

Keepin' It Local: New Tax Credits Designed for Economic Growth in Rhode Island

The Rhode Island General Assembly and Governor Gina M. Raimondo recently enacted a collection of tax incentives meant to stimulate the development of local jobs, induce new industries and business to relocate to Rhode Island, and incentivize developers of local real estate projects. Whether you already operate a business in Rhode Island, or are considering expanding your operations to the state, these new incentives could play a role in your strategic planning and significantly impact your bottom line. Draft regulations implementing these tax incentives have been promulgated by the Rhode Island Division of Taxation and the Rhode Island Commerce Corporation and can be found at <http://commerceri.com/finance-business-taxes-incentives/>.

Are you considering expanding your workforce? The Rhode Island Qualified Jobs Incentive Act of 2015 entitles Rhode Island businesses to receive tax credits for job creation. Businesses in “targeted” industries that hire at least 10 new employees can receive a tax credit of \$2,500 for each employee hired, and if the business meets certain other criteria, such as hiring in economically underdeveloped communities and areas that support public transit, or paying salaries above the median hourly wage, this credit may be up to \$7,500 per new employee. Businesses with more than 100 employees must meet higher thresholds to qualify.

Does your business regularly transact with out-of-state material or service providers who might consider a move into the Rhode Island market? The Anchor Institution Tax Credit entitles Rhode Island businesses to receive a tax credit for playing an important role in convincing other businesses to relocate to the state. Eligibility hinges on your ability to demonstrate to the Commerce Corporation that your business played a “substantial role” in the relocation of another business to Rhode Island (the relocating business must create 10 new Rhode Island jobs by the end of 2018, or 25 new jobs by the end of 2020). A preliminary application is required, and your entitlement to the tax credit depends on the Commerce Corporation’s approval of your final application. The actual amount of the tax credit is unspecified as yet and can be affected by factors like compensation paid to and location of new hires.

Are you interested in developing or participating in a real estate project? Do you have a financing gap preventing you from accomplishing your goals? The Rebuild Rhode Island Tax Credit Program provides tax credits to cover real estate project costs when developers cannot raise enough capital through typical financing channels to achieve a competitive advantage against an out-of-state option for the project location. Basic eligibility requirements are that the project’s total cost is at least \$5 million and that the developer invests at least a 20% equity stake in the project. The Commerce Corporation can approve up to \$15 million in tax credits for a project, but never more than 30% of the total project cost, and never more than the actual financing gap. Participation in this program can be a creative solution to filling a financing gap that might otherwise restrict your ability to develop real estate in Rhode Island.

Each of the tax incentive programs has more specific details set forth in the draft regulations, and each requires participants to enter into an “Incentive Agreement” with the Commerce Corporation, which will govern the administration of your tax credit. It is important to understand the various defined terms in the regulations, and you should ask your attorney to negotiate the Incentive Agreement between your business and the Commerce Corporation in order to ensure that the conditions to your right to the credit can be satisfied.

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