STATE OF RHODE ISLAND

Governor Daniel J. McKee

STATE OF RHODE ISLAND

DEPARTMENT OF REVENUE

Economic Development Tax Incentives Evaluation Act:

Evaluation of
"Investment Tax Credit"

(including "Biotechnology Investment Tax Credit" and "Specialized Investment Tax Credit")

(R.I. Gen. Laws §§ 44-31-1, 44-31-1.1, & 44-31-2)
Tax Years 2019 through 2021

Office of Revenue Analysis

September 29, 2023

Table of Contents

Executive Summary

The Department of Revenue, Office of Revenue Analysis (ORA) in accordance with Rhode Island General Laws (R.I. Gen. Laws) Chapter 44-48 conducted an evaluation of the "Investment Tax Credit" (ITC) program. This report provides an estimate of the economic and fiscal impacts of this tax incentive for tax years 2019 through 2021. ***ORA found that the program does not break even on a net general revenue basis.*** ORA relied primarily on data provided by the Department of Revenue, Division of Taxation (Taxation) to conduct the analysis. The following is a summary of this evaluation:

The Tax Incentive Provision:

ITC is a credit allowed for the cost of realty and tangible property in Rhode Island, which is principally used by the taxpayer in the production of goods by manufacturing, processing, or assembling.

- General manufacturers are provided with a credit of 4% of the cost or qualified amounts for leased assets of tangible personal property and buildings, as well as structural components of buildings provided that the assets have a useful life of at least four years.
- A credit equal to 10% of the cost or qualified amounts for leased assets of tangible personal property (excluding motor vehicles and furniture), provided that the assets have a useful life of at least four years, is granted to firms that are classified in major groups 20 through 39 in the Standard Industrial Classification manual (SIC Codes): 50 and 51 - wholesale trade, 60 through 67 - finance, insurance, and real estate, 73 - business services, 76 - miscellaneous repair services, 80 - health services, 81 - legal services, 82 - educational services, 87 - engineering and management services, and 89 - miscellaneous services.[1]
- A 10% credit of the cost or qualified amounts for leased assets of buildings and structural components is also provided to high performance manufacturers, which are defined as businesses described in SIC Codes major groups: 28 - chemicals and allied products, 30 - rubber and miscellaneous plastics products, 34 - fabricated metal products, except machinery and transportation, 35 - industrial and commercial machinery and computer equipment, 36 - electronic and other electrical equipment and components, except computer equipment, and 38 - measuring, analyzing, and controlling instruments; photographic, medical and optical goods; watches and clocks. For leased buildings and structural components, the lease must have a term of at least 20 years. High performance manufacturers must also meet certain wage requirements to qualify. The above noted credit percentages also apply to computers, software, and telecommunications hardware even if these assets have useful lives of less than four years.

The 4% credit can reduce the tax due to the amount of the corporate minimum tax, which is currently $400. The 10% credit can only reduce a tax liability by 50% unless it has been applied by a high-performance manufacturer to the acquisition of buildings by purchase or by a lease of

[1] See Appendix B for translation of SIC Codes to NAICS codes.

20 years or more. In which case, the tax liability can be reduced to the amount of the corporate minimum tax. The investment tax credits noted above are non-refundable, and unused amounts of the credits not used in the taxable year earned can be carried forward to not more than seven succeeding tax years.

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.

The Report's Key Findings:

- According to Taxation, an average of 38 companies received an average of $7,225,298 of investment tax credits over tax years 2019 through 2021.
- In an average year, 67.3% of ITC recipients were companies operating in manufacturing industries. However, 94.7% of the amount of ITC was received by companies in non-manufacturing industries for tax years 2019 through 2021.
- Based on tax credit data provided by Taxation, on average, for each dollar of ITC received, an additional $3.72 of other Rhode Island tax incentives were received. The amount of the ITC received represented 21.2% of the total amount of state tax incentives received by ITC-recipient firms.
- Taxation reported that an average of 27,234 employees across 22 NAICS industries, worked for firms that received investment tax credits over tax years 2019 through 2021.
- ORA conducted a breakeven analysis to estimate the minimum percentage of the net economic activity associated with ITC that would have to be new to the Rhode Island economy, and thus, would not exist without the availability of the tax benefit, in order for the ITC program to "pay" for itself.
    - ORA estimated these minimum percentages as follows:
        i. With respect to Rhode Island net general revenues, the ITC program ***fails*** to break even, even if 100% of the economic activity directly related to the provision of the tax credit is assumed to not have occurred without the tax incentive.
        ii. With respect to Rhode Island gross domestic product, the ITC program breaks even if at least 19.7% of the economic activity directly related to the availability of the tax credit would not have occurred without the tax incentive being available.
        iii. With respect to Rhode Island total employment, the ITC program breaks even if at least 21.5% of the economic activity directly related to the tax credit's utilization would not have resulted except for the tax incentive.

Overall Assessment and Recommendations:

ORA recommends that the ITC be retained at this time but that adjustments be made in accordance with the following recommendations:

- Add a sunset provision to allow reconsideration of this program in the next five years.
- While amending the program to add a sunset, establish clear goals in statute to better allow ORA to assess the program's performance.
- Better target the incentive to manufacturing activity or industries.
- Improve data reporting by ITC recipients to require public reporting of key metrics from all ITC recipients.

Foreword

The evaluation of the *Investment Tax Credit program, Tax Years 2019 through 2021* was prepared at the request of Matt McCabe, Chief of the Rhode Island Department of Revenue, Office of Revenue Analysis in accordance with Rhode Island General Laws § 44-48.2-4. Madiha Zaffou, *Ph.D.*, Deputy Chief in the Office of Revenue Analysis was project leader for the production and writing of this report, under the guidance of Mr. McCabe. Ms. Zaffou was assisted by Anoushka Mohnot, Senior Economic & Policy Analyst in the Office of Revenue Analysis.

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. Tracy was assisted in this task by Donna Dube, Chief Revenue Agent, Forms, Credits and Incentives

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

Part I: Introduction

Pursuant to R.I. Gen. Laws § 44-48.2-4, titled *Rhode Island Economic Development Tax Incentives Evaluation Act of 2013,* the Chief of the Office of Revenue Analysis is required to produce, a report that contains analyses of economic development tax incentives as listed in § 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 § 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;[2]
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;

[2] Public Law 2023 Chapter 294 § 7 and Chapter 295 § 7 removed the requirement for a statement from the CEO of the Commerce Corporation. ORA intends to voluntarily include these statements in this round of analysis and exclude them going forward.

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 § 44-48.2-5(a).

The current report is one part of a series of reports for each one of the tax incentives to be analyzed according to R.I. Gen. Laws § 44-48.2-3(1). This report concerns R.I. Gen. Laws Chapters 44-31 entitled "Investment Tax Credit" containing § 44-31-1 (Investment Tax Credit), § 44-31-1.1 (Biotechnology Investment Tax Credit), and § 44-31-2 (Specialized Investment Tax Credit). This report measures the economic impact associated with the tax credit during tax years 2019 through 2021. This analysis is performed at the micro level using information provided by Taxation.

This document is divided into five parts. Part I provides a detailed description of the tax credit and its statutory programmatic goals and intent. Part II presents some background regarding this tax credit. Part III presents a description of the data provided and used in the analysis by ORA. Part IV assesses the economic impact generated under the ITC program. Part V discusses relevant policy recommendations that could help in the decision process as to whether the tax credit should be continued, modified, or terminated.

1. Description of the Incentive

ITC provides businesses with a reduction in their tax liability equal to a percentage of the cost of certain investments in tangible property, including buildings and structural components of buildings. The tangible property must be utilized by the business for manufacturing, or, in the case of non-manufacturing firms, more than 50% of the firm's gross revenue must originate from out-of-state sales. The investment tax credit may be taken against the business corporation tax (R.I. Gen. Laws Chapter 44-11), the taxation of banks (R.I. Gen. Laws Chapter 44-14), and the taxation of insurance companies (R.I. Gen. Laws Chapter 44-17) for all eligible taxpayers.[3] The amount of the tax credit and the eligibility criteria to receive the tax credit vary based on the industry the business operates in and other rules specified in statute. For example, a more generous credit percentage is granted to high-wage firms and special categories such as high-performance

