

2016 -- H 7745

=====  
LC004293  
=====

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

—————  
A N A C T

RELATING TO TAXATION - START-UP RHODE ISLAND TAX FREE ZONE PROGRAM

Introduced By: Representatives Costantino, Carnevale, Marshall, and Carson

Date Introduced: February 25, 2016

Referred To: House 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 START-UP RHODE ISLAND TAX FREE ZONE PROGRAM

5 **44-70-1. Short title.** -- This act shall be known and may be cited as the "Start-Up Rhode  
6 Island Tax Free Zone Program."

7 **44-70-2. Definitions.** -- For the purpose of this chapter, the following terms, phrases,  
8 words and their derivations have the meaning given in this chapter. When not inconsistent with  
9 the context, words used in the plural number include the singular number and words used in the  
10 singular number include the plural number:

11 (1) "Community college" means the Community College of Rhode Island.

12 (2) "Eligible land" means land eligible for approval as a tax-free Rhode Island area.

13 (3) "Net new job" means a job created in a tax-free Rhode Island area that satisfies all of  
14 the following criteria:

15 (i) Is new to the state;

16 (ii) Has not been transferred from employment with another business located in this state,  
17 through an acquisition, merger, consolidation or other reorganization of businesses, or the  
18 acquisition of assets of another business, or except as provided otherwise in this chapter has not  
19 been transferred from employment with a related person in this state;

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

3           (iv) 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 of work per week; and

5           (v) Is filled for more than six (6) months.

6           (4) "New business" means a business that satisfies all of the following tests:

7           (i) The business must not be operating or located within the state at the time it submits its  
8 application to participate in the START-UP Rhode Island program;

9           (ii) The business must not be moving existing jobs into the tax-free Rhode Island area  
10 from another area in the state;

11           (iii) The business is not substantially similar in operation and in ownership to a business  
12 entity (or entities) taxable, or previously taxable within the last five (5) taxable years; and

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

17           (5) "Private college or university" means a not-for-profit two (2) or four (4) year  
18 university or college given the power to confer associate, baccalaureate or higher degrees in this  
19 state by the board of education.

20           (6) "Related person" means a "related person" pursuant to § 465(b)(3)(c) of the Internal  
21 Revenue Code.

22           (7) "Secretary" means the secretary of commerce.

23           (8) "Sponsoring campus, university or college" means a university or college that has  
24 received approval to sponsor a tax-free Rhode Island area pursuant to this chapter.

25           (9) "State school" means the Community College of Rhode Island, Rhode Island College,  
26 and the University of Rhode Island.

27           (10) "State university campus" or "state school campus" means a Rhode Island campus of  
28 the state colleges and universities of higher education, including the Community College of  
29 Rhode Island, Rhode Island College, and the University of Rhode Island.

30           (11) "Strategic state asset" means land or a building or group of buildings owned by the  
31 state of Rhode Island, that is:

32           (i) Closed;

33           (ii) Vacant; or

34           (iii) For which notice of closure has been given pursuant to a Rhode Island statutory

1 notice requirement or which is otherwise authorized to be closed pursuant to the general laws.

2 (12) "START-UP Rhode Island approval board" or "board" means a board consisting of  
3 three (3) members, one each appointed by the governor, the speaker of the house and the  
4 president of the senate. Each member of the START-UP Rhode Island approval board must have  
5 significant expertise and experience in academic based economic development and may not have  
6 a personal interest in a Rhode Island project that comes before the board.

7 (13) "Tax-free Rhode Island area" means the land or vacant space of a state university or  
8 college that meets the eligibility criteria specified in this chapter and that has been approved as a  
9 tax-free Rhode Island area pursuant to the provisions of this chapter. It also means a strategic  
10 state asset that has been approved by the START-UP Rhode Island approval board.

11 (14) "Underutilized property" means vacant or abandoned land or space in an existing  
12 industrial park, manufacturing facility, a brownfield site, or a distressed or abandoned property,  
13 which shall be determined by factors including poverty, identified by the county or the town,  
14 village or city that contains such distressed or abandoned property, as of the effective date of this  
15 chapter. A college or university shall work with local municipalities or local economic  
16 development entities to identify underutilized properties.

