

# Governor's FY 2018 Budget: Articles

Staff Presentation to the House Finance  
Committee  
March 16, 2017

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# Introduction

- Article 2 – Economic Development and Tax Credits
  - Innovation Initiative
  - Refundable Investment Tax Credits
  - Refundable Job Training Tax Credits
  - Technical Assistance for Municipal Zoning & Permitting
  - New Qualified Jobs Incentive Act - GBA

# Economic Development Incentives – Article 2

<i>Program</i>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Innovation Initiative	\$ 1.0	\$ 1.5	\$ 2.5
Refundable Investment Tax Credit*	-	-	3.25
Refundable Job Training Tax Credit*	-	-	2.0
Tech Assist Municipal Zoning & Permitting Fund	-	-	0.25
<b>Total</b>	<b>\$ 1.0</b>	<b>\$ 1.5</b>	<b>\$ 8.0</b>

\*Budget treats as revenue loss; intent is appropriation to funds established

# Economic Development Incentives – Background

- 2015 Assembly enacted 15 programs as part of the FY 2016 budget in support of the Governor's economic strategy
  - 5 tax incentive programs
  - 10 other programs, investments & initiatives
- Amended in 2016 and 2017 to modify some programs and add the Air Service Development fund

# Economic Development Incentives - Background

- Most supported by savings from debt restructuring spread over 2 years
- Some supported by general revenues through regular Commerce Corporation funding
- All programs given Dec 31, 2018 sunset
- All have annual reporting requirements
  - Tax Credit programs reporting more extensive

# Economic Development Incentives - Background

	<i><b>FY 2016</b></i>	<i><b>FY 2017 Enacted</b></i>	<i><b>FY 2017 Rev</b></i>	<i><b>FY 2018 Rec</b></i>
Closing Fund	5.0	7.0	8.5	-
I-195 Redevelopment Fund	25.0	-	-	10.1
Small Business Assist. Program	5.5	-	-	-
Wavemaker Fellowships	1.8	3.5	2.0	1.6
Streetscape Improvement	1.0	1.0	1.0	1.0
Industry Cluster Grants	0.8	0.5	0.5	-
Innovation Initiative	1.0	1.5	1.5	2.5
P-Tech	0.9	1.2	1.2	1.2
Rebuild RI	1.0	25.0	25.0	20.0
Air Service Development	-	1.5	1.5	0.5
Anchor Institution	0.8	0.7	0.7	-

# Section 1, Innovation Initiative

- Innovation Vouchers
  - Small businesses with less than 500 employees
  - Purchase wide range of research and development support from institutions of higher ed. and other providers
    - Voucher awards \$5k – \$50K
  - Submit application to Commerce

# Section 1- Innovation Initiative

- Article reserves \$1.0 million of appropriation for small business manufacturers
  - Eligible entities are defined in new language
    - Requested amendment clarifies definition
  - Expands use to allow internal research and development funding by these businesses without higher ed. or other partner



# Section 2 - Refundable Investment Tax Credit

- Expands existing Investment Tax Credit beyond C corporations
  - Allowed for others prior to PIT reform
- Establishes a refundable credit
  - Refundable for award year; carryover thereafter
- Manufacturing associated activities
  - Equipment with 4+ years of useable life
  - Property/Structural with 4+ years of useable life
  - Technology

# Section 2 - Refundable Investment Tax Credit

- Credit up to \$0.2 million, subject to appropriation
- Governor requested amendment to clarify that all credits will be refunds
  - Limits C Corps to investments in excess of tax liability
  - Other business types up to credit amount
  - Non-transferrable/assignable

# Section 3 - Refundable Jobs Training Tax Credit

- Expands existing Jobs Training Tax Credit to manufacturers or targeted industries beyond C corporations
- Establishes a refundable credit
- Similar uses and eligibility of existing tax credit
  - Greater eligibility restrictions
  - Not on per employee basis
  - Not a percent of spend

# Section 3 -Refundable Jobs Training Tax Credit

- Eligibility
  - Businesses report to the Governor's Workforce Board, not professional services
  - Employees: 150% minimum wage, 30 hours
  - In-state training unless not available or less expensive
  - Manufacturers or targeted industries
    - Governor requested amendment to cap non-manufacturers claims at 20% of total appropriation

# Section 3, Refundable Jobs Training Tax Credit

- Credit up to \$0.2 million, subject to appropriation
- Governor requested amendment to clarify that all credits will be refunds
  - Limits C Corps to expenses in excess of tax liability
  - Other business types up to credit amount
  - Non-transferrable/assignable

# Section 3 - Refundable Jobs Training Tax Credit

- Governor requested amendment to unify job training tax credit programs under the Commerce Corporation
  - Currently administered through DLT
    - Governor's Workforce Board/Human Resources Investment Council
    - Currently programs must be preapproved by the Governor's Workforce Board

# Section 4 -Technical Assistance for Municipal Zoning & Permitting

- Establishes fund for the Commerce Corp. to assist municipalities in streamlining zoning, planning, permitting & processes
  - By application
    - Grants, Loans and “other forms of financing”
- Annual reporting on commitments, disbursements, usage, economic impact
- Sunsets December 31, 2019
- Governor recommends \$250,000

# New Qualified Jobs Tax Credit: Current Law

- Credit against all tax types
- Replaced Job Development Act by closing it to new recipients
  - Companies already certified can continue to get JDA credits
- Credit of between \$2,500 and \$7,500 for new full-time job creation
  - Credit cannot be more than employee's income tax withholdings



# New Qualified Jobs Tax Credit: Current Law

- Company must attest that jobs would not be created in RI “but for” credit
  - Must maintain level of jobs created for agreement period
- 15 Agreements through January 2017
  - 10 relocated from out of state
  - Totaling 1,238 jobs
  - Typically 10-year agreements
  - Median wages range from \$33,500 - \$137,000
    - Median wage of \$51,500 across all agreements

# New Qualified Jobs Tax Credit – Requested Amendment

- Reduce minimum job creation requirements for manufacturers
  - 200 employees or less
    - Add at least 5 new full-time jobs
  - Over 200 employees
    - Add at least 5% of base jobs or 50 new jobs
  - Manufacturers with 50 employees or less may join together for common purpose or collective expenditure
    - Create 5 new full-time jobs, and 1 at each partner

# New Qualified Jobs Tax Credit: Governor's FY 2018 Proposal

	Current Law		Governor's Proposal	
	Employees	New Jobs	Employees	New Jobs
Targeted Industry	≤100	10	No Change	
	>100	≥10% of empl. base or ≥100		
Non-targeted Industry	≤200	20		
	>200	≥10% of empl. base or ≥100		
Manufacturers	No current distinction		≤200	5
			>200	≥5% of empl. base or ≥50
2+ Manufacturers			≤50 each	≥5 w/ at least 1 each business

# New Qualified Jobs Tax Credit – Requested Amendment

- Fiscal impact – none assumed
- FY 2017 Governor's budget included a proposal to reduce all minimum job requirements by half
  - Also removed the per job credit cap of \$7,500
  - Neither provision enacted
- 2017-H 5375 mirrors FY 2017 budget proposal

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