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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2015

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A N A C T

RELATING TO TAXATION - RHODE ISLAND NEW QUALIFIED JOBS INCENTIVE ACT
OF 2015

Introduced By: Senators Sheehan, Felag, McCaffrey, Walaska, and Picard

Date Introduced: February 11, 2015

Referred To: Senate 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 RHODE ISLAND NEW QUALIFIED JOBS INCENTIVE ACT OF 2015

5 **44-70-1. Short title.** – This chapter shall be known and may be cited as the "Rhode
6 Island Qualified Jobs Incentive Act of 2015."

7 **44-70-2. Definitions.** – As used in this chapter, unless the context clearly indicates
8 otherwise, the following words and phrases shall have the following meanings:

9 (1) "Adjusted current employment" means, for any taxable year ending on or after June
10 30, 2015, the aggregate of the average daily number of qualified full-time equivalent active
11 employees employed within the state by an eligible company during such taxable year.

12 (2) "Affiliated entity" means any entity owned or controlled by the same persons or
13 shareholders who own or control an eligible company.

14 (3) "Base employment" means, the aggregate number of qualified full-time equivalent
15 active employees employed within the state by an eligible company and its eligible subsidiaries
16 on July 1, 2015.

17 (4) "Eligible company" means any corporation (including a subchapter S corporation as
18 defined in 26 U.S.C. § 1361), state bank, federal savings bank, trust company, national banking

1 association, bank holding company, loan and investment company, mutual savings bank, credit
2 union, building and loan association, insurance company, investment company, broker-dealer
3 company or surety company, limited liability company partnership (including an eligible
4 subsidiary of any of the foregoing), or sole proprietorship.

5 (5) "Eligible subsidiary" means each entity eighty percent (80%) or more of the
6 outstanding voting equity of which is owned by an eligible company.

7 (6) "Qualified full-time equivalent active employee" means any employee of an eligible
8 company who:

9 (i) Works a minimum of thirty (30) hours per week within the state, or two (2) or more
10 part-time employees whose combined weekly hours equal or exceed thirty (30) hours per week
11 within the state;

12 (ii) Earns healthcare insurance benefits, and retirement benefits; and

13 (iii) Earns no less than two hundred fifty percent (250%) of the hourly minimum wage
14 prescribed by Rhode Island law at the later of:

15 (A) The time the employee was first treated as a full-time equivalent active employee
16 during a tax year that the eligible company qualified for a rate reduction pursuant to § 44-70-3; or

17 (B) The time the employee first earned at least two hundred fifty percent (250%) of the
18 hourly minimum wage prescribed by Rhode Island law as an employee of the eligible company.

19 (7) "Initial new employment level" means the number of units of new employment
20 reported by an eligible company reported in 2017.

21 (8) "New employment" means for each taxable year the amount of adjusted current
22 employment for each taxable year (determined as of December 31 of each year) minus the
23 amount of base employment, but in no event less than zero; provided, however, no eligible
24 company is permitted to transfer, assign or hire employees who are already employed within the
25 state by such eligible company from itself or any affiliated entity or utilize any other artifice or
26 device for the purpose of artificially creating new employees in order to qualify for the rate
27 reduction provided for in this chapter. "New employment" shall not include employees already
28 employed in this state who becomes employees of an eligible company as a result of an
29 acquisition of an existing company by purchase, merger, or otherwise, if such existing company
30 was eligible for a rate reduction under the provisions of chapter 64.5 of title 42 or the provisions
31 of this chapter.

32 (9) "Rate reduction" means the reduction in tax rate specified in § 44-70-4.

33 (10) "Small business concern" means any eligible company which has a base
34 employment level of less than one hundred (100) employees.

1 (11) "State" means the state of Rhode Island and Providence Plantations.

2 (12) "Total employment" for an eligible company as of any date means the total number
3 of qualified full-time equivalent active employees employed within the state by the eligible
4 company.