17 **44-70-3. Eligibility criteria for universities and colleges. --** (a) State university,  
18 college, and community college campuses. Subject to the limitations in this section, the following  
19 will constitute the eligible land of a state university or college campus or community college  
20 campus:

21 (1) A vacant space in a building located on a campus of a state university or college or  
22 community college campus;

23 (2) Vacant land on a campus of a state university campus, community college or city  
24 university campus;

25 (3) For a state university campus or community college, a total of two hundred thousand  
26 (200,000) square feet of vacant land or vacant building space that is located within one mile of a  
27 campus of the state university campus or community college; and

28 (4) A state incubator with a bona fide affiliation to the state university or college campus,  
29 or community college campus, with approval of the secretary of commerce. In order for there to  
30 be a bona fide affiliation of a Rhode Island state incubator with a state university or college or  
31 community college campus:

32 (i) The incubator and the campus must have a partnership to provide assistance and  
33 physical space to eligible businesses;

34 (ii) The incubator and the school campus shall and must directly work towards the goals

1 of jointly creating jobs and incubating new startup businesses; and  
2 (iii) The mission and activities of the incubator must align with or further the academic  
3 mission of the college or university.  
4 (b) Factors considered. A state university campus or community college which qualifies  
5 may apply to the secretary of commerce for a determination that identified vacant land or  
6 identified vacant space in a building that is located more than one mile from its campus. The  
7 secretary shall give consideration to factors including rural, suburban and urban geographic  
8 considerations and may qualify the identified land or space in a building as eligible land if the  
9 secretary, in consultation with the leadership of the state colleges and university, determines that  
10 the state university campus or community college has shown that the use of the land or space will  
11 be consistent with the requirements of this program and the plan submitted by the state university  
12 campus or community college pursuant to this chapter. The aggregate amount of qualified land or  
13 space under this section may not exceed two hundred thousand (200,000) square feet for a state  
14 university campus or community college.  
15 (c) Private colleges and universities and certain other campuses.  
16 (1) The following will constitute the eligible land of a private college or university:  
17 (i) A vacant space in a Rhode Island building located on a campus of a private university  
18 or college;  
19 (ii) Vacant land on a campus of a private university or college;  
20 (iii) A state incubator with a bona fide affiliation to the private university or college, with  
21 approval of the secretary of post-secondary education. In order for there to be a bona fide  
22 affiliation of a Rhode Island state incubator with a private university or college, the incubator and  
23 the private university or college must have a partnership to provide assistance and physical space  
24 to eligible businesses. The incubator and the private university or college must directly work  
25 towards the goals of jointly creating jobs and incubating new startup businesses; and the mission  
26 and activities of the incubator must align with or further the academic mission of the private  
27 university or college.  
28 (d) Approvals. Up to three million (3,000,000) square feet is the maximum aggregate  
29 amount of tax-free Rhode Island areas of private universities and colleges that may be utilized for  
30 this program, which shall be designated in a manner that ensures regional balance and balance  
31 among eligible rural, urban and suburban areas in the state. The secretary of commerce shall  
32 maintain an accounting of the vacant land and space of private universities and colleges that have  
33 been approved as tax-free Rhode Island areas and shall stop accepting applications for approval  
34 of tax-free Rhode Island areas when that maximum amount has been reached.

1 (e) Initial amounts. An initial amount of seventy-five thousand (75,000) square feet shall  
2 be designated as tax-free Rhode Island areas at each of the state colleges and universities.

3 (f) Additional approvals. In addition, the board may approve up to three (3) applications,  
4 one for each state school, that includes eligible land owned or leased by each of the state colleges  
5 and university and that is directly adjacent to the campus of the school. The board may approve  
6 an additional application, for a state university campus, community college, or private university  
7 or college in the county not previously approved under this section.

8 (g) Prohibition. A state university campus college or community college campus is  
9 prohibited from relocating or eliminating an academic program, an administrative program,  
10 offices, housing facilities, dining facilities, athletic facilities, or other facility, space or program  
11 that actively serves students, faculty or staff in order to create vacant land or space to be utilized  
12 for the program authorized by this chapter. In addition, nothing in this chapter shall be deemed to  
13 waive or impair the rights or benefits of employees of the state school that otherwise would be  
14 available to them pursuant to the terms of agreements between the certified representatives of  
15 such employees and their employers. No services or work currently performed by public  
16 employees of a state school or future work that is similar in scope and nature to the work being  
17 currently performed by public employees shall be contracted out or privatized by the state school  
18 or by an affiliated entity or associated entity of the state school. For the purpose of this section, an  
19 affiliated associated entity shall not include a business that is participating in the START-UP  
20 Rhode Island program.

