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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2014

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A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- JUMPSTART RI

Introduced By: Representatives Giarrusso, Costa, Chippendale, Newberry, and Morgan

Date Introduced: February 27, 2014

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 42 of the General Laws entitled "STATE AFFAIRS AND
2 GOVERNMENT" is hereby amended by adding thereto the following chapter:

3 CHAPTER 64.20

4 JUMPSTART RI

5 **42-64.20-1. Short title.** – This chapter shall be known and may be cited as
6 "JUMPSTART RI".

7 **42-64.20-2. Definitions.** – As used in this chapter, the following words and terms shall
8 have the following meanings, unless the context indicates another or different meaning or intent:

9 (1) "Net new job" means a job created in Rhode Island that satisfies all of the following
10 criteria:

11 (i) Is new to the state;

12 (ii) Has not been transferred from employment with another business located in the state,
13 through an acquisition, merger, consolidation or other reorganization of businesses or the
14 acquisition of assets of another business;

15 (iii) Has not caused individuals to transfer from existing employment with a related
16 person located in the state to similar employment with the business, unless such business has
17 received approval for such transfers from the secretary of commerce, or its designee, after
18 demonstrating that the related person has not eliminated those existing positions or has not been
19 transferred from employment with a related person in this state;

1 (iv) Is not filled by an individual employed within the state within the immediately
2 preceding sixty (60) months by a related person;

3 (v) Is either a full-time wage-paying job or equivalent to a full-time wage-paying job
4 requiring at least thirty-five (35) hours per week; and

5 (vi) Is a job which continues in existence with the employing business filled for more
6 than six (6) months.

7 (2) "New business" means a business that satisfies all of the following tests:

8 (i) The business must not be operating or located within the state at the time it submits its
9 application to participate in the JUMPSTART RI program;

10 (ii) The business must not be moving existing jobs from another area in the state;

11 (iii) The ownership of the business is not substantially similar to ownership of a business
12 entity (or entities) taxable, or previously taxable within the last five (5) taxable years, under
13 chapter 44-11;

14 (iv) The business must not have caused individuals to transfer from existing employment
15 with a related person located in the state to similar employment with the business, unless such
16 business has received approval for such transfers from the secretary of commerce or its designee
17 after demonstrating that the related person has not eliminated those existing positions.

18 (3) "Related person" means a "related person" pursuant to subparagraph (c) of paragraph
19 (3) of subsection (b) of section 465 of the Internal Revenue Code.

20 (4) "JUMPSTART RI approval board" or "board" means a board consisting of four (4)
21 members, one each appointed by the governor, the speaker of the house, the president of the
22 senate and the Rhode Island secretary of commerce. Each member of the JUMPSTART RI
23 approval board must have significant expertise and experience in business management or
24 economic development and must recuse themselves from any decision in which they have a
25 personal interest of any kind in any project that comes before the board.

26 (5) "Startup" is a company first formed in Rhode Island, with a minimum of two (2)
27 employees who are residents of Rhode Island, each owning at least twenty-five percent (25%) of
28 the enterprise, and which has no substantial operating history.

29 **42-64.20-3. Eligibility for businesses.** – (a) In order to participate in the JUMPSTART
30 RI program, a business must satisfy all of the following criteria:

31 (1) The business operation must not be involved in manufacturing, production or
32 customer service as its principal mission, without the express approval of the JUMPSTART RI
33 approval board.

34 (2) Except for startup companies as defined, at the time it submits its application for the

1 JUMPSTART RI program, the business must be a new business to the state.

2 (3) The business must be organized as a Rhode Island corporation, partnership, limited
3 liability company or sole proprietorship.

4 (4) The business, when approved for participation, must certify a minimum of three (3)
5 employees who are, or certify that they are in the process of establishing Rhode Island residency.

6 (5) The business must demonstrate that it will, in its first year of operation, create net new
7 jobs. After its first year of operation, the business must maintain net new jobs. In addition, the
8 average number of employees of the business and its related persons in the state during the year
9 must equal or exceed the sum of the average number of employees of the business operation and
10 its related persons in the state during the year immediately preceding the year in which the
11 business submits its application to participate in the program.

12 (6) Companies approved for participation in the program must re-certify employee
13 headcount in Rhode Island on an annual basis.

14 (7) Upon completion of its first year in the JUMPSTART RI program and every year
15 thereafter, the business must complete and timely file the annual report required hereunder.

16 (8) If a business does not satisfy the eligibility standards set forth in subdivisions (1)
17 through (3) of this subsection, the secretary of commerce or its designee may grant that business
18 permission to apply to participate in the JUMPSTART RI program if the secretary of commerce
19 or its designee determines that the business has demonstrated that it will substantially contribute
20 new net jobs to the state.