5 (13) "Units of new employment" means:

6 (i) For eligible companies which are not small business concerns, the amount of new
7 employment divided by fifty (50), rounded down to the nearest multiple of fifty (50); and

8 (ii) For eligible companies which are small business concerns the amount of new
9 employment divided by ten (10), rounded down to the nearest multiple of ten (10).

10 **44-70-3. Tax rate reduction.** – The rate of tax payable by an eligible company and each
11 of its eligible subsidiaries for any taxable year ending on or after June 30, 2015, on its net income
12 pursuant to the applicable income tax provisions of the general laws, including the provisions of
13 §§ 44-11-2(a), 44-14-3(a), 44-14-4 and 44-17-1, or on its gross earnings pursuant to §§ 44-13-
14 4(4), 44-30-2.6, or alternative flat tax pursuant to § 44-30-2.10, shall be reduced by the amount
15 specified in § 44-70-4. This rate reduction shall be applied once annually to those eligible
16 companies which are permitted by law to file a consolidated state tax return and in the case of
17 eligible companies not permitted by law to file consolidated state tax returns, then the rate
18 reduction shall be applied annually to each eligible company and its eligible subsidiaries. In the
19 case of an eligible company the income of which is subject to tax pursuant to §§ 44-30-2.6 or 44-
20 30-2.10, the rate reduction shall be applied annually only to the portion of net income of such
21 taxpayer attributable to the eligible company; provided, however, should any eligible company
22 fail to maintain in any taxable year on or after December 31, 2017, the number of units of new
23 employment it reported for such 2016 tax year, the rate reduction provided for in this chapter
24 shall expire permanently.

25 **44-70-4. Reduction rate schedule.** – The amount of the rate reduction specified in § 44-
26 70-3 for any eligible company for each taxable year ending on or after June 30, 2015, shall be
27 based upon the aggregate amount of new employment of the eligible company and its eligible
28 subsidiaries for such taxable year, and shall be determined by multiplying the numerical
29 equivalent of one-quarter of one percent (.25%) by the number of units of new employment for
30 each such taxable year through the taxable year ending on or before December 31, 2017 and for
31 each taxable year thereafter, the number of units of new employment reported for such taxable
32 year ending in 2017. Provided, however, the amount of each rate reduction shall in no event be
33 greater than four (4) percentage points for the applicable income tax rate or greater than three (3)
34 percentage points for the applicable personal income tax rate.

1 **44-70-5. Rule of construction.** – The rate reduction received under the provisions of this
2 chapter shall not be used in conjunction with the rate reduction, if any, that an eligible company
3 may be entitled to receive under the provisions of chapter 64.5 of title 42.

4 **44-70-6. Severability.** – If any provision of this chapter or the application of any section
5 or part of this chapter to any person or circumstance is held invalid, the invalidity shall not affect
6 other provisions or applications of this chapter which can be given effect without the invalid
7 provision or application.

8 **44-70-7. Reporting requirement.** – (a) By August 15 of each year the division of
9 taxation shall report the name, address, and amount of tax credit received for each eligible
10 company during the previous state fiscal year to the chairpersons of the house and senate finance
11 committees, the house and senate fiscal advisors, and the division of taxation. This report shall be
12 available to the public for inspection by any person and shall be published by the tax
13 administrator on the tax division website.

14 (b) On or before September 1, 2015, and every September 1 thereafter, all eligible
15 companies qualifying for a rate reduction pursuant to § 44-70-3 shall file an annual report with
16 the tax administrator to determine if an eligible company is entitled to the rate reduction provided
17 for in this chapter. Said report shall contain each full-time equivalent active employee's name,
18 date of hire, and hourly wage as of the immediately preceding July 1 and such other information
19 deemed necessary by the tax administrator. The report shall be filed on a form and in a manner
20 prescribed by the tax administrator.

21 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 - RHODE ISLAND NEW QUALIFIED JOBS INCENTIVE ACT
OF 2015

- 1 This act would create a financial incentive for business entities to create new jobs by
- 2 offering a business tax reduction.
- 3 This act would take effect upon passage.

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