

STATE OF RHODE ISLAND

Governor Daniel J. McKee



Economic Development Tax Incentives Evaluation Act:

Evaluation of

“Jobs Training Tax Credit Act”

(R.I. Gen. Laws § 42-64.6)

Tax Years 2016 through 2018

Office of Revenue Analysis

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Foreword

The evaluation of the “Jobs Training Tax Credit Act”, *Tax Years 2016 through 2018* was prepared at the request of Madiha Zaffou, Ph.D., Acting Chief of the Office of Revenue Analysis in accordance with Rhode Island General Laws § 44-48.2-4. Emily Fazio, Senior Economic and Policy Analyst in the Office of Revenue Analysis was project leader for the production and writing of this report, under the guidance of Ms. Zaffou.

Much of the information needed to complete the analysis contained in this report was provided by the Rhode Island Department of Revenue, Division of Taxation, under the direction of Neena Sinha Savage, State Tax Administrator. The compilation of the data that was provided to the Office of Revenue Analysis was due to the tremendous efforts of Tracy Wunder, Data Analyst III in the Division of Taxation.

In addition, the Rhode Island Department of Labor and Training (DLT) was instrumental in providing information pertaining to the evaluation of the Jobs Training Tax Credit.

The Office of Revenue Analysis is appreciative of the efforts made by the Division of Taxation and the Department of Labor and Training to provide us with the best information available at the time this report was written.

Executive Summary

This report is the second evaluation of the “Jobs Training Tax Credit Act” conducted by the Department of Revenue, Office of Revenue Analysis (ORA) in accordance with Rhode Island General Laws (R.I. Gen. Laws) Chapter 44-48.2.¹ The report provides descriptive statistics on the usage of this tax incentive for tax years 2016 through 2018. ORA relied primarily on data provided by the Department of Revenue, Division of Taxation (Taxation) and the Department of Labor and Training (DLT) to conduct the analysis. The following is a summary of this evaluation:

The Tax Incentive Provision:

The *Jobs Training Tax Credit Act* allows a credit against the business corporation tax (R.I. Gen. Laws Chapter 44-11), the Taxation of Railroad Companies (R.I. Gen. Laws Chapter 44-13), Financial Institutions Tax (R.I. Gen. Laws Chapter 44-14), and Insurance Companies Gross Premiums Tax (R.I. Gen. Laws Chapter 44-17) equal to 50% of the qualifying expenses to provide training and/or retraining to qualifying employees. Qualifying expenses are all expenses directly attributable to providing the training or retraining of qualifying employees that shall improve the skills required of those employees.

- A qualified employer must file an election and be approved by the Governor’s Workforce Board (GWB). According to statute, “[T]he election shall set forth any information that the [GWB] shall require describing the program and/or retraining [of] 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 [GWB].”
- A qualifying employee is an individual, other than a highly compensated employee as defined in federal law, employed by the employer in Rhode Island for at least 30 hours per week, and who earns, or will earn immediately upon completion of the training and/or retraining program, 150% of the state minimum wage.
- Fifty percent of the credit amount can be used in the taxable year in which the expense is incurred with the balance to be used in the succeeding tax year. The credit is non-refundable and shall not reduce a taxpayer’s liability below the statutory minimum tax.
- Pursuant to R.I. Gen. Laws § 42-64.6-9, the Jobs Training Tax Credit Act was repealed, and no new credits shall be issued on or after January 1, 2018

The Main Goals and Objectives of the Tax Incentive:

Statutory and programmatic goals and the intent of the tax incentive are not defined in the enabling statute.

¹ The first evaluation of the “Jobs Training Tax Credit Act” was published on June 5, 2018 and covered Tax Years 2013 through 2015.

The Report's Key Findings:

- According to Taxation testimony at the November 2021 Revenue Estimating Conference, there were less than 10 recipients of the “Jobs Training Tax Credit” over tax years 2016 through 2018, with an average credit usage of \$671,258 and a total credit usage of \$2.0 million.
- Due to the relatively insignificant amount of modification claimed, ORA did not conduct a “break-even” analysis to estimate the minimum percentage of the net economic activity associated with individuals that received the “Jobs Training Tax Credit”, that would have to be new to the Rhode Island economy, and thus, would not exist without the availability of this tax incentive in order for the tax incentive to “pay” for itself”. ORA assumes negligible economic impact.

Part I: Introduction

Pursuant to Rhode Island General Laws § 44-48.2-4, titled *Rhode Island Economic Development Tax Incentives Evaluation Act of 2013*, the Chief of the Office of Revenue Analysis (ORA) is required to produce, in consultation with the Director of the Rhode Island Commerce Corporation, the Director of the Office of Management and Budget, and the Director of the Department of Labor and Training, a report that contains analyses of economic development tax incentives as listed in R.I. Gen. Laws § 44-48.2-3(1). According to R.I. Gen. Laws § 44-48.2-4(1), the report “[s]hall be completed at least once between July 1, 2014, and June 30, 2017, and no less than once every three (3) years thereafter”.

