportunity zone" means a qualified opportunity zone as defined in 26
17 U.S.C. 1400ZO-1(a) of the code.

18 (8) "Qualified opportunity zone business" means a qualified opportunity zone business as
19 defined in 26 U.S.C. 1400Z-2(d)(3) of the code.

20 (9) "Rule or regulation" means any directive promulgated by the Rhode Island commerce
21 corporation not inconsistent with the laws of the United States or the state.

22 **44-70-3. Pawtucket opportunity zone tax credit.**

23 (a) A taxpayer shall be allowed a nonrefundable credit, to be computed as provided in
24 this chapter, against the tax imposed by chapters 11, 14, 17 and 30 of this title. The credit shall be
25 claimed for the taxable year in which the Pawtucket qualified opportunity zone business property
26 acquired, constructed, or renovated by a Pawtucket qualified opportunity fund is placed in
27 service, and shall equal ten percent (10%) of the amount of the investment in Pawtucket qualified
28 opportunity zone business property.

29 (b) If the amount of the tax credit exceeds a Pawtucket qualified opportunity fund's total
30 tax liability for the year in which the Pawtucket qualified opportunity zone business property is
31 placed in service, the amount that exceeds the Pawtucket qualified opportunity fund's tax liability
32 may be carried forward for credit against the taxes imposed for the succeeding seven (7) years, or
33 until the full credit is used, whichever occurs first. Credits allowed to a Pawtucket qualified
34 opportunity fund that is a partnership or a limited liability company taxed as a partnership shall be

1 passed through to the persons designated as partners or members respectively pro rata or pursuant
2 to an executed agreement among such persons designated as partners or members documenting
3 an alternate distribution method without regard to their sharing of other tax or economic attributes
4 of such entity.

5 (c)(1) If the Pawtucket qualified opportunity fund or its partners or members have not
6 claimed the tax credits in whole or part, the Pawtucket qualified opportunity fund eligible for the
7 tax credits may assign, transfer or convey the credits, in whole or in part, by sale or otherwise to
8 any individual or entity. The assignee of the tax credits may use acquired credits to offset up to
9 one hundred percent (100%) of the tax liabilities otherwise imposed pursuant to chapter 11, 14,
10 17 or 30 of this title. The assignee may apply the tax credit against taxes imposed on the assignee
11 until the end of the seventh calendar year after the year in which the Pawtucket qualified
12 opportunity zone business property acquired, constructed, or renovated by the Pawtucket
13 qualified opportunity fund investment is placed in service or until the full credit assigned is used,
14 whichever occurs first. Fiscal year assignees may claim the credit until the expiration of the fiscal
15 year that ends within the seventh year after the year in which the Pawtucket qualified opportunity
16 zone business property acquired, constructed, or renovated by the Pawtucket qualified
17 opportunity fund investment is placed in service. The assignor shall perfect the transfer by
18 notifying the state of Rhode Island division of taxation, in writing, within thirty (30) calendar
19 days following the effective date of the transfer and shall provide any information as may be
20 required by the division of taxation to administer and carry out the provisions of this section.

21 (2) For purposes of this chapter, any assignment or sales proceeds received by a taxpayer
22 for the assignment or sale of the tax credits allowed pursuant to this section shall be exempt from
23 this title. If a tax credit is subsequently revoked or adjusted, the seller's tax calculation for the
24 year of revocation or adjustment shall be increased by the total amount of the sales proceeds,
25 without proration, as a modification under chapter 30 of this title. In the event that the seller is not
26 a natural person, the seller's tax calculation under chapters 11, 14, 17, or 30 of this title, as
27 applicable, for the year of revocation or adjustment, shall be increased by including the total
28 amount of the sales proceeds without proration.

29 **44-70-4. Tax administrator.**

30 The tax administrator and his or her agents, for the purpose of ascertaining the
31 correctness of any credit claimed under the provisions of this chapter, may examine any books,
32 papers, records, or memoranda bearing upon the matters required to be included in the return,
33 report, or other statement, and may require the attendance of the person executing the return,
34 report, or other statement, or of any officer or employee of any taxpayer, or the attendance of any

1 other person, and may examine the person under oath respecting any matter which the tax
2 administrator or his or her agent deems pertinent or material in determining the eligibility for
3 credits claimed. A taxpayer may request information regarding the credit authorized by this
4 chapter from the tax administrator, and the tax administrator shall provide the information in all
5 cases, to the extent not otherwise prohibited by law.

6 **44-70-5. Sales and use tax exemption.**

7 The sales and use taxes imposed by chapters 18 and 19 of title 44 shall not apply to gross
8 receipts from the sale:

9 (1) To contractors of tangible personal property incorporated into the construction of an
10 improvement on or to real property that is a Pawtucket qualified opportunity zone business
11 property, or

12 (2) To a Pawtucket qualified opportunity fund of tangible personal property that is placed
13 in service as a Pawtucket qualified opportunity zone business property.

14 **44-70-6. Rules and regulations -- Enforcement.**

15 The Rhode Island commerce corporation shall have all the powers conferred by chapter
16 64 of title 42 to enforce the rules and regulations promulgated pursuant to this chapter.

17 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 -- PAWTUCKET OPPORTUNITY ZONE INCOME TAX
CREDIT ACT

1 This act would provide a tax credit for qualified investments in "opportunity zones" as
2 defined by federal law and located in Pawtucket. The act would be implemented by rules
3 promulgated by the commerce corporation.

4 This act would take effect upon passage.

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