21 **44-70-4. Eligibility criteria for businesses. --** In order to participate in the START-UP  
22 Rhode Island program, a business must satisfy all of the following criteria:

23 (1) The mission and activities of the business must align with or further the academic  
24 mission of the campus, college or university sponsoring the tax-free Rhode Island area in which it  
25 seeks to locate, and the business's participation in the START-UP Rhode Island program must  
26 have positive community and economic benefits.

27 (2) The business must demonstrate that it will, in its first year of operation, create new  
28 jobs. After its first year of operation, the business must maintain new jobs. In addition, the  
29 average number of employees of the business and its related persons in the state during the year  
30 must equal or exceed the sum of:

31 (i) The average number of employees of the business and its related persons in the state  
32 during the year immediately preceding the year in which the business submits its application to  
33 locate in a tax-free Rhode Island area; and

34 (ii) New jobs of the business in the tax-free Rhode Island area during the year. The

1 average number of employees of the business and its related persons in the state shall be  
2 determined by adding together the total number of employees of the business and its related  
3 persons in the state on March 31, June 30, September 30 and December 31 and dividing the total  
4 by the number of such dates occurring within such year.

5 (3) Except as provided in subsections (7) and (8) of this section, at the time it submits its  
6 application for the START-UP Rhode Island program, the business must be a new business to the  
7 state.

8 (4) The business may be organized as a corporation, a partnership, limited liability  
9 company or a sole proprietorship.

10 (5) Upon completion of its first year in the START-UP Rhode Island program and  
11 thereafter, the business must complete and timely file the annual report required under this  
12 chapter.

13 (6) Except as provided in subsections (7) and (8) of this section, the business must not be  
14 engaged in a line of business that is currently or was previously conducted by the business or a  
15 related person in the last five (5) years in Rhode Island.

16 (7) If a business does not satisfy the eligibility standards set forth in subsection (3) or (6)  
17 of this section, because at one point in time it operated in Rhode Island state but moved its  
18 operations out of the state on or before June 1, 2015, the secretary of commerce shall grant that  
19 business permission to apply to participate in the START-UP Rhode Island program if the  
20 secretary of commerce determines that the business has demonstrated that it will substantially  
21 restore the jobs in Rhode Island state that it previously had moved out of state.

22 (8) If a business seeks to expand its current operations in Rhode Island state into a tax-  
23 free Rhode Island area, but the business does not qualify as a new business, or the business does  
24 not satisfy the eligibility standard set forth in subsection (6) of this section, the secretary of  
25 commerce shall grant the business permission to apply to participate in the START-UP Rhode  
26 Island program if the secretary of commerce determines that the business has demonstrated that it  
27 will create new jobs in the tax-free Rhode Island area and that it or a Rhode Island related person  
28 has not eliminated a Rhode Island job in the state in connection with this expansion.

29 (9) The following types of businesses are prohibited from participating in the START-UP  
30 Rhode Island program:

31 (i) Retail and wholesale businesses;

32 (ii) Restaurants;

33 (iii) Real estate brokers;

34 (iv) Law firms;

1           (v) Medical or dental practices;  
2           (vi) Real estate management companies;  
3           (vii) Hospitality;  
4           (viii) Finance and financial services;  
5           (ix) Businesses providing personal services;  
6           (x) Businesses providing business administrative or support services, unless such  
7 business has received permission from the secretary of commerce to apply to participate in the  
8 START-UP Rhode Island program upon demonstration that the business would create no fewer  
9 than one hundred (100) new jobs in the tax-free Rhode Island area;  
10          (xi) Accounting firms;  
11          (xii) Businesses providing utilities; and  
12          (xiii) Businesses engaged in the generation or distribution of electricity, the distribution  
13 of natural gas, or the production of steam associated with the generation of electricity.  
14          (10) A business must be in compliance with all worker protection and environmental  
15 laws and regulations. In addition, a business may not owe past due federal or state taxes or local  
16 property taxes.  
17          (11) A Rhode Island business that has successfully completed residency in a state  
18 incubator subject to approval of the secretary, may apply to participate in the START-UP Rhode  
19 Island program provided that such business locates in a tax-free Rhode Island area,  
20 notwithstanding the fact that the business may not constitute a new business.  
21          **44-70-5. Tax benefits.** -- (a) A business that is accepted into the START-UP Rhode  
22 Island program and locates in a tax-free Rhode Island area or the owner of a business that is  
23 accepted into the START-UP Rhode Island program and locates in a tax-free Rhode Island area is  
24 eligible for tax benefits. For a period of up to ten (10) years, the business shall be able to operate  
25 tax free. More specifically, during the time period:  
26           (1) The business shall be exempt from paying any business, corporate, state, or local  
27 taxes or sales and use taxes and franchise fees; and  
28           (2) Employees of such business shall not pay state income tax on their earnings from  
29 such business.  
30           (b) The aggregate number of net new jobs approved for personal income tax benefits  
31 under this chapter shall not exceed ten thousand (10,000) jobs per year during the period in which  
32 applications are accepted.  
33           (c) The secretary of commerce shall allocate to each business accepted to locate in a tax-  
34 free Rhode Island area a maximum number of net new jobs that shall be eligible for the personal