The additional analysis as required by R.I. Gen. Laws § 44-48.2-4(1) shall include, but not be limited to the following items as indicated in R.I. Gen. Laws § 44-48.2-5(a):

- 1) A baseline assessment of the tax incentive, including, if applicable, the number of aggregate jobs associated with the taxpayers receiving such tax incentive and the aggregate annual revenue that such taxpayers generate for the state through the direct taxes applied to them and through taxes applied to their employees;
- 2) The statutory and programmatic goals and intent of the tax incentive, if said goals and intentions are included in the incentive's enabling statute or legislation;
- 3) The number of taxpayers granted the tax incentive during the previous twelve-month (12) period;
- 4) The value of the tax incentive granted, and ultimately claimed, listed by the North American Industrial Classification System (NAICS) Code associated with the taxpayers receiving such benefit, if such NAICS Code is available;
- 5) An assessment and five-year (5) projection of the potential impact on the state's revenue stream from carry forwards allowed under such tax incentive;
- 6) An estimate of the economic impact of the tax incentive including, but not limited to:
 - i. A cost-benefit comparison of the revenue forgone by allowing the tax incentive compared to tax revenue generated by the taxpayer receiving the credit, including direct taxes applied to them and taxes applied to their employees;
 - ii. An estimate of the number of jobs that were the direct result of the incentive; and
 - iii. A statement by the Chief Executive Officer of the Commerce Corporation, as to whether, in his or her judgment, the statutory and programmatic goals of the tax benefit are being met, with obstacles to such goals identified, if possible;
- 7) The estimated cost to the state to administer the tax incentive if such information is available;
- 8) An estimate of the extent to which benefits of the tax incentive remained in state or flowed outside the state, if such information is available;
- 9) In the case of economic development tax incentives where measuring the economic impact is significantly limited due to data constraints, whether any changes in statute would facilitate data collection in a way that would allow for better analysis;
- 10) Whether the effectiveness of the tax incentive could be determined more definitively if the General Assembly were to clarify or modify the tax incentive's goals and intended purpose;

- 11) A recommendation as to whether the tax incentive should be continued, modified, or terminated; the basis for such recommendation; and the expected impact of such recommendation on the state's economy;
- 12) The methodology and assumptions used in carrying out the assessments, projections and analyses required pursuant to subdivisions (1) through (8) of this section.

The current report is one part of a series of reports for each one of the tax credits to be analyzed according to R.I. Gen. Laws § 44-48.2-3(1). This report concerns R.I. Gen. Laws § 42-64.6-4 entitled “Jobs Training Tax Credit” (JTTC) and describes tax credit usage during tax years 2016 through 2018. The report is divided into five sections. Section I provides a detailed description of the tax incentive and its statutory programmatic goals and intent. Section II provides a benchmarking analysis for this tax credit. Section III presents a description of the data provided and used in the analysis by ORA. Section IV comments on the economic impact generated under the Jobs Training Tax Credit. Section V includes a comment from the CEO of the Rhode Island Commerce Corporation and ORA conclusions.

1. Description of the Incentive

A qualified employer is allowed a credit against the business corporation tax (R.I. Gen. Laws Chapter 44-11), the Taxation of Railroad Companies (R.I. Gen. Laws Chapter 44-13), Financial Institutions Tax (R.I. Gen. Laws Chapter 44-14), and Insurance Companies Gross Premiums Tax (R.I. Gen. Laws Chapter 44-17) equal to 50% of the qualifying expenses to provide training and/or retraining to qualifying employees.² A qualified employer must file an election and be approved by the Governor’s Workforce Board (GWB).³ According to statute, “[T]he election shall set forth any information that the [GWB] shall require describing the program and/or retraining [of] 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 [GWB].” A qualifying employee is an individual, other than a highly compensated employee as defined in federal law, employed by the employer in Rhode Island for at least 30 hours per week, and who earns, or will earn immediately upon completion of the training and/or retraining program, 150% the state minimum wage.⁴ Qualifying expenses are all expenses directly attributable to providing the training or retraining of qualifying employees that shall improve the skills required of those employees.

² It was formerly possible to claim the JTTC against the personal income tax imposed by R.I. Gen. Laws Chapter 44-30. However, R.I. Gen. Laws § 44-30-2.6 (under heading “(F) Credits against tax.”) does not include the Jobs Training Tax Credit among the list of credits allowable against the personal income tax effective for tax years beginning on or after January 1, 2011.

³ The JTTC enabling statute refers to the “Human Resources Investment Council” as the administering entity of the tax credit. Per R.I. Gen. Laws § 42-102-1.2 the Human Resources Investment Council was renamed as the “Governor’s Workforce Board Rhode Island.” Throughout this report the name Governor’s Workforce Board (GWB) is used.

⁴ The full JTTC election/application is included in Appendix A.

Fifty percent of the credit amount can be used in the taxable year in which the expense is incurred with the balance to be used in the succeeding tax year. The credit is non-refundable and shall not reduce a taxpayer's liability below the statutory minimum tax. Note that because many taxpayers do not have sufficient tax liability to utilize the credit, GWB approves many JTTC elections/applications for which credits are never utilized. The maximum credit per employee is no more than \$5,000 in any three-year period. No credits shall be awarded for tax years beginning on or after January 1, 2018.

2. Statutory and Programmatic Goals and Intent of the Tax Incentive

This information is unavailable. Statutory and programmatic goals and the intent of the tax incentive are not defined in the enabling statute.

Part II: Background and Benchmarking

The following benchmarking and background analysis provides some historical, regional, and national context for the analysis of the Rhode Island Jobs Training Tax Credit (JTTC). This section provides some information on the availability of similar tax credits in neighboring states, as well as discussion of local economic factors related to labor force skills and training. Where appropriate, this section provides data on Rhode Island, other New England states, and nationwide. Data generally are compiled from public sources such as the U.S. Department of Labor, Bureau of Labor Statistics, U.S. Census Bureau, and the U.S. Department of Education, National Center for Education Statistics. In many cases, ORA was unable to find any state-level data on measures of non-degree workforce training – such as attainment of alternative credentials and completion of on-the-job training. In these cases, national data and discussion from academic journals and publicly-available consultancy reports are presented.

Educational attainment is a key component of a dynamic economy, as it affords individual employees access to higher paying jobs, attracts top-paying employers, and allows the workforce to adapt to the evolving demands of the modern labor market.

