MEMORANDUM

To: The Honorable Marvin L. Abney
   Chairman, House Finance Committee

   The Honorable William J. Conley, Jr.
   Chairman, Senate Finance Committee

From: Thomas A. Mullaney
   Executive Director/State Budget Officer

Date: April 27, 2017

Subject: Amendments to Article 2 of the FY 2018 Appropriations Act
(17-H-5175)

The Governor requests that Article 2 entitled “Relating to Economic Development and Tax Credits” be replaced with the attached version. Requested substantive changes are highlighted in grey in the attached version of the article.

Explanation of Sections

Section 2.

New language is requested that includes companies engaged in commercial biological research and development or manufacturing and sale of biotechnology products or active pharmaceutical ingredients into the definition of “eligible taxpayer,” thereby capturing the full panoply of potential eligible taxpayers. The original article inadvertently omitted these companies from the definition of manufacturer; the amendment makes the section comport with the administration’s intent to allow all manufacturing companies to be considered eligible.

Requested language clarifies the intent of the article to require companies to comply with the Incentive Agreement and the applicable underling statute.

Amendments to Section 2 also include technical corrections, such as insertion of the word “tax,” which was inadvertently omitted. As well as insertion of the word “commerce,” which had been inadvertently omitted on page 6.

TDD#: 277-1227
Section 3.

The requested amendments to Section 3 include technical corrections to eliminate the duplicative phrase “organized as a C corporation” on pages 7 and 12 and deletion of the capital “M” in manufacturing on page 12.

Sections 8 and 9.

New Sections 8 and 9 are proposed to transfer the administration of the Jobs Training Tax Credit Act from the Human Resources Investment Council (now the Governor’s Workforce Board) to the Commerce Corporation. The proposed new Section 8 comports with Sections 6 and 7 of Article 2 as submitted and subsequently amended by the Governor.

The requested Sections 8 and 9 would be effective January 1, 2018, to comport with Sections 6 and 7 of Article 2 as submitted.

If you have any questions regarding these amendments, please feel free to call me or my staff at 222-6300.

TAM: 18-Amend-15

cc: Sharon Reynolds Ferland, House Fiscal Advisor  
Stephen Whitney, Senate Fiscal Advisor  
Michael DiBiase, Director of Administration  
Jonathan Womer, Director, Office of Management and Budget  
Gregory Stack, Supervising Budget Analyst  
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ARTICLE 2

RELATING TO ECONOMIC DEVELOPMENT AND TAX CREDITS

SECTION 1. Sections 42-64.28-2, 42-64.28-3, 42-64.28-4, and 42-64.28-5 of the General Laws in Chapter 42-64.28 entitled "Innovation Initiative" are hereby amended to read as follows:

42-64.28-2 Definitions. As used in this chapter:

(1) "Commerce corporation" means the Rhode Island commerce corporation established pursuant to § 42-64-1 et seq.

(2) "Small business" means a business that is resident in Rhode Island, has its business facility located within the state, and employs five hundred (500) or fewer persons.

(3) "Manufacturer" shall mean any entity that:

(a) Uses any premises within the state primarily for the purpose of transforming raw materials into a finished product for trade through any or all of the following operations: adapting, altering, finishing, making, processing, refining, metalworking, and ornamenting, but shall not include fabricating processes incidental to warehousing or distribution of raw materials, such as alteration of stock for the convenience of a customer; or

(b) Is described in codes 31-33 of the North American Industry Classification System, as revised from time to time.

(4) "Small business manufacturer" shall mean a business that meets the definitions of terms small business and manufacturer as defined herein.

(3) (5) "Match" shall mean a funding match, or in kind services provided by a third party.

(4)-(6) "Targeted industry" means any advanced, promising or otherwise prioritized industry identified in the economic development vision and policy promulgated pursuant to § 42-64.17-1 or, until such time as any such economic development vision and policy is promulgated, as identified by the commerce corporation.

42-64.28-3 Programs Established.
(a) The Rhode Island commerce corporation shall establish a voucher program and an innovation network program as provided under this chapter. The programs are subject to available appropriations and such other funding as may be dedicated to the programs.

(b) There is established an account in the name of the "innovation initiative fund" (the "fund") under the control of the commerce corporation to fund the programs.

(1) The fund shall consist of:

(i) Money appropriated in the state budget to the fund;

(ii) Money made available to the fund through federal grants, programs or private contributions;

(iii) Application or other fees paid to the fund to process applications for awards under this chapter; and

(iv) Any other money made available to the fund.

(c) Voucher program. The commerce corporation is authorized, to develop and implement an innovation voucher program to provide financing to small businesses to purchase research and development support or other forms of technical assistance and services from Rhode Island institutions of higher education and other providers and to fund research and development by and for small business manufacturers.

(d) Innovation network program. The commerce corporation is authorized to provide innovation grants to organizations, including non-profit organizations, for-profit organizations, universities, and co-working space operators that offer technical assistance, space on flexible terms, and access to capital to businesses in advanced or targeted industries. The commerce corporation shall only issue grants under this subsection when those grants are matched by private sector or non-profit partners. The commerce corporation shall establish guidelines for appropriate matching criteria under this section, including necessary matching ratios.

42-64.28-4 Eligible uses.

(a) Vouchers available under this chapter shall be used for the benefit of small businesses to access technical assistance and other services including, but not limited to, research, technological development,
product development, commercialization, market development, technology exploration, and improved business practices that implement strategies to grow business and create operational efficiencies.

(b) Vouchers available under this chapter shall be used to provide funding to finance internal research and development by and for small business manufacturers, including, but not limited to, research, technological development, product development, commercialization, market development, technology exploration, and improved business practices that implement strategies to grow business and create operational efficiencies. Subject to appropriation, the commerce corporation shall reserve up to one million dollars ($1,000,000.00) to be made available in fiscal year 2018 for vouchers awarded to small business manufacturers under this subsection.

(b) (c) Matching fund awards shall be used for the benefit of small businesses in industries designated from time-to-time by the corporation, including without limitation, life science and healthcare; food and agriculture; clean technology and energy efficiency; and cyber security to pay for and access technological assistance, to procure space on flexible terms, and to access capital from organizations, including non-profit organizations, for-profit organizations, universities, and co-working space businesses.

42-64.28-5 Qualification.

(a) To qualify for a voucher or for a matching fund award under this chapter, a business must make application to the commerce corporation, and upon selection, shall enter into an agreement with the commerce corporation. The commerce corporation shall have no obligation to issue any voucher, make any award or grant any benefits under this chapter.