1 income tax benefits described in this section, based on the schedule of job creation included in the  
2 application of such business. At such time as the total number of net new jobs under such  
3 approved applications reaches the applicable allowable total of aggregate net new jobs for tax  
4 benefits for the year in which the application is accepted, the secretary of commerce shall stop  
5 granting eligibility for personal income tax benefits for net new jobs until the next year.

6 (d) A Rhode Island business not granted such personal income tax benefits for net new  
7 jobs for such reason shall be granted such benefits in the next year prior to the consideration of  
8 new applicants. In addition, if the total number of net new jobs approved for tax benefits in a  
9 given year is less than the maximum allowed under this subsection, the difference shall be carried  
10 over to the next year. A business may amend its schedule of job creation in the same manner that  
11 it applied for participation in the START-UP Rhode Island program, and a Rhode Island increase  
12 in eligibility for personal income tax benefits on behalf of additional net new jobs shall be subject  
13 to the limitations of this subsection. If the business accepted to locate in a tax-free Rhode Island  
14 area creates more net new jobs than for which it is allocated personal income tax benefits, the  
15 personal income tax benefits it is allocated shall be provided to those individuals employed in  
16 those net new jobs based on the employees' dates of hiring.

17 **44-70-6. Approval of tax-free Rhode Island areas. --** (a) The president or chief  
18 executive officer of a Rhode Island state university or college campus or community college  
19 seeking to sponsor a tax-free Rhode Island area and have some of its eligible land be designated  
20 as a tax-free Rhode Island area must submit a plan to the secretary of commerce that specifies the  
21 land or space the campus or college wants to include, describes the type of business or businesses  
22 that may locate on that land or in that space, explains how those types of businesses align with or  
23 further the academic mission of the campus or college and how participation by those types of  
24 businesses in the START-UP Rhode Island program would have positive community and  
25 economic benefits, and describes the process the campus or college will follow to select  
26 participating businesses. At least thirty (30) days prior to submitting such plan, the campus or  
27 college must provide the municipality or municipalities in which the proposed tax-free Rhode  
28 Island area is located, local economic development entities, the applicable campus or college  
29 faculty senate, union representatives and the campus student government with a copy of the plan.  
30 In addition, if the plan of the campus or college includes land or space located outside of the  
31 campus boundaries, the campus or college must consult with the municipality or municipalities in  
32 which such land or space is located prior to including such space or land in its proposed tax-free  
33 Rhode Island area and shall give preference to underutilized properties. Before approving or  
34 rejecting the plan submitted by a state university or college campus, or community college

1 campus, the secretary of commerce shall consult with the leadership of the applicable state  
2 college or university.