Research shows that individuals with higher levels of formal educational attainment generally have greater labor force participation and higher wages. Formal educational attainment is generally defined in terms of the highest formal educational credential earned by an individual – for example, less than a high school diploma, high school diploma, some college, associate’s degree, bachelor’s degree, and graduate degree. The following table compares the unemployment rate and median weekly earnings of the 25+ year-old United States population tabulated by level of formal educational attainment.

Unemployment and Earnings by Level of Formal Educational Attainment

(United States Population, Average Calendar Year 2016-2018)

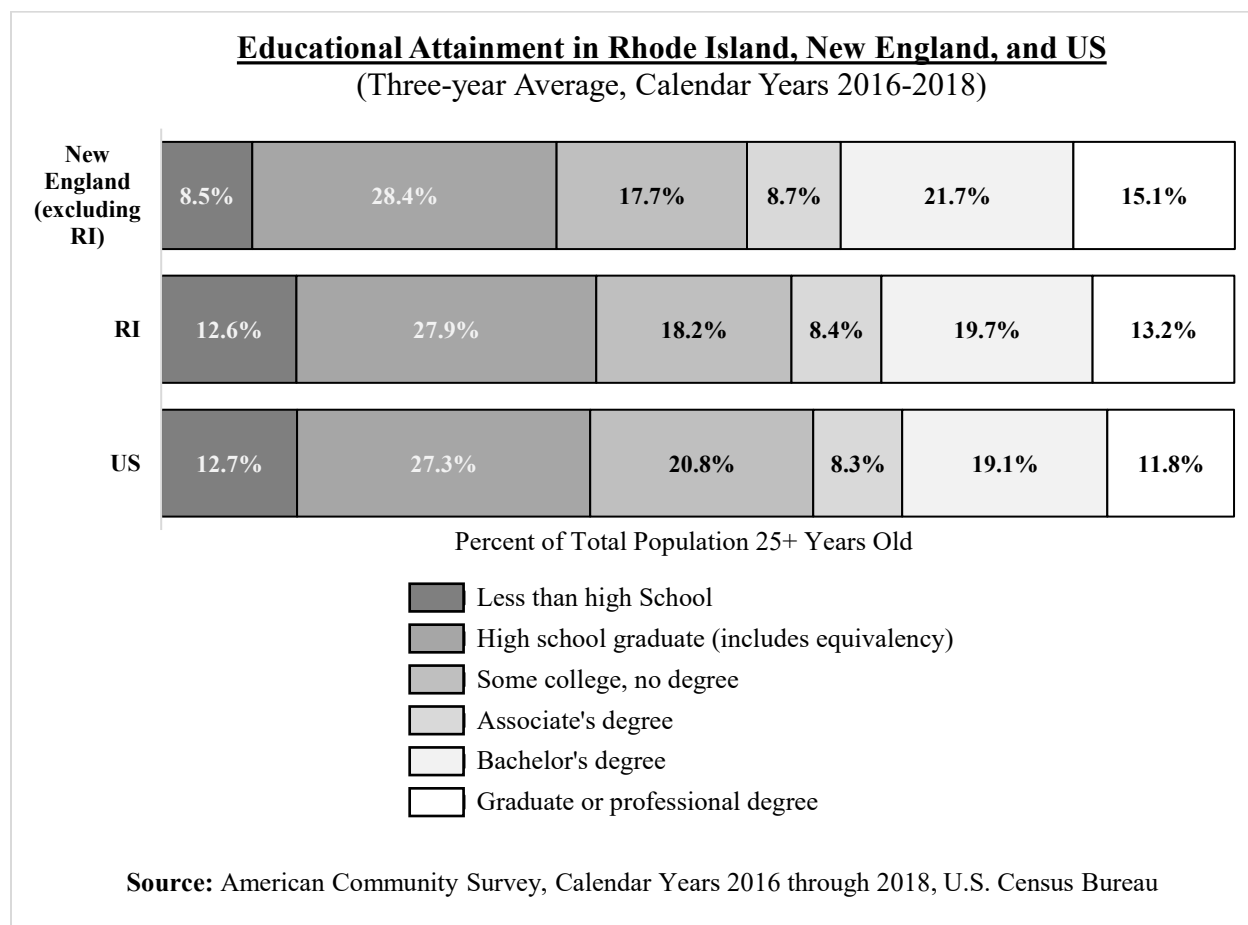
Highest Education Level	Unemployment Rate	Median Weekly Earnings
Doctoral degree	1.6	\$1,744
Professional degree	1.5	\$1,822
Master's degree	2.2	\$1,405
Bachelor's degree	2.5	\$1,176
Associate's degree	3.3	\$839
Some college, no degree	4.0	\$777
High school diploma	4.6	\$711
Less than a high school diploma	6.5	\$526
All Education Levels	3.6	\$908

Source: Current Population Survey, U.S. Department of Labor, U.S. Bureau of Labor Statistics, available: https://www.bls.gov/careeroutlook/subject/education_level.htm

Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.

As shown in the table above, individuals achieving higher levels of education are less likely to be unemployed and have higher median earnings. For example, in 2016 through 2018 the average unemployment rate for individuals with a bachelor’s degree was 2.2 percentage points lower than the rate for individuals with only a high school diploma, and the median weekly earnings among bachelor’s degree holders are \$464 or 65.3% higher than peers with only a high school diploma.