[3] It was formerly possible to claim the investment tax credit against the personal income tax imposed by R.I. Gen. Laws Chapter 44-30. However, R.I. Gen. Laws § 44-30-2.6(c)(3)(F), titled "Credits against tax," does not include the investment tax credit among the list of credits allowable against the personal income tax, effective for tax years beginning on or after January 1, 2011.

manufacturing, businesses making certain investments in employee training, biotechnology firms, and firms undertaking the rehabilitation and reconstruction of certified mill buildings.[4]

The amount of the tax credit claimed by a business in a single tax year cannot reduce its tax liability by more than 50% of its tax liability prior to the application of the credit or beneath the statutory minimum tax amount. In the case of high-performance manufacturers, the 50% limitation does not apply. Unused credit amounts may be carried forward for seven years following the year in which credits are earned, except for eligible users of the Biotechnology Investment Tax Credit who can carry forward unused credit amounts for up to 15 years. Investments that qualify a business for an investment tax credit must be made in relation to tangible property which is depreciable for a term of at least four years or acquired by lease for a term of 20 years or more. This requirement is waived for certain computer and telecommunications hardware.

The broadest credit eligibility pathway is open to all taxpayers making qualified tangible property investments according to R.I. Gen. Laws § 44-31-1(b)(1). The credit rate for these taxpayers is equal to 4% of total qualifying investment expenditures. There are no restrictions by industry nor are there any requirements for taxpayers to apply and receive certification prior to claiming a credit. This group of ITC-eligible taxpayers need simply to claim the credit and complete Rhode Island (RI) Form 3468 when filing their tax return.[5]

Taxpayers may be able to claim a credit equal to 10% of total qualifying investment expenditures if they qualify under one of many eligibility options defined in the statute. These eligibility options each have additional criteria related to the industry in which the taxpayer business operates and/or the wages of its employees.

Several eligibility options are administered by the Department of Labor and Training (DLT), Labor Market Information (LMI) group. Businesses that want to claim a 10% investment tax credit must submit an application to LMI, that attests that the business satisfies any applicable investment tax credit eligibility criteria. According to DLT, these businesses must meet one of the following four criteria in order to be certified by LMI:

1. The employer's median annual wage paid to its full-time equivalent employees must be greater than the average annual wage paid by all employers in the state in the same three-digit NAICS code; or
2. The employer's median annual wage paid to its full-time equivalent employees is greater than or equal to 125% of the average annual wage paid by all employers in the state (125% of the average annual wage paid to all covered workers in 2021 was equal to $74,982); or
3. For manufacturing employers only, the average annual wage paid to the employer's full-time equivalent employees classified as production workers (as defined by DLT) is greater than the average annual wage paid to all production workers in the state in the same three-digit NAICS code; or

[4] As of July 1, 2009, there is no longer any mechanism for a taxpayer to certify new investment tax credits for mill building rehabilitation and reconstruction costs. Further information on this issue is provided below in this section.
[5] RI Form 3468 is included in Appendix A of this report.

4. The firm invests at least 2% of total payroll costs in worker training.

An additional 10% credit eligibility option is administered by the Governor's Workforce Board (GWB). Firms that want to receive this 10% investment tax credit must apply to GWB and attest that the business satisfies all credit eligibility requirements and must be granted certification prior to claiming any tax credit. Credit eligibility criteria for these taxpayers are as follows:

- Per R.I. Gen. Laws § 44-31-1(b)(4)(i), the employer's expenses for training or retraining its employees exceeds 2% of its total payroll costs, and the firm conducts business within the list of eligible industries specified in § 44-31-1(b)(3)(v). These businesses are subject to the rules related to the gross revenue of non-manufacturing firms per § 44-31-1(b)(3)(v)(B)(I)-(III).