3 (b) The president or chief executive officer of a Rhode Island private college or  
4 university seeking to sponsor a tax-free Rhode Island area and have some of its eligible land be  
5 designated as a tax-free Rhode Island area must submit a plan to the secretary of commerce that  
6 specifies the land or space the college or university wants to include, describes the type of  
7 business or businesses that may locate on that land or in that space, explains how those types of  
8 businesses align with or further the academic mission of the college or university and how  
9 participation by those types of businesses in the START-UP Rhode Island program would have  
10 positive community and economic benefits, and describes the process the campus or college will  
11 follow to select participating businesses. In addition, if the plan of the campus or college includes  
12 land or space located outside of the campus boundaries, the campus or college must consult with  
13 the municipality or municipalities in which such land or space is located prior to including such  
14 space or land in its proposed tax-free Rhode Island area and shall notify local economic  
15 development entities. The secretary of commerce shall forward the plan submitted under this  
16 subsection to the START-UP Rhode Island approval board. In evaluating such plans, the board  
17 shall examine the merits of each proposal, including, but not limited to, compliance with the  
18 provisions of this chapter, reasonableness of the economic and fiscal assumptions contained in the  
19 application and in supporting documentation and potential of the proposed project to create new  
20 jobs, and shall prioritize for acceptance and inclusion into the START-UP Rhode Island program  
21 plans for tax-free Rhode Island areas in counties that contain a city with a population of one  
22 hundred thousand (100,000) or more. No preference shall be given based on the time of  
23 submission of the plan, provided that submission deadlines established by the board are met. In  
24 addition, the board shall give preference to private colleges or universities that include  
25 underutilized properties within their proposed tax-free Rhode Island areas. The board by a  
26 majority vote shall approve or reject each plan forwarded to it by the secretary of commerce.

27 (c) A campus, university or college may amend its approved plan, provided that the  
28 campus, university or college may not violate the terms of a lease with a business located in the  
29 approved tax-free Rhode Island area. In addition, if a business located in a tax-free Rhode Island  
30 area does not have a lease with a campus, university or college, and such business is terminated  
31 from the START-UP Rhode Island program, and subsequently does not relocate outside of the  
32 tax-free Rhode Island area, a campus, university or college may amend its approved plan to  
33 allocate an amount of vacant land or space equal to the amount of space occupied by the business  
34 that is terminated. The amendment must be approved pursuant to the procedures and requirements

1 set forth in this chapter.

2 **44-70-7. Tax-free Rhode Island areas.** -- The START-UP Rhode Island approval board,  
3 by majority vote, shall designate up to twenty (20) strategic state assets as tax-free areas. Each  
4 shall be affiliated with a state university campus, college campus, community college, or private  
5 college or university and such designation shall require the support of the affiliated campus,  
6 college or university. Each strategic state asset may not exceed a maximum of two hundred  
7 thousand (200,000) square feet of vacant land or vacant building space designated as a tax-free  
8 Rhode Island area. Designation of strategic state assets as tax-free areas shall not count against  
9 any square footage limitations in this chapter.

10 **44-70-8. Rules and regulations.** -- The secretary of commerce shall promulgate rules  
11 and regulations to effectuate the purposes of this chapter, including, but not limited to:

12 (1) Establishing the process for the plan submissions and approvals of tax-free Rhode  
13 Island areas;

14 (2) Establishing the process for the evaluation and possible rejection of applications, the  
15 eligibility criteria that will be applied in evaluating those applications;

16 (3) Determining the number of jobs which must be created and sustained for an entity to  
17 obtain the tax benefits afforded by this chapter; and

18 (4) Establishing the process for terminations from the START-UP Rhode Island Program  
19 and administrative appeals of such terminations.

20 **44-70-9. Businesses locating in tax-free Rhode Island areas.** -- (a) A campus,  
21 university or college that has sponsored a tax-free Rhode Island area, including a strategic state  
22 asset affiliated with the campus, university or college, shall solicit and accept applications from  
23 businesses to locate in such area that are consistent with the plan of such campus, university or  
24 college or strategic state asset that has been approved pursuant to this chapter. A Rhode Island  
25 business that wants to locate in a tax-free Rhode Island area must submit an application to the  
26 campus, university or college which is sponsoring the tax-free Rhode Island area by December  
27 31, 2021. Prior to such date, the secretary of commerce shall prepare an evaluation on the  
28 effectiveness of the START-UP Rhode Island program and deliver it to the governor and the  
29 legislature to determine continued eligibility for application submissions.

30 (b)(1) The sponsoring campus, university or college shall provide the application and all  
31 supporting documentation of a Rhode Island business it decides to accept into its tax-free Rhode  
32 Island area to the secretary of commerce for review. Such application shall be in a form  
33 prescribed by the secretary of commerce and shall contain all information the secretary of  
34 commerce determines is necessary to properly evaluate the business's application, including, but

1 not limited to, the name, address, and employer identification number of the business; a  
2 description of the land or space the business will use, the terms of the lease agreement, if  
3 applicable, between the sponsoring campus, university or college and the business, and whether  
4 or not the land or space being used by the business is being transferred or sublet to the business  
5 from some other business. The application must include a certification by the business that it  
6 meets the eligibility criteria specified in this chapter, will align with or further the academic  
7 mission of the sponsoring campus, college or university, and that the business's participation in  
8 the START-UP Rhode Island program will have positive community and economic benefits. The  
9 application must also describe whether or not the business competes with other businesses in the  
10 same community, but outside the tax-free Rhode Island area. In addition, the application must  
11 include a description of how the business plans to recruit employees from the local workforce.