(b) In a given tax year, a business shall not receive a voucher or matching fund award provided for under this chapter in conjunction with the tax credit provided for in section 44-32-3 of the general laws.

SECTION 2. Title 42 of the General Laws entitled “State Affairs and Government” is hereby amended by adding thereto the following chapter:

CHAPTER 64.33

REFUNDABLE INVESTMENT TAX CREDIT

42-64.33-1. Short title. – This chapter shall be known and may be cited as the “Refundable
Investment Tax Credit Act.”

42-64.33-2. Legislative findings.

Although chapter 31 of title 44 of the Rhode Island general laws (the “Investment Tax Credit statute”) establishes tax credits for eligible taxpayers for certain investments for the construction of facilities and the acquisition of tangible personal property, the Investment Tax Credit statute does not provide for refunds of such credits. Through the establishment of a refundable investment tax credit program for manufacturers, Rhode Island can foster further investment by manufacturing businesses and thereby encourage businesses to contribute in a meaningful way to the economic development of this state. In so doing, this program will further advance the competitiveness of Rhode Island and its companies in the national and global economies and result in the creation and/or retention of jobs and tax revenues for the state.

42-64.33-3. Definitions. -- As used in this chapter:

(1) “Business” means a C corporation, S corporation, partnership, limited partnership, limited liability partnership, limited liability company, or sole proprietorship;

(2) “Commerce corporation” means the Rhode Island commerce corporation established pursuant to general laws § 42-64-1 et. seq.;

(3) “Eligible taxpayer” means a taxpayer eligible for an investment tax credit pursuant to:

(i) § 44-31-1(b)(1) and (2); or

(ii) § 44-31-1(b)(3) and the property for which the credit is sought is being used in any of the businesses described in major groups 20 through 39 in the Standard Industrial Classification Manual prepared by the technical committee on industrial classification, office of statistical standards, executive office of the president, United States Bureau of Budget, as revised from time to time; or

(iii) § 44-31-1.1 and the company is primarily engaged in the manufacturing of biotechnology products or active pharmaceutical ingredients as defined therein.

(4) “Redeem” or “redemption” means obtaining a refund for a tax credit or a portion thereof;
(5) "Targeted industry" shall have the same meaning as provided in general laws 42-64.20-3 (Rebuild Rhode Island Tax Credit Program) and the regulations promulgated thereunder.

(6) "Tax liability" for purposes of this chapter means (i) the amount of tax owed to the state of Rhode Island calculated on the Rhode Island adjusted taxable income minus any Rhode Island tax credit allowed on Schedule B-CR other than credits allowed under this chapter; or (ii) the minimum tax for filers of Form RI 1120S; or (iii) the Rhode Island annual fee for filers of Form RI 1065.

42-64.33-4. Establishment of program. — A refundable investment tax credit program is hereby established as a program under the jurisdiction of and administered by the commerce corporation.

42-64.33-5. Refundable tax credits. — (a) To be eligible to take and/or redeem tax credits under this chapter, a business must be an eligible taxpayer as defined in this chapter and must submit a completed application to the commerce corporation for approval prior to making the investment that will give rise to the requested tax credit. Such application shall be developed by the commerce corporation.

(b) The commerce corporation may take into account the following factors in determining whether to approve an application for a refundable investment tax credit pursuant to this chapter: the nature and amount of the business’s investment; the necessity of the investment and/or credit; whether the business is engaged in a targeted industry; the number of jobs created by the business’s investment; whether the investment took place in a Hope community as defined in general laws 42-64.20-3 and the regulations promulgated thereunder; and such other factors as the commerce corporation deems relevant.

(c) The refundable investment tax credit shall be available to an eligible taxpayer business organized as a C Corporation only to the extent that the business’s investment tax credit exceeds that business’s tax liability for the tax year in which the credit is available. For any other eligible taxpayer business, the refundable investment tax credit shall be available as a refund up to the amount of the credit established by chapter 31 of title 44 and regardless of whether such credit is expressly allowed under § 44-30-2.6.

(d) The amount of the refundable tax credit available to any eligible taxpayer business in any given tax year shall not exceed the sum of two hundred thousand dollars ($200,000) subject to available
appropriations.

(e) Prior to approving an application for refundable credits, the commerce corporation shall require the business to enter into an incentive agreement setting forth the business's eligibility to use and/or redeem the tax credits and the terms and conditions governing the approval and receipt of the refundable tax credits.

(f) To take or redeem a refundable tax credit authorized by the commerce corporation, an eligible taxpayer business shall apply annually to the commerce corporation for a certification that the business has met all the requirements of this chapter, chapter 31 of title 44, and the incentive agreement. The commerce corporation shall either issue a certification to the business or provide a written response detailing any deficiencies precluding certification. The commerce corporation may deny an application for certification, or declare the incentive agreement null and void, if the business does not meet any of the requirements of this chapter, chapter 31 of title 44, or any additional terms and conditions of the incentive agreement. Redemption certifications shall not be assignable or transferable.

(g) Upon issuance of a certification by the commerce corporation under subsection (f) above, and at the written request of the business, the division of taxation shall, on behalf of the State of Rhode Island issue redemption tax credit certificate(s) as specified in the certification issued by the commerce corporation pursuant to section (f) above. Redemption tax credit certificates shall not be assignable or transferable.

(h) An eligible taxpayer business organized as a C Corporation shall be entitled to take investment tax credits, up to the limit authorized in this chapter, against taxes imposed pursuant to chapter 11 of title 44.

(i) Subject to annual appropriation in the state budget and upon written request of the eligible taxpayer business, the state shall refund the amount of tax credit provided under this chapter in whole or in part up to one hundred percent (100%) of the value of the redemption tax credit certificates issued under subsection (g), and for an eligible taxpayer business organized as a C Corporation, said refund shall be reduced by the amount of the tax credit taken and any remaining liability, if any; provided however, that an eligible taxpayer business may only claim a refund of a credit amount, in whole or part, for the year for which the tax credit was issued. Credits carried over pursuant to subsection (j) shall not be refundable.
(j) For an eligible taxpayer business organized as a C corporation, if the tax credit allowed under this chapter exceeds the taxpayer's total tax liability for the year in which the credit is allowed, the amount by which the tax credit allowed under this chapter exceeds the taxpayer's tax liability after taking into account any credit taken under this chapter may either be refunded pursuant to subsection (i) or carried forward for credit against the tax liability for the succeeding years, or until the tax credit is used in full, whichever occurs first.

(k) In the case of an eligible taxpayer business organized as a C corporation that files a combined return, this credit shall be allowed against the liability of the combined group only if said eligible taxpayer business that earned this credit was a member of the combined group at the time this credit was earned.