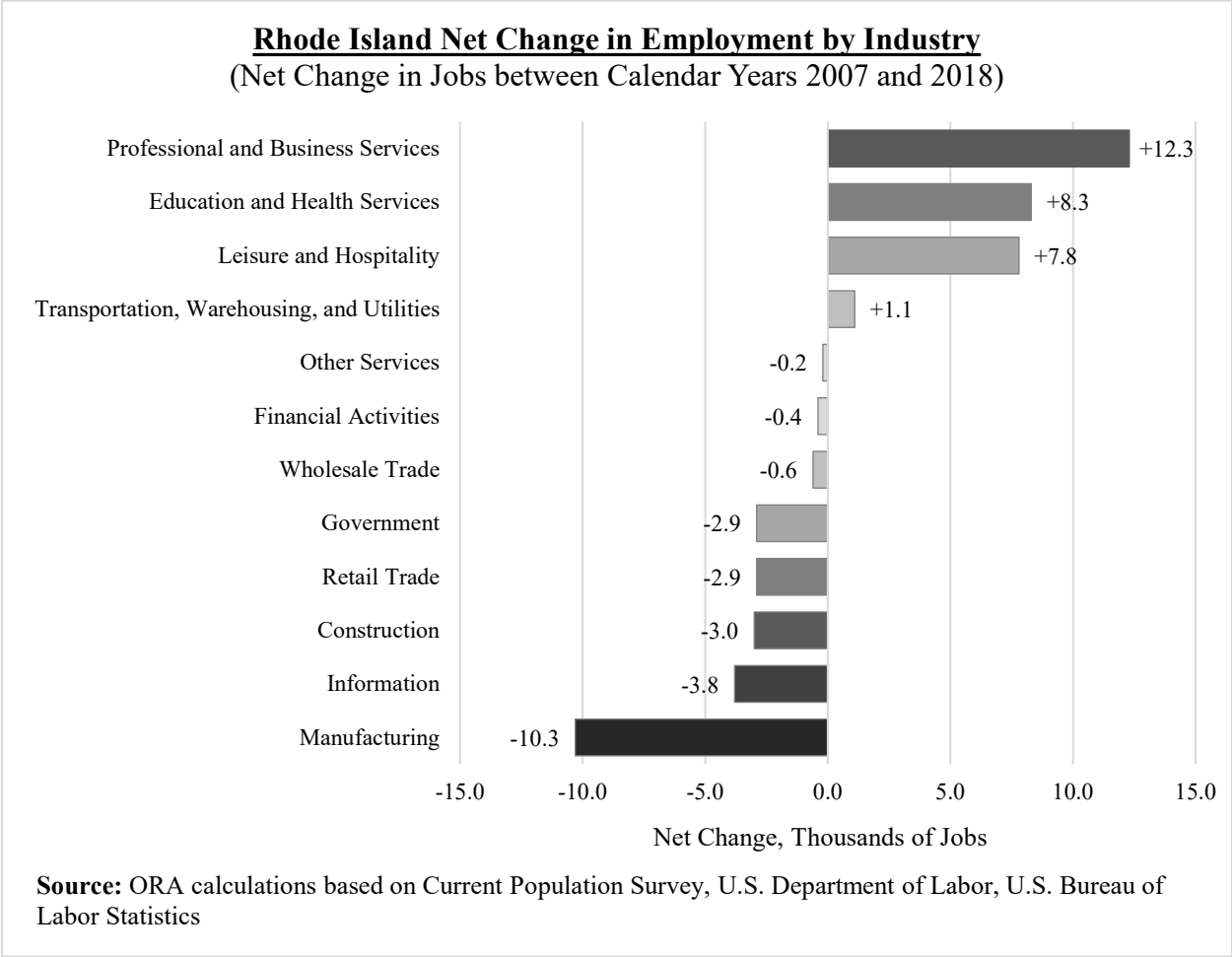
The following data provides comparison data on Rhode Islanders’ levels of formal educational attainment compared with the rest of New England, and the nation:



The data provided in the previous chart shows that on average, Rhode Islanders have lower levels of formal educational attainment than residents of other New England States, but a higher level of college degree attainment compared to the national average. Compared with other New England states, Rhode Island has a greater portion of the population that holds a high school diploma or less and lower proportion holding an associate’s degree or higher. When compared with national averages it is notable that Rhode Island has a greater proportion of individuals at both the upper and lower extremes of the educational spectrum. Rhode Island has a greater proportion of individuals with a high school diploma or less than the national average and has a greater proportion of individuals possessing at least an associate’s degree.

While the level of educational attainment is an important component of a strong labor force, it is also essential that education focuses on skills that matter. In other words, workforce education and

skills must be aligned with the demands of local employers. Over the past years and decades, the Rhode Island economy has transitioned away from traditional goods-producing industries, which traditionally offered living wages to a large number of low and moderate skill workers, towards service producing industries, in which higher salaries are available but often only to those with the most in-demand skills and education. The following chart highlights these trends by depicting net changes in Rhode Island employment from the time period of 2007 through 2018.



The changing blend of employment, shown in the chart above, demonstrates the need for a nimble workforce. Total private, non-farm employment increased by 8,300 employees over this twelve-year period, driven by a strong increase in employment in service-providing industries. Goods-producing industries lost 13,400 jobs while service-producing industries gained 18,800 jobs. The industries with the largest increases in employment were professional & business services, educational & health services and leisure & hospitality which gained a combined 28,400 jobs between 2007 and 2018. The industries with decreasing employment included manufacturing, information, construction, retail trade and government which lost a combined 28,400 jobs. The changing breakdown of labor demanded by state industry highlights the need for employee retraining and flexibility.