21 (b) The following types of businesses are prohibited from participating in the
22 JUMPSTART RI program:

23 (1) Retail and wholesale businesses;

24 (2) Restaurants;

25 (3) Real estate brokers;

26 (4) Law, accounting or business consulting firms;

27 (5) Medical or dental practices;

28 (6) Real estate management companies;

29 (7) Hospitality;

30 (8) Businesses providing personal services;

31 (9) Businesses providing utilities;

32 (10) Businesses engaged in the generation or distribution of electricity, the distribution of
33 natural gas, or the production of steam associated with the generation of electricity; and

34 (11) Businesses providing business administrative or support services, unless such

1 business has received permission from the secretary of commerce, or designee, to apply to
2 participate in the JUMPSTART RI program upon demonstration that the business would create
3 no fewer than one hundred (100) net new jobs.

4 **42-64.20-4. Jumpstart RI tax benefits.** – (a) Employees of businesses accepted into the
5 JUMPSTART RI program that locate in Rhode Island, employees of a qualified start up, or new
6 employees hired by qualified businesses or start up before the one hundred eighty (180) day of
7 their operation in the state, shall be exempt from all personal income taxes for a period of seven
8 (7) years; provided the business continues to meet certification requirements and files all required
9 reports. Workmen's compensation and temporary disability are considered insurances, and no
10 exemption for these charges is permitted.

11 (b) For a period of seven (7) years from the approved company's commencement of
12 operations in Rhode Island, companies approved for the program shall be exempt from all sales
13 taxes due under chapter 44-18.

14 (c) For a period of seven (7) years from the approved company's commencement of
15 operations in Rhode Island, companies approved for the program shall be exempt from the
16 corporate franchise tax under chapter 44-12.

17 (d) For a period of seven (7) years from the approved company's commencement of
18 operations in Rhode Island, approved companies shall be exempt from any tangible personal
19 property tax assessed or taxed under chapter 44-5.

20 (e) In the event the business constructs or purchases real estate in which to house its
21 operations, it shall be exempt from all local property taxes proportionate to the actual space used
22 for its own business operations for a period not to exceed seven (7) years from the date it
23 commences business in Rhode Island. The state of Rhode Island will remit to the affected
24 municipality fifty percent (50%) of the taxes due based on current assessments and for the
25 proportionate space used for business operations for the period in which the business is part of the
26 JUMPSTART RI program.

27 (f) The aggregate number of net new jobs approved for personal income tax benefits
28 under this chapter shall not exceed one thousand (1,000) jobs per year during the period in which
29 applications are accepted. The secretary of commerce, or designee, shall allocate to each
30 approved business accepted to locate in a tax-free area a maximum number of net new jobs that
31 shall be eligible for the personal income tax benefits based on the schedule of job creation
32 included in the application of such business. At such time as the total number of net new jobs
33 under such approved applications reaches the applicable allowable total of aggregate net new jobs
34 for tax benefits for the year in which the application is accepted, the secretary of commerce, or its

1 designee, shall stop granting eligibility for personal income tax benefits for net new jobs until the
2 next year. Any business not granted such personal income tax benefits for net new jobs for such
3 reason shall be granted such benefits in the next year prior to the consideration of new applicants.
4 In addition, if the total number of net new jobs approved for tax benefits in any given year is less
5 than the maximum allowed under this subsection, the difference shall be carried over to the next
6 year. A business may amend its schedule of job creation in the same manner that it applied for
7 participation in the JUMPSTART RI program, and any increase in eligibility for personal income
8 tax benefits on behalf of additional net new jobs shall be subject to the limitations of this section.
9 If the business accepted creates more net new jobs than for which it is allocated personal income
10 tax benefits, the personal income tax benefits it is allocated shall be provided to those individuals
11 employed in those net new jobs based on the employees' dates of hire.

12 (g) Current residents of Rhode Island at the time of an approved business start of
13 operations may be employed by the business and will be eligible to tax benefits; provided if
14 employed within the first one hundred eighty (180) calendar days of the businesses operation in
15 Rhode Island. Rhode Island residents employed subsequent to one hundred eighty (180) calendar
16 days of operation shall not be eligible for tax benefits provided.

17 **42-64.20-5. Businesses locating in Rhode Island.** – (a) Businesses locating in Rhode
18 Island shall provide the application and all supporting documentation to the secretary of
19 commerce, or designee, for review. Such application shall be in a form prescribed by the
20 secretary of commerce or designee and shall contain all information the secretary of commerce or
21 designee determines is necessary to properly evaluate the business's application, including, but
22 not limited to, the name, address, and employer identification number of the business; a
23 description of the land or space the business will use, and whether or not the land or space being
24 used by the business is being transferred or sublet to the business from some other business. The
25 application must include a certification by the business that it meets the eligibility criteria that the
26 business's participation in the JUMPSTART RI program will have positive community and
27 economic benefits. The application must include a description of how the business plans to recruit
28 employees from the local workforce.