(l) Any expenses used for calculating the tax credit under this chapter cannot be used in calculating a tax credit under any other tax credit program in Rhode Island law.

(m) In the event any taxpayer seeking a refund under this chapter has outstanding Rhode Island tax obligations, the Division of Taxation shall be permitted to apply said refund to the outstanding tax obligations.

42-64.33-6. Refundable investment tax credit fund. – There is hereby established at the commerce corporation a restricted account known as the refundable investment tax credit fund (the “fund”) into which all amounts appropriated in the state budget for the redemption of tax credits under this chapter shall be deposited. The fund shall be used to pay for the redemption of investment tax credits pursuant to the provisions of this chapter. The fund shall be exempt from attachment, levy or any other process at law or in equity. The director of the department of revenue shall make a requisition to the commerce corporation for funding during any fiscal year as may be necessary to pay for the redemption of the tax credits pursuant to this chapter. The commerce corporation shall pay from the fund such amounts as requested by the director of the department of revenue necessary to redeem tax credits pursuant to this chapter.

42-64.33-7. Program integrity. – (a) Program integrity being of paramount importance, the commerce corporation shall establish procedures to ensure ongoing compliance with the terms and conditions of the program established herein, including procedures to safeguard approval of redemption of
the credits and to ensure that authorized redemptions further the objectives of the program.

(b) The commerce corporation and division of taxation may promulgate such rules and regulations pursuant to chapter 35 of title 42 of the general laws as deemed necessary to carry out the intent, purpose and implementation of the program established under this chapter.

42-64.33-8. Reporting requirements. — (a) By September 1, 2018 and each year thereafter, the commerce corporation shall report the name and address of each business entering into an incentive agreement during the previous state fiscal year to the division of taxation. The commerce corporation shall also make this information publicly available on its website. In addition, the commerce corporation shall provide the division of taxation a copy of each incentive agreement as it is executed.

(b) By December 1, 2018, and each year thereafter, the office of management and budget shall provide the governor with the sum, if any, to be appropriated to fund the refundable investment tax credit program.

SECTION 3. Title 42 of the General Laws entitled “State Affairs and Government” is hereby amended by adding thereto the following chapter:

CHAPTER 64.34

REFUNDABLE JOBS TRAINING TAX CREDITS

42-64.34-1. Short title. — This chapter shall be known and may be cited as the “Refundable Jobs Training Tax Credit Act.”

42-64.34-2. Legislative findings. — Although Chapter 64.6 of Title 42 of the Rhode Island General Laws (the “Jobs Training Tax Credit statute”) establishes tax credits for qualifying employers for qualifying expenses incurred in the training and/or retraining of qualifying employees, the Jobs Training Tax Credit statute does not provide for refunds of such credits. Through the establishment of a refundable jobs training tax credit program for manufacturers and certain businesses in targeted industries, Rhode Island can foster further training and/or retraining of qualifying employees to meet the evolving needs of the workforce and thereby encourage employers within those industries to contribute in a meaningful way to the economic development of this state. In so doing, this program will further advance the competitiveness of Rhode
Island and its companies in the national and global economies and result in the creation and/or retention of jobs in the state.

**42-64.34-3. Definitions. --** As used in this chapter:

(1) “Qualifying employee,” “qualifying employer,” and “qualifying expenses” shall have the meanings set forth in § 42-64.6-3.

(2) “Manufacturer” shall mean any entity that:

(a) Uses any premises within the state primarily for the purpose of transforming raw materials into a finished product for trade through any or all of the following operations: adapting, altering, finishing, making, processing, refining, metalworking, and ornamenting, but shall not include fabricating processes incidental to warehousing or distribution of raw materials, such as alteration of stock for the convenience of a customer; or

(b) Is described in codes 31-33 of the North American Industry Classification System, as revised from time to time.

(3) “New full-time job” means a position that did not previously exist in this state and that has been filled with a full-time employee. Such job position cannot be the result of an acquisition of an existing company located in Rhode Island by purchase, merger, or otherwise.

(4) “Redeem” or “redemption” means obtaining a refund for a tax credit or a portion thereof.

(5) “Targeted industry” shall have the same meaning as provided in general laws § 42-64.20-3 (Rebuild Rhode Island Tax Credit Program) and the regulations promulgated thereunder.

(6) “Tax liability” for purposes of this chapter means (i) the amount of tax owed to the state of Rhode Island calculated on the Rhode Island adjusted taxable income minus any Rhode Island tax credit allowed on Schedule B-CR other than credits allowed under this chapter; or (ii) the minimum tax for filers of Form RI 1120S; or (iii) the Rhode Island annual fee for filers of Form RI 1065.

**42-64.34-4. Establishment of program. --** A refundable jobs training tax credit program is hereby established as a program under the jurisdiction of and administered by the commerce corporation.

**42-64.34-5. Refundable tax credits. --** (a) To be eligible to take and/or redeem tax credits under
this chapter, a qualifying employer must (i) be a manufacturer or (ii) be a business within a targeted industry that pledges to add, through creation or relocation, new full-time jobs. Eligible qualifying employers must submit a completed application to the commerce corporation for approval prior to incurring the expenses for the training that will give rise to the requested tax credit. Such application shall be developed by the commerce corporation. The aggregate amount of refunds redeemed by non-manufacturer qualifying employers that qualify under (ii) above shall not exceed twenty percent (20%) of the total amount appropriated in a given year for the program created by this chapter.

(b) The commerce corporation may take into account the following factors in determining whether to approve a qualifying employer for a refundable jobs training tax credit pursuant to this section: the number of the qualifying employer’s qualifying employees and the amount of the qualifying employer’s qualifying expenses; the necessity of the training expenses and/or credit; the number of jobs created and/or retained as a result of the qualified expenses incurred by the qualifying employer; the number and nature of the new full-time jobs pledged to be created or relocated by the business in order to meet the eligibility requirements of subsection (a) above; whether the jobs training and/or retraining was applicable to a qualifying employer located in a Hope community, as defined in general laws 42-64.20-3 and the regulations promulgated thereunder; and such other factors as the commerce corporation deems relevant.

(c) The refundable jobs training tax credit shall be available to a qualifying employer organized as a C Corporation only to the extent that the qualifying employer’s jobs training tax credit exceeds that qualifying employer’s tax liability for the tax year in which the credit is available. For any other qualifying employer, the refundable jobs training tax credit shall be available as a refund up to the amount of the credit established by chapter 64.6 of title 42 and regardless of whether such credit is expressly allowed under § 44-30-2.6.

(d) The amount of the refundable tax credit available to any qualifying employer in any given tax year shall not exceed the sum of two hundred thousand dollars ($200,000).