ORA explored the availability of job-related training programs in other New England states. ORA identified a variety of state-administered workforce development programs in all New England states. The following list contains an example from each state:

- Massachusetts Workforce Training Fund: <http://workforcetrainingfund.org/programs/general-program/guidelines/>
- Connecticut Manufacturing Innovation Fund Incumbent Worker Training Program: <https://www.ctdol.state.ct.us/IWTmanufappform.htm>
- Vermont Training Program: <http://accd.vermont.gov/economic-development/funding-incentives/vtp>
- New Hampshire Job Training Fund: <http://www.nhjobtrainingfund.org/>
- Maine Apprenticeship Program: https://www.maine.gov/labor/jobs_training/apprenticeship/

While all New England states have a variety of workforce development programs, ORA examined the availability of tax credit programs similar to Rhode Island’s JTTC. ORA found that only one other New England state, Connecticut, offered a tax credit comparable to the JTTC. The following table provides a brief description of the tax credit features in each state, as well as any information on any identified credit cap and carryforward provisions.

Jobs Training Tax Credit in Rhode Island and Selected Comparison States

	Rhode Island	Connecticut
<i>Program Name</i>	Jobs Training Tax Credit	Human Capital Investment Tax Credit
<i>Law Reference</i>	R.I. Gen. Laws § 42-64.6-4	Conn. Gen. Stat. § 12-217x
<i>Credit Features</i>	50% of the qualifying expenses to provide training and/or retraining to qualifying employees. Allows wages/salaries to be counted for a portion of credit-eligible expenses. Application required. No credits shall be awarded for tax years beginning on or after January 1, 2018.	5% of the amount paid or incurred by a corporation for human capital investments. Does not allow wages/salaries to be counted as credit-eligible expenses. No application required.
<i>Cap</i>	Maximum credit per employee is \$5,000 in any three-year period and is non-refundable.	Credit cannot exceed the amount of corporation business tax otherwise payable
<i>Carryforward</i>	50% of credit allowable in the taxable year in which expenses occurred with the balance to be allowed in the following year.	Up to 5 years
<i>Source</i>	http://webserver.rilin.state.ri.us/Statutes/TITLE42/42-64.6/42-64.6-4.HTM	http://www.ct.gov/drs/cwp/view.asp?a=3807&q=522172

Notes: Information reflects the terms of the program identified by ORA as of the time of report publication.

As indicated in the table above, a tax credit is not a typical mechanism for funding workforce development in New England states. Both the Rhode Island and Connecticut credit programs are non-refundable, but they also have significant differences. The Connecticut credit rate is

significantly less than in Rhode Island, but the credit is offered to any employer without any special application process other than submitting the necessary forms with their tax return. Additionally, the Connecticut program is made more valuable by the fact that it is not capped at a fixed dollar amount and it contains a more generous five-year carryforward provision.

Part III: Report Data Description

The analysis of the JTTC in this report required an analysis of micro-level taxpayer data. ORA encountered significant challenges related to data access. In order to gain sufficient access to data while respecting confidentiality concerns, ORA entered into Memoranda of Understanding (MOU) with the Rhode Island Department of Revenue, Division of Taxation (Division of Taxation), Rhode Island Department of Labor and Training (DLT), and Rhode Island Commerce Corporation (CommerceRI). These MOUs sought to preserve the confidentiality of individually identifiable taxpayers consistent with the statutory mandates regarding secrecy and confidentiality of taxpayer information. In this context, ORA relied on data provided by DLT and the Division of Taxation for tax years 2016, 2017, and 2018, to the extent such information were provided, as required by R.I. Gen. Laws § 44-48.2-5(b). The data provided by DLT to ORA consisted of the following:

- JTTC applicants in FY 2011 through FY 2018 provided by the Governor’s Workforce Board (GWB).
- Annual reports for FY 2011 through FY 2018 provided by GWB.
- Cost of tax credit administration.

The data provided by the Division of Taxation consisted of the following:

- Tax credit information;
- Cost of tax credit administration.

ORA made no attempt to verify the accuracy of the data provided and made minimal corrections to the data in order to be able to execute specific calculations for the report. The data included in this report are unaudited and reported as compiled.

1. Number of taxpayers granted tax credit

According to the Division of Taxation an average of less than 10 companies received the JTTC over tax years 2016 through 2018 with an average value of \$671,258. The following table provides a description of the number of recipients of the JTTC and the corresponding tax benefit amounts received in each tax year:

Jobs Training Tax Credit Recipients

(Tax Years 2016 – 2018)

Tax Year	Number of Recipients	Total Benefit Received
2016	<10	\$1,272,078
2017	<10	\$707,803
2018	<10	\$33,893
Total	ND	\$2,013,774
Average	<10	\$671,258

Source: Division of Taxation Testimony at the November 2021 Revenue Estimating Conference.

Note: ND indicates data that is not disclosed by Taxation due to taxpayer’s confidentiality.

It is notable that very few taxpayers claimed the JTTC from tax years 2016 through 2018. Due to the small number of JTTC recipients, ORA was unable to publish all statutorily-required analyses in light of taxpayer confidentiality mandates. Such instances are noted throughout this report.

Also, as detailed later in the report, the statistics above refer to credit *usage* rather than *approvals*. In a typical year, GWB approved a higher count and amount of tax credits than are eventually claimed by taxpayers due to non-refundability and carryforward limitations as well as the order in which tax credits are applied in the tax calculation methodology (e.g., firms exhaust their tax liability utilizing some other tax credits, resulting in them being unable to utilize the JTTC).

2. Value of tax credit granted by NAICS code

Due to statutory confidentiality mandates under R.I. Gen. Laws §§ 44-1-14, 44-19-30, 44-11-21, 44-14-23 and 44-30-95(c) and the risk of disclosure of taxpayer information, the Division of Taxation is unable to approve disclosure of information by ORA as required by R.I. Gen. Laws § 44-48.2-5(a)(4) as it pertains to the “The value of the tax incentive granted, and ultimately claimed, listed by the North American Industrial Classification System (NAICS) Code associated with the taxpayers receiving such benefit, if such NAICS Code is available.”