12 (c) The secretary of commerce shall review such application and documentation within  
13 sixty (60) days and may reject such application upon a determination that the business does not  
14 meet the eligibility criteria in this chapter, has submitted an incomplete application, or has failed  
15 to demonstrate that the business's participation in the START-UP Rhode Island program will  
16 have positive community and economic benefits, which shall be evaluated based on factors  
17 including, but not limited to, whether or not the business competes with other businesses in the  
18 same community, but outside the tax-free Rhode Island area as prohibited by this chapter.

19 (d) If the secretary of commerce rejects such application, it shall provide notice of such  
20 rejection to the sponsoring campus, university or college and business. If the secretary of  
21 commerce does not reject such application within sixty (60) days, such business is accepted to  
22 locate in such tax-free Rhode Island area, and the application of such business shall constitute a  
23 contract between such business and the sponsoring campus, university or college. The sponsoring  
24 campus, university or college must provide accepted businesses with documentation of their  
25 acceptances in such form as prescribed by the secretary of commerce which will be used to  
26 demonstrate such business's eligibility for the tax benefits under this chapter.

27 (e) If a state school campus proposes to enter into a lease with a business for eligible land  
28 in a tax-free Rhode Island area with a term greater than forty (40) years, including options to  
29 renew, or for eligible land in a tax-free Rhode Island area of one million (1,000,000) or more  
30 square feet, the state school campus, at the same time as the application is provided to the  
31 secretary, also must submit the lease for review to the START-UP Rhode Island approval board.  
32 If the board does not disapprove of the lease terms within thirty (30) days, the lease is deemed  
33 approved. If the board disapproves the lease terms, the state school campus must submit modified  
34 lease terms to the secretary of commerce for review. The secretary of commerce's sixty (60) day

1 review period is suspended while the board is reviewing the lease and during the time it takes for  
2 the state university campus to modify the lease terms.

3 (f) Except as otherwise provided in this chapter, proprietary information or supporting  
4 documentation submitted by a business to a sponsoring campus, university or college shall only  
5 be utilized for the purpose of evaluating such business's application or compliance with the  
6 provisions of this chapter and shall not be otherwise disclosed. A Rhode Island school employee  
7 who willfully discloses such information to a third party for any other purpose whatsoever shall  
8 be guilty of a misdemeanor.

9 **44-70-10. Business agreement required. --** The business submitting the application, as  
10 part of the application, must:

11 (1) Agree to allow the department of administration, division of taxation to share its tax  
12 information with the department and the sponsoring campus, university or college;

13 (2) Agree to allow the department of labor to share its tax and employer information with  
14 the department and the sponsoring campus, university or college;

15 (3) Allow the department of administration and its agents and the sponsoring campus,  
16 university or college access to any and all books and records the department or sponsoring  
17 campus, university or college may require to monitor compliance;

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

22 (i) Suspension of such business's participation in the START-UP Rhode Island program  
23 for one or more tax years as specified in such application;

24 (ii) Termination of such business's participation in the START-UP Rhode Island  
25 program; and/or

26 (iii) Proportional recovery of tax benefits awarded under the START-UP Rhode Island  
27 program of the tax law;

28 (5) Provide the following information to the department and sponsoring campus,  
29 university or college upon request:

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

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

1 in a partnership:

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

4 (iv) Certify, under penalty of perjury, that it is in substantial compliance with all  
5 environmental, worker protection, and local, state, and federal tax laws, and that it satisfies all the  
6 eligibility requirements to participate in the START-UP Rhode Island program.

7 **44-70-11. Conclusion of lease term.** -- (a) At the conclusion of the term of a lease by the  
8 sponsoring campus, university or college to a business of land or space in a tax-free Rhode Island  
9 area owned by the sponsoring campus, university or college, the leased land or space and  
10 improvements thereon shall revert to the sponsoring campus, university or college, unless the  
11 lease is renewed.