(e) Prior to approving an application for refundable tax credits, the commerce corporation shall require the qualifying employer to enter into an incentive agreement setting forth the qualifying employer’s
eligibility to use and/or redeem tax credits and the terms and conditions governing the approval and receipt of the tax credits.

(f) To take or redeem a refundable tax credit authorized by the commerce corporation, a qualifying employer shall apply annually to the commerce corporation for a certification that the qualifying employer has met all the requirements of this chapter, chapter 64.6 of title 42, and the incentive agreement. The commerce corporation shall either issue tax certification to the qualifying employer or provide a written response detailing any deficiencies precluding certification. The commerce corporation may deny an application for certification, or declare the incentive agreement null and void, if the qualifying employer does not meet any of the requirements of this chapter, chapter 64.6 of title 42, or any additional terms and conditions of the incentive agreement. Redemption certifications shall not be assignable or transferable.

(g) Upon issuance of a certification by the commerce corporation under subsection (f) above and at the written request of the qualifying employer, the division of taxation shall, on behalf of the State of Rhode Island, issue redemption tax credit certificate(s) as specified in the certification issued by the commerce corporation pursuant to subsection (f). Redemption tax credit certificates shall not be assignable or transferable.

(h) A qualifying employer organized as a C corporation shall be entitled to take jobs training tax credits, up to the limit authorized in this chapter, against taxes imposed pursuant to chapters 11, 13 (except for § 44-13-13), 14, and 17 of title 44.

(i) Subject to annual appropriation in the state budget and upon written request of a qualifying employer, the state shall refund the amount of tax credit provided under this chapter in whole or in part up to one hundred percent (100%) of the value of the redemption tax credit certificates issued under subsection (g), and for a qualifying employer organized as a C corporation, said refund shall be reduced by the amount of the tax credit taken and any remaining liability, if any; provided, however, that a qualifying employer may only claim a refund of a tax credit amount, in whole or in part, for the year for which the tax credit was issued. Credits carried over pursuant to subsection (j) shall not be refundable.

(j) For a qualifying employer organized as a C Corporation, if the tax credit allowed under this
chapter exceeds the qualifying employer’s total tax liability for the year in which the credit is allowed, the amount by which the tax credit exceeds the qualifying employer’s tax liability after taking into account any credit taken under this chapter may either be refunded pursuant to subsection (i) or carried forward for credit against the tax liability for the succeeding years, or until the tax credit is used in full, whichever occurs first.

(k) In the case of an eligible taxpayer business organized as a C corporation that files a combined return, this credit shall be allowed against the liability of the combined group only if said eligible taxpayer business that earned this credit was a member of the combined group at the time this credit was earned.

(l) Any expenses used for calculating the tax credit under this chapter cannot be used in calculating a tax credit under any other tax credit program in Rhode Island law.

(m) In the event any taxpayer seeking a refund under this chapter has outstanding Rhode Island tax obligations, the Division of Taxation shall be permitted to apply said refund to the outstanding tax obligations.

(n) The definition of "manufacturer" in this chapter is limited to the eligibility for the program in this chapter only and shall not modify or define the legal standing of a manufacturer for any other purpose in Title 44 of the Rhode Island general laws.

42-64.34-6. Refundable jobs training tax credit fund. — There is hereby established at the commerce corporation a restricted account known as the refundable jobs training tax credit fund (the "fund") into which all amounts appropriated in the state budget for the redemption of tax credits under this chapter shall be deposited. The fund shall be used to pay for the redemption of jobs training tax credits pursuant to the provisions of this chapter. The fund shall be exempt from attachment, levy or any other process at law or in equity. The director of the department of revenue shall make a requisition to the commerce corporation for funding during any fiscal year as may be necessary to pay for the redemption of tax credits pursuant to this chapter. The commerce corporation shall pay from the fund such amounts requested by the director of the department of revenue necessary to redeem tax credits pursuant to this chapter.
42-64.34-7. Program integrity. — (a) Program integrity being of paramount importance, the commerce corporation shall establish procedures to ensure ongoing compliance with the terms and conditions of the program established herein, including procedures to safeguard approval of redemption of the credits and to ensure that authorized redemptions further the objectives of the program.

(b) The commerce corporation and division of taxation may promulgate such rules and regulations pursuant to chapter 35 of title 42 of the general laws as deemed necessary to carry out the intent, purpose and implementation of the program established under this chapter.

42-64.34-8. Reporting requirements. — (a) By September 1, 2018 and each year thereafter, the commerce corporation shall report the name and address of each qualifying employer entering into an incentive agreement during the previous state fiscal year to the division of taxation. The commerce corporation shall also make this information publicly available on its website. In addition, the commerce corporation shall provide the division of taxation a copy of each incentive agreement as it is executed.

(b) By December 1, 2018, and each year thereafter, the office of management and budget shall provide the governor with the sum, if any, to be appropriated to fund the refundable jobs training tax credit program.

SECTION 4. Title 42 of the General Laws, entitled “State Affairs and Government,” is hereby amended by adding thereto the following chapter:

CHAPTER 64.35

TECHNICAL ASSISTANCE FOR MUNICIPAL ZONING AND PERMITTING FUND

42-64.35-1 Statement of intent. Outdated and overly burdensome zoning, planning, and permitting codes and processes can inhibit the establishment of sustained economic development at the local level. It is the intention of the general assembly to assist municipalities in addressing and streamlining their respective zoning, planning, and permitting codes and processes by creating a funding program to provide access to technical assistance for the evaluation and betterment of such codes and processes.

42-64.35-2 Fund established. The technical assistance for municipal zoning and permitting fund is hereby created within the Rhode Island commerce corporation (the “fund”). The commerce corporation
is authorized, within available appropriations, to award loans, grants, and other forms of financing to provide access by municipalities to technical assistance to evaluate and streamline their respective zoning, planning, and permitting codes and processes to foster economic development and business attraction within their respective municipalities. Applications and awards of grants, loans, and other forms of financing shall be on a rolling basis. There is established an account in the name of the "technical assistance for municipal zoning and permitting fund" under the control of the commerce corporation, and the commerce corporation shall pay into such account any eligible funds available to the commerce corporation from any source, including funds appropriated by the state and any grants made available by the United States or any agency of the United States.

42-64.35-3 Rules and regulations. The commerce corporation is hereby authorized to promulgate such rules and regulations as are necessary to fulfill the purposes of this chapter, including the criteria by which grant, loan, or other form of financing applications will be judged and awarded.