3. Cost of administration

The administration of the JTTC involves both the Division of Taxation and the Governor’s Workforce Board (GWB). Using data provided by these agencies, ORA found that the total cost to administer the tax credit was \$5,769 in tax years 2016-2018. The total direct cost incurred by GWB in tax years 2016-2018 to administer the JTTC was \$900 while the indirect costs incurred by the Division of Taxation to administer the tax credit were \$4,869 for the same time period. The following table provides a description on the cost of administration in each tax year:

Jobs Training Tax Credit: Cost of Administration by Office and Tax Year
(Tax Years 2016 – 2018)

Cost Incurring Entity	Cost of Administration				
	TY 2016	TY 2017	TY 2018	Total	Average
<i>GWB</i>	\$300	\$300	\$300	\$900	\$30
<i>Division of Taxation</i>	\$1,362	\$1,910	\$1,597	\$4,869	\$1,623
Total Cost	\$1,662	\$2,210	\$1,897	\$5,769	\$1,923

Source: Division of Taxation and RI Department of Labor and Training

4. Number of Aggregate Jobs and Direct Taxes Paid by Recipients’ Employees

Due to statutory confidentiality mandates under R.I. Gen. Laws §§ 44-1-14, 44-19-30, 44-11-21, 44-14-23 and 44-30-95(c) and the risk of disclosure of taxpayer information, the Division of Taxation is unable to approve disclosure of information by ORA as required by R.I. Gen. Laws § 44-48.2-5(a)(1) as it pertains to the “the number of aggregate jobs associated with the taxpayers receiving such tax incentive and the aggregate annual revenue that such taxpayers generate for the state through the direct taxes applied to them and through taxes applied to their employees.”

5. Direct Taxes Paid by Recipients

Due to statutory confidentiality mandates under R.I. Gen. Laws §§ 44-1-14, 44-19-30, 44-11-21, 44-14-23 and 44-30-95(c) and the risk of disclosure of taxpayer information, the Division of Taxation is unable to approve disclosure of information by ORA as required by R.I. Gen. Laws § 44-48.2-5(a)(1) as it pertains to the “the aggregate annual revenue that such taxpayers generate for the state through the direct taxes applied to them.”

6. Measuring the Extent to which Benefits Remained in the State

Due to statutory confidentiality mandates under R.I. Gen. Laws §§ 44-1-14, 44-19-30, 44-11-21, 44-14-23 and 44-30-95(c) and the risk of disclosure of taxpayer information, the Division of Taxation is unable to approve disclosure of information by ORA as required by R.I. Gen. Laws § 44-48.2-5(a)(8) as it pertains to the “An estimate of the extent to which benefits of the tax incentive remained in state or flowed outside the state, if such information is available.”

7. Additional Data

The Jobs Training Tax Credit is not included among the credits and incentives reported on by the Division of Taxation in its annual *Tax Credit & Incentive Report*; however, to the extent that recipients of credits and incentives covered by the report self-reported Jobs Training Tax Credit amounts, it is included in the “Additional Incentives Received” section of the annual *Tax Credit & Incentive Report*. The following is a compilation of JTTC amount received using information from the *Tax Credit & Incentive Report* for fiscal years 2017 through 2019⁵.

Jobs Training Tax Credit Usage
as Published in *Tax Credit & Incentive Reports*
(Fiscal Years 2017 – 2019)

Fiscal Year	Taxpayer	JTTC Amount
2019	CVS	\$627,374
	Electric Boat	\$2,325,686
	Subtotal	\$2,953,060
2018	CVS Pharmacy	\$1,225,911
	Electric Boat	\$1,162,843
	Subtotal	\$2,388,754
2017	CVS Pharmacy	\$588,428
	Electric Boat	\$2,769,167
	Subtotal	\$3,357,595
Grand Total		\$8,699,409

Source: ORA Compilation of Division of Taxation, *Tax Credit & Incentive Reports*

It should be noted that the table above is only a partial listing of JTTC usage which was incidentally reported as part of a *Tax Credits & Incentives Report*.

⁵ ORA assumes that fiscal years 2017 through 2019 are equivalent to tax years 2016 through 2018.

Furthermore, the Governor’s Workforce Board (GWB) provided ORA with data on all JTTC applicant companies’ total trainees and total training costs for fiscal years 2017 through 2019. The following table presents this information for each fiscal year⁶:

Jobs Training Tax Credit Total Trainees and Total Training Costs

(Fiscal Years 2017 – 2019)

Fiscal Year	Total Applicants	Reported Trainees by Applicants	Reported Training Costs by Applicants
2017 ^a	7	8,095	\$7,952,292
2018	1	4,527	\$4,675,356
2019 ^b	0	0	\$0
Grand Total	8	12,622	\$12,627,648

Source: Department of Labor and Training, GWB.

Note: ORA assumes that fiscal years 2017 through 2019 are equivalent to tax years 2016 through 2018. Data preceding this time period is provided in Appendix B.

^a One company submitted four applications across two different FEINs, therefore GWB received seven applications from four companies

^b According to R.I. Gen. Laws § 42-64.6-9, no credits are awarded on or after January 1, 2018.

During fiscal years 2017 and 2018, GWB processed a total of 8 applications. Note that the number of applicants exceeds the count of taxpayers claiming the credit. Not all taxpayers approved for credits are able to utilize their credits, due to the credits being limited by non-refundability and carryforward restrictions. For this reason, it is also important to note that count of trainees and reported training costs reported above are associated with credit *applicants*, and exceed the number of trainees and costs associated with credit *recipients*. GWB does not have access to information necessary to determine whether a credit recipient actually claimed a credit following approval of their application. FY2018 was the final fiscal year for which the Jobs Training Tax Credit was available as the tax credit sunset on January 1, 2018.