29 (b) The secretary of commerce, or designee, shall review such application and
30 documentation within sixty (60) days and may reject such application upon a determination that
31 the business does not meet the eligibility criteria in § 42-64.20-3, has submitted an incomplete
32 application, has failed to comply with subsection (c) of this section, or has failed to demonstrate
33 that the business's participation in the JUMPSTART RI program will have positive community
34 and economic benefits. If the secretary of commerce or designee rejects such application, it shall

1 provide notice of such rejection to the business. If the secretary of commerce or its designee does
2 not reject such application within sixty (60) days, such business is accepted to locate in Rhode
3 Island, and the application of such business shall constitute a contract between such business and
4 the state of Rhode Island. Businesses shall be provided with documentation of their acceptances
5 in such form as prescribed by the secretary of commerce or designee which will be used to
6 demonstrate such business's eligibility for the tax benefits specified.

7 (c) Except as otherwise provided in this chapter, proprietary information or supporting
8 documentation submitted by a business shall only be utilized for the purpose of evaluating such
9 business's application or compliance with the provisions of this article and shall not be otherwise
10 disclosed. Any person who willfully discloses such information to a third party for any other
11 purpose whatsoever shall be guilty of a misdemeanor.

12 (d) The business submitting the application, as part of the application, must:

13 (1) Agree to allow the department of taxation to share its tax information with the
14 secretary of commerce or designee;

15 (2) Agree to allow the department of labor to share its tax and employer information with
16 the secretary of commerce or designee;

17 (3) Allow the secretary of commerce or designee access to any and all books and records
18 the department may require to monitor compliance;

19 (4) Include performance benchmarks, including the number of net new jobs that must be
20 created, the schedule for creating those jobs, and details on job titles and expected salaries. The
21 application must specify the consequences for failure to meet such benchmarks, as determined by
22 the business;

23 (i) Suspension of such business's participation in the JUMPSTART RI program for one or
24 more tax years as specified in such application;

25 (ii) Termination of such business's participation in the JUMPSTART RI program; and/or

26 (iii) Proportional recovery of tax benefits awarded under the JUMPSTART RI program
27 as specified;

28 (5) Provide the following information to the department upon request:

29 (i) The prior three (3) years of federal and state income or franchise tax returns,
30 unemployment insurance quarterly returns, real property tax bills and audited financial
31 statements;

32 (ii) The employer identification or social security numbers for all related persons to the
33 business, including those of any members of a limited liability company or partners in a
34 partnership;

1 (6) Provide a clear and detailed presentation of all related persons to the business to
2 assure the department that jobs are not being shifted within the state; and

3 (7) Certify, under penalty of perjury, that it is in substantial compliance with all
4 environmental, worker protection, and local, state, and federal tax laws, and that it satisfies all the
5 eligibility requirements to participate in the JUMPSTART RI program.

6 **42-64.20-6. Disclosure authorization and reporting requirements.** – (a) The secretary
7 of commerce or designee shall disclose publicly the names and addresses of the businesses
8 located within Rhode Island. In addition, the secretary of commerce or designee shall disclose
9 publicly and include in the annual report required under subsection (b) of this section such other
10 information contained in such businesses' applications and annual reports, including the projected
11 number of net new jobs to be created, as they determine is relevant and necessary to evaluate the
12 success of this program.

13 (b)(1) The secretary of commerce or designee shall prepare an annual report to the
14 governor and the legislature. Such report shall include the number of business applicants, number
15 of businesses approved, the names and addresses of the businesses located within a tax-free area,
16 total amount of benefits distributed, benefits received per business, number of net new jobs
17 created, net new jobs created per business, new investment per business, the types of industries
18 represented and such other information as the secretary of commerce or designee determines is
19 necessary to evaluate the progress of the JUMPSTART RI program.

20 (2) Any business located in Rhode Island must submit an annual report to the secretary of
21 commerce or designee in a form and at such time and with such information as prescribed by the
22 secretary of commerce or designee in consultation with the secretary of commerce or designee of
23 taxation and finance. Such information shall be sufficient for the secretary of commerce or
24 designee and the secretary of commerce or designee of taxation and finance to:

25 (i) Monitor the continued eligibility of the business and its employees to participate in the
26 JUMPSTART RI program and receive the tax benefits described in § 42-64.20-4;

27 (ii) Evaluate the progress of the JUMPSTART RI program; and

28 (iii) Prepare the annual report required by subsection (a) of this section. Such annual
29 report shall also include information regarding the wages paid during the year to its employees
30 employed in the net new jobs created and maintained in Rhode Island.

1 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 STATE AFFAIRS AND GOVERNMENT -- JUMPSTART RI

- 1 This act would establish the JUMPSTART RI program which would award tax benefits
- 2 to new businesses eligible for this program.
- 3 This act would take effect upon passage.

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