42-64.35-4 Reporting requirements. The commerce corporation shall publish a report on the fund at the end of each fiscal year, which shall contain information on the commitment, disbursement, and use of funds allocated under the fund. The report shall also, to the extent practicable, track the economic impact of projects that have been completed using the fund. The report is due no later than sixty (60) days after the end of the fiscal year, and shall be provided to the speaker of the house of representatives and the president of the senate.

42-64.35-5 Program integrity. Program integrity being of paramount importance, the commerce corporation shall establish procedures to ensure ongoing compliance with the terms and conditions of the program established herein, including procedures to safeguard the expenditure of public funds and to ensure that the funds further the objectives of the program.

42-64.35-6 Sunset. No incentives shall be authorized pursuant to this chapter after December 31, 2019.

SECTION 5. Sections 44-48.3-3 and 44-48.3-4 of the General Laws in Chapter 44-48.3 entitled "Rhode Island New Qualified Jobs Incentive Act 2015" is hereby amended to read as follows:
44-48.3-3 Definitions. As used in this chapter, unless the context clearly indicates otherwise, the following words and phrases shall have the following meanings:

(1) "Affiliate" or "affiliated entity" means an entity that directly or indirectly controls, is under common control with, or is controlled by the business. Control exists in all cases in which the entity is a member of an affiliated group of corporations as defined pursuant to § 1504 of the Internal Revenue Code of 1986 (26 U.S.C. § 1504) or the entity is an organization in a group of organizations under common control as defined pursuant to subsection (b) or (c) of § 414 of the Internal Revenue Code of 1986 (26 U.S.C. § 414). A taxpayer may establish by clear and convincing evidence, as determined by the commerce corporation, that control exists in situations involving lesser percentages of ownership than required by those statutes. An affiliate of a business may contribute to meeting full-time employee requirements of a business that applies for a credit under this chapter.

(2) "Business" means an applicant that is a corporation, state bank, federal savings bank, trust company, national banking association, bank holding company, loan and investment company, mutual savings bank, credit union, building and loan association, insurance company, investment company, broker-dealer company or surety company, limited liability company, partnership or sole proprietorship.

(3) "Commerce corporation" means the Rhode Island commerce corporation established pursuant to chapter 64 of title 42.

(4) "Commitment period" means the period of time that at a minimum is twenty percent (20%) greater than the eligibility period.

(5) "Eligibility period" means the period in which a business may claim a tax credit under the program, beginning at the end of the tax period in which the commerce corporation issues a certification for the business that it has met the employment requirements of the program and extending thereafter for a term of not more than ten (10) years.

(6) "Eligible position" or "full-time job" means a full-time position in a business which has been filled with a full-time employee who earns no less than the median hourly wage as reported by the United States Bureau of Labor Statistics for the state of Rhode Island, provided, that for economically fragile
industries such as manufacturing, the commerce corporation may reduce the wage threshold. An economically fragile industry shall not include retail.

(7) "Full-time employee" means a person who is employed by a business for consideration for at least thirty-five (35) hours a week, or who is employed by a professional employer organization pursuant to an employee leasing agreement between the business and the professional employer organization for at least thirty-five (35) hours a week, and whose wages are subject to withholding.

(8) "Hope community" means municipalities with a percentage of families below the poverty level that is greater than the percentage of families below the poverty level for the state as a whole as determined by the United States Census Bureau's most recent American Community Survey.

(9) "Incentive agreement" means the contract between the business and the commerce corporation, which sets forth the terms and conditions under which the business shall be eligible to receive the incentives authorized pursuant to the program.

(10) "Incentive effective date" means the date the commerce corporation issues a certification for issuance of tax credit based on documentation submitted by a business pursuant to § 44-48.3-7.

(11) "Manufacturer" shall mean any entity that:

(a) Uses any premises within the state primarily for the purpose of transforming raw materials into a finished product for trade through any or all of the following operations: adapting, altering, finishing, making, processing, refining, metalworking, and ornamenting, but shall not include fabricating processes incidental to warehousing or distribution of raw materials, such as alteration of stock for the convenience of a customer; or

(b) Is described in codes 31-33 of the North American Industry Classification System, as revised from time to time.

(11)(12) "New full-time job" means an eligible position created by the business that did not previously exist in this state and which is created after approval of an application to the commerce corporation under the program. Such job position cannot be the result of an acquisition of an existing company located in Rhode Island by purchase, merger, or otherwise. For the purposes of determining the
number of new full-time jobs, the eligible positions of an affiliate shall be considered eligible positions of
the business so long as such eligible position(s) otherwise meets the requirements of this section.

(12)(13) "Partnership" means an entity classified as a partnership for federal income tax purposes.

(13)(14) "Program" means the incentive program established pursuant to this chapter.

(14)(15) "Targeted industry" means any industry identified in the economic development vision
and policy promulgated under § 42-64.17-1 or, until such time as any economic development vision and
policy is promulgated, as identified by the commerce corporation.

(15)(16) "Taxpayer" means a business granted a tax credit under this chapter or such person entitled
to the tax credit because the business is a pass through entity such as a partnership, S corporation, sole
proprietorship or limited liability company taxed as a partnership.

(16)(17) "Transit oriented development area" means an area in proximity to mass-transit
infrastructure including, but not limited to, an airport, rail or intermodal facility that will be further defined
by regulation of the commerce corporation in consultation with the Rhode Island department of
transportation.

44-48.3-4 Rhode Island qualified jobs incentive program. — (a) The Rhode Island qualified jobs
incentive program is hereby established as a program under the jurisdiction of and shall be administered by
the commerce corporation. The program may provide tax credits to eligible businesses for an eligibility
period not to exceed ten (10) years.

(b) An eligible business under the program shall be entitled to a credit against taxes imposed
pursuant to chapters 11, 13, 14, 17 or 30 of title 44 as further provided under this chapter.

(c) The minimum number of new full-time jobs required to be eligible for a tax credit under this
program shall be as follows:

(1) For a business in a targeted industry that employs not more than one hundred (100) full-time
employees on the date of application to the commerce corporation, the creation of at least ten (10) new full-
time jobs in this state;
(2) For a business in a targeted industry that employs more than one hundred (100) full-time employees on the date of application to the commerce corporation, either the creation of new full-time jobs in this state in an amount not less than ten percent (10%) of the business's existing number of full-time employees or the creation of at least one hundred (100) new full-time jobs in this state;

(3) For a business in a non-targeted industry that employs not more than two hundred (200) full-time employees on the date of application to the commerce corporation, the creation of at least twenty (20) new full-time jobs in this state;

(4) For a business in a non-targeted industry that employs more than two hundred (200) full-time employees on the date of application to the commerce corporation, either the creation of new full-time jobs in this state in an amount not less than ten percent (10%) of the business's existing number of full-time employees or the creation of at least one hundred (100) new full-time jobs in this state; or

(5) Notwithstanding subsections (c)(1) through (4):

(i) For a manufacturer that employs not more than two hundred (200) full-time employees on the date of application to the commerce corporation, the creation of at least five (5) new full-time jobs in this state;

(ii) For a manufacturer that that employs more than two hundred (200) full-time employees on the date of application to the commerce corporation, either the creation of new full-time jobs in this state in an amount not less than five percent (5%) of the business's existing number of full-time employees or the creation of at least fifty (50) new full-time jobs in this state.