⁶ The current report concerns tax years 2016 through 2018 and therefore the table provides data for the corresponding fiscal years 2017 through 2019. More data history is attached in the Appendix B.

Part IV: Evaluation of the Economic Impact of the Tax Credit

This section of the report addresses two major objectives defined in R.I. Gen. Laws § 44-48.2-5: first, to provide a projection of the potential impact of the JTTC on state revenues from projected future use and carryforward; and, second, to produce a breakeven cost-benefit analysis that can determine the net impact on state revenues resulting from the JTTC.

1. Assessment and Five-Year Projection of Revenue

Pursuant to § 42-64.6-9, the Jobs Training Tax Credit Act was repealed, and no new credits shall be issued on or after January 1, 2018. Therefore, ORA does not project any future foregone revenue.

2. “Breakeven” Cost Benefit Analysis

Pursuant to in R.I. Gen. Laws § 44-48.2-5(a)(6) (i), ORA is required to produce “An estimate of the economic impact of the tax incentive including, but not limited to a cost-benefit comparison of the revenue forgone by allowing the tax incentive compared to tax revenue generated by the taxpayer receiving the credit, including direct taxes applied to them and taxes applied to their employees.” ORA assumes negligible economic impact due to the relatively insignificant amount of tax credit claimed. Therefore, no cost benefit analysis is completed for the current report.

Part V: Discussion and Recommendations

1. Statement by the CEO of the Commerce Corporation

The Secretary of Commerce, who serves as Chief Executive Officer of the Rhode Island Commerce Corporation pursuant to R.I. Gen. Laws § 42-64-1.1(b), provided the following statement pursuant to R.I. Gen. Laws § 44-48.2-5(a)(6)(iii):

Statement from the CEO of the Commerce Corporation:

Rhode Island Commerce and the McKee administration are proud to support job training and workforce development programs such as the Real Jobs Rhode Island initiative. Real Jobs involves partnerships across many different industries, connecting workers with the training necessary to succeed as well as linking businesses with local talent to meet their needs. The Jobs Training Tax Credit was sunset in FY2019 to focus even more resources through the Real Jobs Program. We are glad that this transition has helped support Real Jobs efforts. We will continue to support workforce training efforts across industries in order to expand opportunities for all Rhode Islanders.

2. ORA Conclusions and Overall Recommendations

Pursuant to § 42-64.6-9, the Jobs Training Tax Credit Act was repealed, and no new credits shall be issued on or after January 1, 2018. Therefore, ORA is not providing any recommendations related to this tax credit.

Appendices

Appendix A: Jobs Training Tax Credit Application

RI Jobs Training Tax Credit Act Application for Election

Please refer to the Rhode Island Jobs Training Tax Credit Act, Title 42, Chapter 64.6, of Rhode Island General Laws for a complete review of the requirements of this program.

Purpose

To grant a tax credit against the corporate income tax equal to 50% of actual training expenses for new and current employees.

Summary

Companies are eligible for a tax credit of up to \$5,000 per employee, over a three year period, for their investments in retraining or upgrading the skills of their employees. Only \$1,000 of wages per employee can be applied towards the three year \$5,000 cap. For a company to qualify, employees must work at least 30 hours per week at the time of training, make 150% of the Rhode Island minimum wage at the end of training (\$12.00) and be retained for eighteen months after the completion of the training.

As detailed in regulation, training can not start until the application (election) is approved by the Human Resource Investment Council. Please keep this in mind when planning your training programs and filing the application

The HRIC is responsible for approving qualifying expenses, qualifying employers and qualifying employees. Qualifying expenses are direct costs associated with providing training. For example, costs paid directly to instructors to provide training and wages paid to employees while in training. Costs such as room rental fees, conference fees, food and refreshments, travel, expenses to organize, administrative and overhead fees, etc. do not qualify for the credit.

Process

The employer shall submit two copies of the attached "RI Jobs Training Tax Credit Act Application for Election" to the Human Resource Investment Council. Along with the application, the employer must also obtain and file with the HRIC a "Certificate of Good Standing" from the Rhode Island Division of Taxation.

Upon receipt of **two signed copies of the application** (election), the Council or its designee shall register and review the application and subsequently recommend that it be approved, rejected or further information needed. The applicant will be notified in writing within sixty (60) days of the approval or denial. If further information is needed, the applicant will be contacted by the HRIC with a request for further documentation. If the information is not received within twenty (20) business days the application will be considered denied.

RI Jobs Training Tax Credit Act - Application for Election

If there is ongoing training over a long period of time or if trainees have yet to be hired, applicants may request that reporting requirements be applied retroactively. In those cases, the employer would submit documentation after the approved training program was complete. Please reference item number twelve (12) on page two (2) of the application.

Any substantial changes to your training plan shall require the filing of a new application and proposed modifications must be approved in writing by the HRIC before training can commence.

Application Review Checklist:

- Training Plan Summary
- Attach Trainer/Company Program Summary and Cost estimates for each Program
- Budget Summary for ALL Training Programs
- Budget Description for Each Training Program including; List of Employees with SS#, hours of training & wages
- Tax Division Letter of Good Standing
- Two Copies of Application Signed and Complete

For HRIC ONLY: Date Approved/Election Date _____
Date Submitted Application No.

1. Contact Information:

Company Name: _____

Address: _____

City: _____ State: _____ Zip: _____

Telephone Number: _____ Email Address: _____

Contact Person: _____

Federal Tax ID No.: _____ RI Employer ID: _____

2. Primary NICS Code: _____

3. Total Number of Employees: _____

4. Briefly describe your company's business:

5. Please indicate which of the following best describes the proposed training:

Academic Remediation

Total Quality Management

Workplace Literacy

College Courses

Cross-Skill Training

Technology Application

New Employee Training

Other Training (list)

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RI Jobs Training Tax Credit Act - Application for Election

PROPOSED TRAINING PLAN SUMMARY:

6. Is the company receiving any state, federal, or local grants to offset all or a portion of the training cost?

No Yes If yes, how much and through which program. \$ _____

If yes, please provide supporting documentation including an approved budget and cost sharing agreement.

