



Senate Fiscal Office

Sections 2-16; Article 9 - Relating to Economic Development

Article 9 – Relating to Economic Development

- Raises the cap on the **total amount** of tax credits and sales tax exemptions that may be issued under the **Rebuild RI** program
- Extends the **sunset** provisions on economic development **incentive** programs
- Clarifies elements of the Stay Invested in Rhode Island **Wavemaker** Fellowship program.
- Modifies the **Small Business Development Fund (SBDF)** program administered by the Rhode Island Commerce Corporation

Rebuild RI Tax Credit Program

- Uses both tax credit and sales tax exemption incentives to promote investment in real estate development for commercial and/or residential use
- Subjected to certain limits to prevent awarded credits from outpacing general revenues and to ensure program performance
 - \$210.0 M cap on combined total of tax credits and sales tax exemptions
 - \$15.0 million per project cap
 - Program sunsets on 6/30/21
- \$147.5 million in Rebuild RI tax credits and \$44.7 million in sales tax exemptions have been awarded across 53 projects, for a combined total of \$192.2 million, or 92.5 percent of the \$210.0 million program cap
- Article 9 increases total to \$240.0 M and extends sunset to 12/31/22

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Reauthorization of Incentives

Article 9 reauthorizes the following incentives another 3 years, through December 31, 2022. It permanently authorizes the Small Business Assistance Program

- Rhode Island Tax Increment Financing
- Tax Stabilization Incentive
- First Wave Closing Fund
- I-195 Redevelopment Project Fund
- Small Business Assistance Fund
- Main Street Rhode Island Streetscape Improvement Fund
- Innovation Initiative
- Industry Cluster Grants
- High School, College, and Employer Partnerships
- Air Service Development Fund
- Rhode Island Qualified Jobs Incentive

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Wavemaker Fellowship Program

- Loan reimbursement program for college graduates who take a job in RI within a science, technology, engineering, and/or mathematics (STEM) field
- Provides fellows with refundable personal income tax credits to offset their annual student loan payments for up to 4 years
- Amount of tax credit depends upon type of degree
 - i.e. \$1,000 for an associate's degree up to \$6,000 for a graduate or post-graduate degree.

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Wavemaker – Article 9

- Clarifies the **types of businesses** that a fellow may be employed by to be eligible. **Expansive definition** that permits **entrepreneurs and self-employed** individuals to be eligible for the program
- Clarifies that all **tax credit awards** made to fellows under the program are **exempt from all State taxes**. Awards may be made as an up-front tax credit redemption or as a tax credit certificate when filing a tax return. State law exempts up-front redemptions from State taxation; however, tax credit certificates are still subject to tax. Article 9 exempts the latter from taxation. This policy change results in a general revenue reduction of \$2,707 in FY2022.
- Clarifies that it must be a fellow that is in fact paying back the loan, **not some other entity**.

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Small Business Development Fund

- Private capital funds designed to invest in small, RI-based businesses
- Investors incentivized to participate through State-issued tax credits
- Credits cannot be redeemed for 3 years; capped at \$42.0M, with no one fund receiving more than \$20.0M
- Funding targeted at gaps in financing that exists for many small businesses and start-ups
- Will not have a fiscal impact until three years after the first SBDF is awarded and meets program criteria

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SBDF - Background

- The General Assembly authorized the SBDF program in 2019. The implementation of the program since then has experienced challenges. Commerce initially reluctant to support program.
- No applications to become a fund manager have been approved. 3 initial applications were submitted in 2019.
- Subsequent to the pandemic crisis, Commerce revamps program to be responsive to small business needs.

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SBDF – Article 9

- **Expands eligibility** to include mission-oriented community financial institutions such as community development financial institutions, etc. According to Commerce, these types of entities will be primary vehicles for federal pandemic relief
- Modifies process for reviewing and approving applications; **allows Commerce to set** application fee and additional application requirements as appropriate
- Currently, any eligible applicant that meets the statutory criteria and submits a timely application is **automatically eligible** to create a SBDF and receive tax credits. Article 9 **eliminates these provisions**

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SBDF – Article 9

- Currently, credits may only be used against a State insurance premium tax liability. Article 9 **expands the types of taxes** to which the tax credits can apply to include business corporations taxes, public service corporations taxes, bank deposit taxes, and personal income taxes.
- Eliminates prohibition against **credits being transferred**, conveyed, or sold
- Provides Commerce the ability to recapture credits that have been fraudulently transferred without notice
- Eliminates the requirement that at least 10.0 percent of any SBDF be capitalized by the fund managers.
- Authorizes Commerce to promulgate rules and regulations for the SBDF program, an element currently not codified.

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