(iii) Two (2) or more manufacturers, each of which employ not more than fifty (50) full-time employees on the date of application to the commerce corporation, may submit a single application to the commerce corporation and the commerce corporation may in its discretion consider in aggregate the number of full-time jobs created in the state for the purposes of determining whether the minimum number of new full-time jobs required under subsection (c)(5)(i) of this Section to be eligible for a tax credit under this program, so long as:
(1) The application states a common purpose or collective expenditure between or among the manufacturer applicants;

(2) At least five (5) new full-time jobs are created in this state; and

(3) Each of the manufacturer applicants creates at least one (1) job in this state.

(d) When a business applies for an incentive under this chapter, in order to assist the commerce corporation in determining whether the business is eligible for the incentives under this chapter, the business's chief executive officer, or equivalent officer, shall attest under oath:

(1) That any projected creation of new full-time jobs would not occur, or would not occur in the state of Rhode Island, but for the provision of tax credits under the program;

(2) The business will create new full-time jobs in an amount equal to or greater than the applicable number set forth in subsection (e) of this section;

(3) That the business's chief executive officer, or equivalent officer, has reviewed the information submitted to the commerce corporation and that the representations contained therein are accurate and complete.

(e) The commerce corporation shall establish, by regulation, the documentation an applicant shall be required to provide under this subsection. Such documentation may include documentation showing that the applicant could reasonably locate the new positions outside of this state, or that the applicant is considering locating the positions outside of this state, or that it would not be financially feasible for the applicant to create the positions without the tax credits provided in this chapter.

(f) In the event that this attestation by the business's chief executive officer, or equivalent officer, required under subsection (d) of this section is found to be willfully false, the commerce corporation may revoke any award of tax credits in their entirety, which revocation shall be in addition to any other criminal or civil penalties that the business and/or the officer may be subject to under applicable law. Additionally, the commerce corporation may revoke any award of tax credits in its entirety if the eligible business is convicted of bribery, fraud, theft, embezzlement, misappropriation, and/or extortion involving the state, any state agency or political subdivision of the state.
(g) The definition of manufacturer in this chapter is limited to the eligibility for the program in this chapter only and shall not modify or define the legal standing of a manufacturer for any other purpose in Title 44 of the Rhode Island general laws.

SECTION 6. Sections 42-64.6-3 and 42-64.6-8 of the General Laws in Chapter 42-64.6 entitled "Jobs Training Tax Credit Act" are hereby amended to read as follows:

42-64.6-3 Definitions. As used in this chapter unless the context clearly requires otherwise:

(1) "Election" means the election to be filed by a qualifying employer with the human resource investment council commerce corporation.

(2) "Qualifying employee" means an individual (other than an employee who would be treated as a "highly compensated employee" under 26 U.S.C § 414(q) or any physician or veterinarian) employed by the employer who works a minimum of thirty (30) hours per week within the state and earns or shall earn immediately following the completion of the training and retraining program no less than one hundred fifty percent (150%) of the hourly minimum wage prescribed by Rhode Island law.

(3) "Qualifying employer" means any employer who files an election with the human resource investment council commerce corporation in a manner provided by the human resource investment council commerce corporation to be covered by the provisions set forth in this chapter, but shall not include any physicians or any employer whose principal business is providing legal, accounting, engineering, architectural, or other similar professional services. The election shall set forth any information that the human resource investment council commerce corporation shall require describing the program and/or retraining employees, the duration of the program, an estimate and description of the amounts to be spent to implement the program, the nature of the program to be provided to employees, an estimate of the number of the employees who shall be covered by the program and the relationship, if any, of the employer to the party or parties offering the program and the agreement of the employer to provide additional information following the date of an election that shall be requested by the human resource investment council commerce corporation.
(4) "Qualifying expenses" means those reasonable expenses (less any federal, state, or local grants or other payments received by the employer to provide training or retraining) incurred by an employer following the date of the employer's election to be covered by the provisions of this chapter, that are directly attributable to providing training and/or retraining to qualifying employees that shall improve the skills required of those employees. These expenses shall include all reasonable amounts paid by the employer to public or private degree granting educational institutions or directly to instructors to provide training and/or retraining and any other reasonable direct cash expenses incurred by the employer to provide training and/or retraining. The training and/or retraining, however, shall be provided solely at one or more locations in this state unless the employer shall establish that the training and/or retraining was not available at any location in this state or that it could be obtained at another location at a lower price.

42-64.6-8 Annual Reporting Requirements. The human-resource investment council commerce corporation shall annually prepare a report utilizing the information received in this act and other appropriate sources describing and evaluating the impact, if any, of this act on the state's economic resources and the number and type of qualifying employees being trained or retrained as a result of this chapter.

SECTION 7. Chapter 42-64.6 of the General Laws entitled “Jobs Training Tax Credit Act” is hereby amended by adding thereto the following section:

42-64.6-9 Rules and regulations. The commerce corporation may promulgate such rules and regulations pursuant to chapter 35 of title 42 of the general laws as deemed necessary for the implementation of this chapter.

SECTION 8. Section 44-31-1 of the General Laws in Chapter 44-31 entitled “Investment Tax Credit” is hereby amended to read as follows:

§ 44-31-1 Investment tax credit. (a) A taxpayer shall be allowed a credit, to be computed as provided in this chapter, against the tax imposed by chapters 11, 14, 17, and 30 of this title. The amount of the credit shall be two percent (2%) of the cost or other basis for federal income tax purposes of tangible personal property and other tangible property, including buildings and structural components of buildings,
described in subsection (b) of this section, acquired, constructed, reconstructed, or erected after December 31, 1973. Provided, that the amount of the credit shall be four percent (4%) of the: (i) cost or other basis for federal income tax purposes of tangible personal property and other tangible property, including buildings and structural components of buildings, described in subdivision (b)(1) of this section, acquired, constructed, reconstructed or erected after December 31, 1993; and (ii) qualified amounts for leased assets of tangible personal property and other tangible property described in subdivision (b)(1) of this section, acquired, constructed, reconstructed, or erected after January 1, 1998, and the amount of the credit shall be ten percent (10%) of the cost or other basis for federal income tax purposes, and the qualified amounts for leased assets, of tangible personal property and other tangible property described in subdivision (b)(3) of this section, acquired, constructed, reconstructed, or erected after January 1, 1998, and with respect to buildings and structural components which are acquired, constructed, reconstructed or erected after July 1, 2001, as described in subdivision (b)(3) of this section.