7. Is the company taking advantage or intending to take advantage of any other state tax credits for job training?

No Yes If yes, explain:

8. Please provide a narrative description of all proposed training programs*:
(*Examples of training that would not be approved include; new employee orientations and personal development activities.)

9. Please explain why the training is being conducted? How will the training increase the necessary skills of the employee and increase the competitiveness of the company? How will the training be evaluated?

10. Where will the training take place?

11. If training is conducted outside of Rhode Island please explain why it is not feasible to conduct training in Rhode Island*.

(*Allowable expenses may only include the actual costs of the training, not travel, hotels, meals, conference fees, etc.)

12. In instances where there is continuing training or "rolling training" or where the trainees have yet to be hired, applicants may request that the reporting requirements be applied retroactively. In those cases, the employer would submit follow-up documentation after the approved training program was complete. The reporting requirements would include; a per page list describing

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RI Jobs Training Tax Credit Act - Application for Election

the training, the names of the trainers, the names of the employees that attended the training with their Social Security numbers, the dates of the training, and wages of the trainers and trainees that are being used towards the tax credit and documentation that the employees are receiving per hour wages that are 150% (\$12.00) of the Rhode Island minimum wage.

My company's training scenario is captured in the above paragraph. I would like to apply for follow-up retroactive reporting as described.

13. What number of full-time employees would be trained through these programs? _____

14. Total hours of training for employees: _____

15. Estimated start and completion date of training: _____

Budget Summary for ALL Training Programs:

Total Training Costs: \$ _____

Total Wage Costs*: \$ _____

(*Only \$1,000.00 per employee can be claimed for the credit)

Total Cost of Proposed Training Programs: \$ _____

RI Jobs Training Tax Credit Act - Application for Election

Budget Description – Please include one completed copy of this page for each training program.

Training Program Name:

Name of Training Company/Firm:

Please attach trainer/company program summary and cost estimates for each program.

Documentation for Internal Trainers:

Internal Trainer Name Wage Per Hour # of Hours Training Total Trainer Cost

- 1.
- 2.
- 3.

Documentation for Participants in the Training:

Employee Name SS# Wage Per Hour # of Hours Trained Total Wage Cost

- 1.
- 2.
- 3.

For new employees who have not yet been hired, you must supply the HRIC with a list of the employees prior to starting training, or request that the reporting requirements be applied retroactively.

Budget Summary for this Training Program:

Training Costs: \$ _____

Wage Costs*: \$ _____

(*Only \$1,000.00 per employee can be claimed for the credit)

Total Cost of Proposed Training Program: \$ _____

RI Jobs Training Tax Credit Act - Application for Election

Signatory Page:

I understand that training conducted prior to the filing and approval of an election (application) with the HRIC is not eligible for the tax credit. If there are multiple training programs in one application, each proposed program must be listed individually and include the entire requirements listed on the budget description page. The application must include a Letter of Good Standing from the Division of Taxation. In addition, changes to the proposed training program that will affect the amount of the tax credit taken must be approved by the HRIC prior to implementing.

The Human Resource Investment Council may require additional information on the training program after an application has been filed. If requested, the company will supply HRIC staff with additional information related to the training program and the necessary financial information to document the economic benefits of the Job Training Tax Credit and will allow HRIC staff to review records and files relating to training with reasonable prior notice.

This is to verify that each of the employees trained will receive 150% of the Rhode Island minimum wage (\$12.00 per hour) by the end of the training and will be retained at that rate or a higher rate for eighteen months after the completion of training.

I certify that my company is an eligible employer, and only the qualifying training expenses for eligible employees will be taken as the tax credit and further that none of the employees to be trained meet the definition of "highly compensated employee" as set forth in 26 USCS § 414 (q).

NOTE: This credit can no longer be claimed on the RI Personal Income Tax Returns.

Signature of CEO or Manager of Rhode Island Facility

Please return this completed application *in duplicate* with a Letter of Good Standing to:

RI Jobs Training Tax Credit
Governor's Workforce Board RI
1511 Pontiac Avenue
Building 72
Cranston, RI 02920

Employers are advised to retain supporting documentation for their records.
For additional information regarding the RI Jobs Training Tax Credit please call (401) 462-8823.
For information concerning the Letter of Good Standing contact the RI Division of Taxation at (401) 574-8941.

Appendix B: Jobs Training Tax Credit Total Trainees and Total Training Costs

Jobs Training Tax Credit Total Trainees and Total Training Costs

(Fiscal Years 2011 – 2019)

Fiscal Year	Total Applicants	Reported Trainees	Reported Training Costs
2011	26	5,244	\$4,501,809
2012	20	10,343	\$4,038,359
2013	7	4,139	\$2,966,980
2014 ^a	6	7,404	\$15,071,045
2015	3	4,268	\$4,362,064
2016	4	6,840	\$4,323,286
2017 ^b	7	8,095	\$7,952,292
2018	1	4,527	\$4,675,356
2019 ^c	0	0	\$0

Source: Department of Labor and Training, GWB.

Note:

^a One company submitted two applications across two different FEINs, therefore GWB received six applications from five companies.

^b One company submitted four applications across two different FEINs, therefore GWB received seven applications from four companies

^c FY2018 was the final fiscal year for which the Jobs Training Tax Credit was available. See R.I. Gen. Laws § 42-64.6-9.