12 (b) If, at any time, the sponsoring campus, university or college or the secretary of  
13 commerce determines that a business no longer satisfies any of the eligibility criteria specified in  
14 this chapter, the sponsoring campus, university or college shall recommend to the secretary of  
15 commerce that they terminate, or the secretary on their own initiative, shall immediately  
16 terminate such business's participation in the START-UP Rhode Island program. Such business  
17 shall be notified of such termination by the secretary of commerce by a method which allows for  
18 verification of receipt of such termination notice. A copy of such termination notice shall be sent  
19 to the sponsoring university or college. Upon such termination, such business shall not be eligible  
20 for the tax benefits specified in this chapter for any future taxable year, calendar quarter or sales  
21 tax quarter, although employees of such business may continue to claim the tax benefit for their  
22 wages during the remainder of that taxable year. Further, such lease or contract between the  
23 sponsoring campus, university or college and such business shall be rescinded, effective on the  
24 thirtieth day after the secretary of commerce mailed such termination notice to such business and  
25 the land or space and improvements thereon shall revert to the sponsoring campus, university or  
26 college.

27 **44-70-12. State agency status.** -- (a) Any individual, public corporation or authority,  
28 private corporation, limited liability company or partnership or other entity entering into a  
29 contract, subcontract, lease, grant, bond, covenant or other agreement for a project undertaken on  
30 a strategic state asset in a tax-free Rhode Island area shall be deemed a state agency. Such  
31 contracts shall be deemed state contracts.

32 (b) A business on a strategic state asset in a tax-free Rhode Island area may require a  
33 contractor awarded a contract, subcontract, lease, grant, bond, covenant or other agreement for a  
34 project to enter into a project labor agreement and be subject to the requirements for state

1 purchases during and for the work involved with such project when such requirement is part of  
2 the business's request for proposals for the project and when the business determines that the  
3 record supporting the decision to enter into such an agreement establishes that the interests  
4 underlying the competitive bidding laws are best met by requiring a project labor agreement  
5 including: obtaining the best work at the lowest possible price; preventing favoritism, fraud and  
6 corruption; the impact of delay; the possibility of cost savings; and any local history of labor  
7 unrest.

8 (c) For the purposes of this section "project" shall mean capital improvement work on a  
9 strategic state asset to be subject to a Rhode Island lease, transfer or conveyance, other than  
10 conveyance of title. Such capital improvement work shall include the design, construction,  
11 reconstruction, demolition, excavation, rehabilitation, repair, renovation, alteration or  
12 improvement of a strategic state asset.

13 **44-70-13. START-UP Rhode Island approval board.** -- There is hereby established the  
14 "START-UP Rhode Island approval board" or "board." The board shall consist of three (3)  
15 members, one each appointed by the governor, the speaker of the house and the president of the  
16 senate. Each member of the START-UP Rhode Island approval board must have significant  
17 expertise and experience in academic-based economic development and may not have a personal  
18 interest in a Rhode Island project that comes before the board.

19 **44-70-14. Rhode Island state business incubator.** -- (a) There is hereby authorized,  
20 established, and created a Rhode Island state business incubator to be located in a Rhode Island  
21 tax free zone as set forth in this chapter. The incubator shall be designed to foster the growth of  
22 businesses through a multi-tenant, mixed-use facility serving companies in a variety of industries  
23 including, but not limited to: services, distribution, light manufacturing, or technology-based  
24 businesses. The incubator shall provide a range of services designed to assist these new  
25 businesses, including, but not limited to: flexible leases, shared office equipment, use of common  
26 areas such as conference rooms, and will provide (directly or indirectly) easily accessible  
27 business management, training, financial, legal, accounting, and marketing services.

28 (b) The incubator shall be established as a non-business corporation, and shall have tax  
29 exempt status under U.S. Internal Revenue Code 26 U.S.C. 501(c)(3), and shall have an  
30 independent board of directors. The board of directors, in consultation with the START-UP  
31 Rhode Island approval board, shall adopt guidelines and performance measures for the purposes  
32 of operating and monitoring the incubator.

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

=====  
LC004293  
=====

EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

A N A C T

RELATING TO TAXATION - START-UP RHODE ISLAND TAX FREE ZONE PROGRAM

\*\*\*

1           This act would establish the "Start-Up Rhode Island Act," to allow for the establishment  
2 of tax free zones in the state. Businesses selected for access to such tax free zones would not be  
3 required to pay state income tax, business or corporate tax, or local taxes or franchise fees for a  
4 period of up to ten (10) years.

5           This act would take effect upon passage.

=====  
LC004293  
=====