(b)(1) A credit shall be allowed under this section with respect to tangible personal property and other tangible property, including buildings and structural components of buildings, which are depreciable pursuant to 26 U.S.C. § 167, have a useful life of four (4) years or more, are acquired by purchase as defined in 26 U.S.C. § 179(d) or are acquired by lease as prescribed in paragraph (3)(iv) of this subsection, have a situs in this state and are principally used by the taxpayer in the production of goods by manufacturing, process, or assembling. The credit shall be allowable in the year the property is first placed in service by the taxpayer, which is the year in which, under the taxpayer's depreciation practice, the period for depreciation with respect to the property begins, or the year in which the property is placed in a condition or state of readiness and availability for a specifically assigned function, whichever is earlier. For purposes of this paragraph, "manufacturing" means the process of working raw materials into wares suitable for use or which gives new shapes, new quality or new combinations to matter that already has gone through some artificial process by the use of machinery, tools, appliances, and other similar equipment. Property used in the production of goods includes machinery, equipment, or other tangible property which is principally used in the repair and service of other machinery, equipment, or other tangible property used principally in
the production of goods and includes all facilities used in the production operation, including storage of material to be used in production and of the products that are produced.

(2) Within the meaning of subdivision (1) of this subsection, the term "manufacturing" means the activities of a "manufacturer" as defined in § 44-3-3(20)(iii) and (iv).

(3)(i) A credit shall be allowed under this section with respect to tangible personal property and other tangible property, (excluding motor vehicles, furniture, buildings and structural components of buildings, except as provided in this section), which are depreciable pursuant to 26 U.S.C. § 167, have a useful life of four (4) years or more, are acquired by purchase as defined in 26 U.S.C. § 179(d) or acquired by lease as prescribed in paragraph (iv) of this subdivision, have a situs in this state and to the extent the property is used by a qualified taxpayer, as that term is defined in paragraph (v) of this subdivision, in any of the businesses described in major groups 20 through 39, 50 and 51, 60 through 67, 73, 76, 80 through 82, 87 and 89 in the standard industrial classification manual prepared by the technical committee on industrial classification, office of the statistical standards, executive office of the president, United States Bureau of the Budget, as revised from time to time ("SIC Code") and/or any of the businesses described in the three (3) digit SIC Code 781.

(ii) A credit shall be allowed under this section with respect to buildings and structural components that are acquired, constructed, reconstructed, or erected after July 1, 2001, which are depreciable pursuant to 26 U.S.C. § 167, have a useful life of four (4) years or more, are acquired by purchase as defined in 26 U.S.C. § 179(d) or acquired by lease for a term of twenty (20) years or more, excluding renewal periods, have a situs in this state and to the extent the property is used by a high performance manufacturer. The term "high performance manufacturer" means a taxpayer: (A) engaged in any of the businesses described in the major groups 28, 30, 34, to 36, and 38 of the SIC Codes, (B) that pays its full-time equivalent employees a median annual wage above the average annual wage paid by all taxpayers in the state which share the same two-digit SIC Code, unless the high performance manufacturer is the only high performance manufacturer in the state conducting business in that two-digit SIC Code, in which case this requirement shall not apply, and (C)(I) whose expenses for training or retraining its employees exceeds two percent
(2%) of its total payroll costs, or (II) that pays its full-time equivalent employees a median annual wage
equal to or greater than one hundred twenty-five percent (125%) of the average annual wage paid in this
state by employers to employees, or (III) that pays its full-time equivalent employees classified as
production workers by the Rhode Island department of labor and training an average annual wage above
the average annual wage paid to the production workers of all taxpayers in the state which share the same
two-digit SIC Code.

(iii) To the extent allowable, the credit allowed under this section is allowed for computers,
software and telecommunications hardware used by a taxpayer even if the property has a useful life of less
than four (4) years;

(iv) The credit for property acquired by lease is based on the fair market value of the property at
the inception of the lease times the portion of the depreciable life of the property represented by the term
of the lease, excluding renewal options. The credit described in this subdivision for high performance
manufacturers that lease buildings and their structural components for a term of twenty (20) years or more,
excluding renewal periods, shall be calculated in the same manner as for property acquired by purchase;
and

(v) For purposes of this subsection, a "qualified taxpayer" means a taxpayer in any of the businesses
described in major groups 20 through 39, 50 and 51, 60 through 67, 73, 76, 80 through 82, 87 and 89 of the
SIC Code, and/or any of the businesses described in the three (3) digit SIC Code 781, and which meet the
following criteria:

(A) The median annual wage paid to a qualified taxpayer's full-time equivalent employees must be
above the average annual wage paid by all taxpayers in the state which share the same two-digit SIC Code,
unless that qualified taxpayer is the only qualified taxpayer in the state conducting business in that two-
digit SIC Code, in which case this requirement does not apply; and

(B) With respect to major groups 50 and 51, 60 through 67, 73, 76, 80 through 82, 87 and 89 and/or
the three (3) digit SIC Code 781 (except for those qualified taxpayers whose businesses are described in any
of the four (4) digit SIC Codes 7371, 7372 and 7373) only:
(I) More than one-half (1/2) of its gross revenues are a result of sales to customers outside of the state; or

(II) More than one-half (1/2) of its gross revenues are a result of sales to the federal government; or

(III) More than one-half (1/2) of its gross revenues are a result of a combination of sales described in items (I) and (II) of this subparagraph.

(4) For purposes of this section, "sales to customers outside the state" means sales to individuals, businesses and other entities, as well as divisions and/or branches of businesses and other entities, residing or located outside of the state. The requirement of subparagraph (v)(A) of this subdivision does not apply to any qualified taxpayer: (i) whose expenses for training or retraining its employees exceeds two percent (2%) of these qualified taxpayer's total payroll costs; or (ii) whose median annual wage paid to its full-time equivalent employees is equal to or greater than one hundred twenty-five percent (125%) of the average annual wage paid in this state by employers to employees; or (iii), with respect to major groups 20 through 39, only, the average annual wage paid to these qualified taxpayer's full-time equivalent employees, classified as production workers by the Rhode Island department of labor and training, is above the average annual wage paid to the production workers of all these taxpayers in the state which share the same two-digit SIC Code. At the election of a taxpayer, which is made at any time and in any manner that may be determined by the tax administrator, the taxpayer's ability in a particular fiscal year to qualify as a qualified taxpayer may be based on the expenses and gross receipts of the taxpayer for either the prior fiscal year or the immediately proceeding fiscal year rather than on the expenses and gross receipts for that fiscal year.