R.I. Gen. Laws Chapter § 44-31-1(b)(3)(ii) defines eligibility criteria for high performance manufacturers as businesses with the following SIC codes: 28 - chemicals and allied products, 30 - rubber and miscellaneous plastics products, 34 - fabricated metal products, except machinery and transportation, 36 - electronic and other electrical equipment and components, except computer equipment, and 38 - measuring, analyzing, and controlling instruments; photographic, medical and optical goods; watches and clocks. The tax credit granted to high performance manufacturers is equal to 10% of qualified investment expenditures. In addition, the limitation that the credit amount allowed to be used in a single tax year not exceed 50% of the business's tax liability prior to the application of the tax credit does not apply. The amount of credit used, however, cannot reduce a taxpayer's liability below the statutory minimum amount. High performance manufacturer investment tax credit applicants must pay 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 and meet one of the following conditions: (i) have training expenses which exceed 2% of total payroll costs; (ii) pay its full-time equivalent employees a median annual wage equal to or greater than 125% of the average annual wage paid to employees statewide; or (iii) pay its full-time equivalent production workers an average annual wage above the average annual wage paid to production workers of all taxpayers in the state which share the same two-digit SIC code.[6]

Also contained in R.I. Gen. Laws Chapter 44-31 are two additional sections creating a Biotechnology Investment Tax Credit and a Specialized Investment Tax Credit for taxpayers undertaking the rehabilitation of qualified mill buildings.[7]

- *Biotechnology Investment Tax Credit:* Per R.I. Gen. Laws § 44-31-1.1, "any company primarily engaged in commercial biological research and development or manufacturing and sale of biotechnology products or active pharmaceutical ingredients" is entitled to a

[6] ORA was unable to identify any special administrative procedures for certifying the credits granted to high performance manufacturers. However, line 7 of the "ITC Calculation" worksheet in the Rhode Island Division of Taxation Form 3468 acknowledges a separate calculation procedure for high performance manufacturers.

[7] ORA was unable to confirm that any credits were issued as part of the ITC programs established by R.I. Gen. Laws § 44-31-1.1 or § 44-31-2 during the period of analysis covered by this report. ORA was unable to determine what, if any, administrative procedures are in place for the purposes of administering the Biotechnology Investment Tax Credit defined in § 44-31-1.1. ORA notes that the R.I. Gen. Laws Chapter 42-64.7 entitled "Mill Building and Economic Revitalization Act," which defines eligibility for the Specialized Investment Tax Credit, was repealed and replaced by R.I. Gen. Laws Chapter 42-64.9, also titled "Mill Building and Economic Revitalization Act," which expired on July 1, 2009.

10% credit for all investments in personal and tangible property including buildings and structural components of buildings. Biotechnology products are defined as "those products that are applicable to the prevention, treatment, or cure of a disease or condition of human beings, and that are produced using living organisms, or materials derived from living organisms, or cellular, sub cellular, or molecular component of living organisms."

Taxpayers qualifying for a biotechnology investment tax credit must pay its employees that work a minimum of 30 hours per week within the state, a median annual wage greater than or equal to 125% of the average annual wage paid statewide to employees that work a minimum of 30 hours per week within the state. Eligible firms must also provide benefits typical of the biotechnology industry.

The primary distinguishing factor of the Biotechnology Investment Tax Credit is an extended carryforward term. Biotechnology Investment Tax Credit recipients can carry forward unused amounts of the credit for up to 15 years following the year in which the credit was earned. Recipients are entitled to carryforward unused credit amounts for seven years plus an additional eight years as long as the company maintains an average quarterly number of employees for each calendar year that is 9.5% greater than the average quarterly number of employees employed in the fourth year after the initial credit is claimed, the company's average quarterly median wage is not less than the company's average of its quarterly median wage for the three pervious calendar years, and the company pays its employees a median annual wage greater than 125% of the average annual wage paid by all employers in the state per R.I. Gen. Laws § 44-31-1.1(b)(1).

- *Specialized Investment Tax Credit:* Per R.I. Gen. Laws § 44-31-2, a taxpayer may claim a credit in the amount of 10% of the costs incurred for the rehabilitation of a building certified under § 42-64.7-6. This section of law has since been repealed, thereby making the specialized investment tax credit no longer available.

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

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

Part II: Benchmarking and Background

The following benchmarking and background analysis provides some historical and national context for the analysis of the Rhode Island ITC. This section provides some information on the availability of broad-based investment tax credits nationwide, as well as discussion of the local economic factors that motivated the adoption of an investment tax credit. While the Rhode Island ITC is not exclusively focused on manufacturing sectors, its enabling statute puts special emphasis on manufacturing. Therefore, this section provides additional data on the historical employment and output of the manufacturing sectors in Rhode Island, comparison states, and nationwide.

To the extent that the availability of an investment tax credit influences a multi-state firm's decision to invest in Rhode Island vs. a competitive out-of-state location, it is important to consider

the characteristics of the Rhode Island investment tax credit to that offered by other states. For this purpose, ORA selected four comparison states: Massachusetts and Connecticut, Rhode Island's two neighboring states, in addition to Indiana and Iowa, two national leaders in manufacturing. ORA identified these leading states as those in which manufacturing sectors contribute the largest relative share to total private gross state product compared to all states and have an investment tax credit like Rhode Island's.[8]

For purposes of this benchmarking analysis, ORA defined manufacturing activity in terms of North American Industrial Classification System (NAICS) codes. ORA included NAICS codes 31 through 33 representing manufacturing activity.

Throughout the benchmarking and background section, data are presented for Rhode Island, comparison states, and the United States whenever possible. ORA acknowledges that it may be useful to look beyond these four comparison states. This comparison is simply intended to be a concise starting point for future discussions.

State investment tax credits have become more common throughout the second half of the twentieth century. For example, a report by the Federal Reserve Bank of San Francisco tracked the historical adoption of broad-based investment tax credits by the 50 states plus Washington, D.C.[9] The adoption of investment tax credits began with no states in 1968, three states in 1975, nine states in 1986, and 20 states by 2004. This count excludes investment tax credits that are targeted at specific industries (e.g., Biotechnology) or specific geographic regions (e.g., distressed neighborhoods or regions targeted for industrial development). While the original Rhode Island investment tax credit once focused solely on capital investment used for the purpose of manufacturing, the eligibility criteria has been expanded to include a broad variety of wholesale, retail, and service-providing industries. The Rhode Island ITC is therefore considered to be a broad-based credit.

ORA identified that all four comparison states offered some type of investment tax credit. The following table contains the name of the investment tax credit of a selected comparison program in each state, a legal citation, a brief description of credit features, as well as information on any identified credit cap and carryforward provisions.

[8] The manufacturing share of total private gross state product ranks highest in Indiana at 29.2% and 6th highest in Iowa at 19.8%. Louisiana, Kentucky, Michigan, and Wisconsin rank above Iowa in terms of the manufacturing share of total private gross state product, but do not have an investment tax credit like that of Rhode Island.

[9] Chirinko, Robert S. and Wilson, Daniel J., "State Investment Tax Incentives: What are the Facts?" (November 1, 2006). Federal Reserve Bank of San Francisco Working Paper No. 2006-49. Available at SSRN: https://ssrn.com/abstract=1007816.