For purposes of this chapter, the Director of the Rhode Island human resources investment council commerce corporation shall certify as to legitimate training and retraining expenses in accordance with the guidelines established in chapter 64.6 of title 42 and any rules and regulations promulgated thereunder and under this chapter. For purposes of this subsection, a "full-time equivalent employee" means an employee who works a minimum of thirty (30) hours per week within the state or two (2) part-time employees who together work a minimum of thirty (30) hours per week within the state. For purposes of this subsection, the director of
the Rhode Island department of labor and training, upon receipt of an application from a qualified taxpayer, shall certify whether this qualified taxpayer meets the requirement in subparagraph (v)(A) of this subdivision or is exempt from this requirement because the median annual wage it pays its full-time equivalent employees is equal to or greater than one hundred twenty-five (125%) percent of the average annual wage paid in this state by employers to employees or, with respect to major groups 20 through 39 only, the average annual wage paid to this qualified taxpayer's full-time equivalent employees, classified as production workers by the Rhode Island department of labor and training, is above the average annual wage paid to the production workers of all these taxpayers in the state which share the same two-digit SIC Code. The director of the Rhode Island department of labor and training shall promulgate rules and regulations as required for the implementation of this requirement.

(5) To the extent otherwise allowable, the credit provided by paragraphs (3)(i) and (ii) of this subsection are also allowed for the property having a situs in Rhode Island and used, however acquired, by a property and casualty insurance company.

(c) Subject to the provisions of subdivision (b)(3) of this section, a taxpayer is not allowed a credit under subsection (a) of this section with respect to tangible personal property and other tangible property, including buildings and structural components of buildings, which it leases to any other person or corporation and is not allowed a credit under subsection (a) of this section with respect to buildings and structural components of buildings it leases from any other person or corporation. For the purposes of the preceding sentence, any contract or agreement to lease or rent or for a license to use the property is considered a lease, unless a contract or agreement is treated for federal income tax purposes as an installment purchase rather than a lease.

(d) The credit allowed under this section for any taxable year does not reduce the tax due for the year by more than fifty percent (50%) of the tax liability that would be payable, and further in the case of corporations, to less than the minimum tax as prescribed in § 44-11-2(e); provided, that in the case of the credit allowed to high performance manufacturers under subdivision (b)(3) of this section, the fifty percent (50%) limitation shall not apply. If the amount of credit allowable under this section for any taxable year is
less than the amount of credit available to the taxpayer, any amount of credit not deductible in the taxable year may be carried over to the following year or years (not to exceed seven (7) years) and may be deducted from the taxpayer's tax for the year or years.

(e) At the option of the taxpayer, air or water pollution control facilities which qualify for elective amortization deduction may be treated as property principally used by the taxpayer in the production of goods by manufacturing, processing, or assembling; provided, that if the property qualifies under subsection (b) of this section, in which event, an amortization deduction is not allowed.

(f) With respect to property which is disposed of or ceases to be in qualified use prior to the end of the taxable year in which the credit is to be taken, the amount of the credit shall be that portion of the credit provided for in subsection (a) of this section, which represents the ratio which the months of qualified use bear to the months of useful life. If property on which credit has been taken is disposed of or ceases to be in qualified use prior to the end of its useful life, the difference between the credit taken and the credit allowed for actual use must be added back in the year of disposition. If this property is disposed of or ceases to be in qualified use after it has been in qualified use for more than twelve (12) consecutive years, it is not necessary to add back the credit as provided in this subsection. A credit allowed to a qualified taxpayer is not recaptured merely because the taxpayer subsequently fails to retain the classification as a qualified taxpayer. The amount of credit allowed for actual use shall be determined by multiplying the original credit by the ratio, which the months of qualified use bear to the months of useful life. For purposes of this subsection, "useful life of property" is the same as the taxpayer (or in the case of property acquired by lease, the owner of the property) uses for depreciation purposes when computing his or her federal income tax liability. Comparable rules are used in the case of property acquired by lease to determine the amount of credit, if any, that will be recaptured if the lease terminates prematurely or if the property covered by the lease otherwise fails to be in qualified use.

(2) The credit allowed under this section is only allowed against the tax of that corporation included in a consolidated return that qualifies for the credit and not against the tax of other corporations that may join in the filing of a consolidated tax return.
SECTION 9. Section 42-102-7 of the General Laws in Chapter 42-102 entitled "Governor's Workforce Board Rhode Island" is hereby amended to read as follows:

§ 42-102-7 Authority. (a) The workforce board ("board") shall have all authority necessary to fulfill its responsibilities. The board shall adopt a mission statement, goals and objectives, policies, and a biennial plan to accomplish the purposes of this chapter. Except as provided in chapter 64.6 of title 42 entitled "Jobs Training Tax Credit Act," and chapter 64.64 of title 42 entitled "Refundable Jobs Training Tax Credits," the board shall have primary responsibility to approve and certify all employment and training programs. To the extent that there is a conflict between federal law and this section, federal law shall prevail.

(b) The board shall develop policy and procedures whereby those entities not meeting the goals and objectives of the board may be sanctioned. In addition, the board shall also:

1. Establish and publish standards for considering projects and awarding grants;
2. Provide ongoing evaluation of each project funded by the board;
3. Provide for fiscal and accounting controls to monitor and audit grants and awards; and
4. Adopt by-laws consistent with this chapter, which by-laws shall include provisions for the creation of an audit committee and a governance committee.

(c) The board shall annually prepare and submit a proposed budget for the ensuing year for the governor's approval;

(d) The auditor general shall conduct annual audits of all financial accounts and any other audits that he or she shall deem necessary;

(e) The board shall ensure that, for those contracts or grants characterized as training or upgrading, the administrative expenses of the private or public entity awarded the contract or grant shall not exceed fifteen percent (15%) of the total contract or grant;

(f) The board may receive any gifts, grants, or donations made and to disburse and administer them in accordance with the terms thereof.
SECTION 10. Sections 1, 4, 5 of this article shall take effect as of July 1, 2017. Sections 2 and 3 of this article shall take effect as of July 1, 2017, and are applicable to tax years beginning on or after January 1, 2018. Sections 6, 7, 8, and 9 of this article shall take effect as of January 1, 2018.