Investment Tax Credits in Rhode Island and Selected Comparison States

	Rhode Island	Massachusetts	Connecticut	Indiana	Iowa
Credit Name	Investment Tax Credit	Investment Credit for certain corporations	Tax Credit for Investment in Fixed Capital	Hoosier Business Investment Tax Credit	Investment Tax Credit
Statutory Reference	RIGL § 44-31-1	MGL ch. 63, § 31A	CT GS. § 12-217w	I.C. 6-3.1-26	Iowa Code 2021, §§ 15.326-15.337 and 422.11F(2)
Credit Features	For general manufacturers, a credit of 4% of the cost or qualified amounts for leased assets of tangible personal property, 10% to manufacturers. classified under certain SIC codes	A tax credit of 3% of the cost of a tangible property is allowed for manufacturing companies primarily engaged in research and development, agriculture, or commercial fishing.	A tax credit of 5% of the amount paid or incurred by any corporation for any new fixed capital investments.	A tax credit not to exceed 10% of the qualified investment made by the taxpayer, if the qualified investment is not a logistics investment, and a tax credit of not more than 25% of a qualified logistics investment	A tax credit of up to 10% of the qualifying investment in real property, including any buildings and structures, located on the real property, cost of machinery and equipment, and cost of improvements to real property is available to an eligible business approved by the Iowa Economic Development Authority
Cap	The tax credit may not reduce tax due to less than the minimum tax of $400 for the 4% credit and may not reduce the tax due by more than 50% of the total tax liability for the 10% credit.	The tax credit should not exceed the amount of tax liability.	The tax credit should not exceed the amount of tax liability.	$50,000,000 for qualified investment not being claimed as logistics investment and $5,000,000 for qualified investment being claimed as logistics investment per taxpayer	The aggregate tax credit limit for economic development programs is $170,000,000
Carryforward Limit	7 years	3 years	5 years	9 years	5 years
Source	http://webserver.rilin.state.ri.us/Statutes/TITLE44/44-31/44-31-1.HTM	https://malegislature.gov/Laws/GeneralLaws/PartI/TitleIX/Chapter63/Section31A	https://www.cga.ct.gov/current/pub/chap_208.htm#sec_12-217w	http://iga.in.gov/legislative/laws/2021/ic/titles/006#6-3.1-26	https://www.legis.iowa.gov/docs/code/2023/15.pdf

Note: Credit characteristics reflects current policy as identified by ORA in August 2023. This table presents a single comparison credit program for each comparison state determined by ORA to be most like the Rhode Island Investment Tax Credit. All states offer a variety of business-focused credits not included in this table.

The table reveals that all comparison states offer some type of credit aimed at reducing the cost of capital investment – either to attract investment that might otherwise take place in other states or to offset unique costs of operating a capital-intensive business, such as providing an offset to higher property taxes incurred by such a business. The long carryforward terms and high credit caps found in Indiana reflects the fact that this manufacturing giant is targeting capital investment on a much larger scale than Rhode Island. In states with a high tax burden on commercial real estate and tangible personal property, property tax burden can become a major consideration for capital-intensive firms making location and investment decisions.

The following table depicts Rhode Island's ranking in a report published by the Lincoln Land Institute comparing the 2021 taxes paid in the 50 states plus Washington D.C. This study compares the property tax burden for a sample company located in the largest city in each state. The commercial comparison considers the tax burden on a sample commercial firm with $1,000,000 of commercial real estate and an additional $200,000 in tangible personal property. The industrial comparison considers the tax burden on an example firm with $1,000,000 of real estate and an additional $1,000,000 of tangible personal property.

2021 Lincoln Land Institute Property Tax Rank

(50 States plus DC rank; 1 = highest tax burden)

	Rank	
State (City)	**Commercial**	**Industrial**
Connecticut (Bridgeport)	12	22
Rhode Island (Providence)	***3***	***12***
Iowa (Des Moines)	4	16
Indiana (Indianapolis)	6	3
Massachusetts (Boston)	23	33

Source: Lincoln Land Institute, *50-State Property Tax Comparison Study for taxes paid in 2021*, available: https://www.lincolninst.edu/publications/other/50-state-property-tax-comparison-study-2021

Notes: Comparison ranks the property tax burden of sample businesses in the largest city in each of the 50 states plus Washington, D.C. Refer to the link for details and methodology.

As is evident from the table, Rhode Island has higher commercial property tax burdens than the comparison states and a relatively high industrial property tax burden, save for Indiana.

There are many limitations associated with the Lincoln Land Institute comparison, including that it only compares the property tax burden for the single largest city in each state, but it is included here for convenience in highlighting the broad differences in tax burdens between states. The data suggest that a firm making a location decision between Providence and Boston would face a significant difference in property tax burden. Considering Boston's fiscal year 2022 commercial property tax rate of $24.98 per thousand[10] and Providence's rate of $35.40 per thousand[11], a

[10] https://www.boston.gov/sites/default/files/file/2022/12/FY23%20Tax%20Rate%20History_5.pdf

[11] https://municipalfinance.ri.gov/financial-tax-data/tax-rates

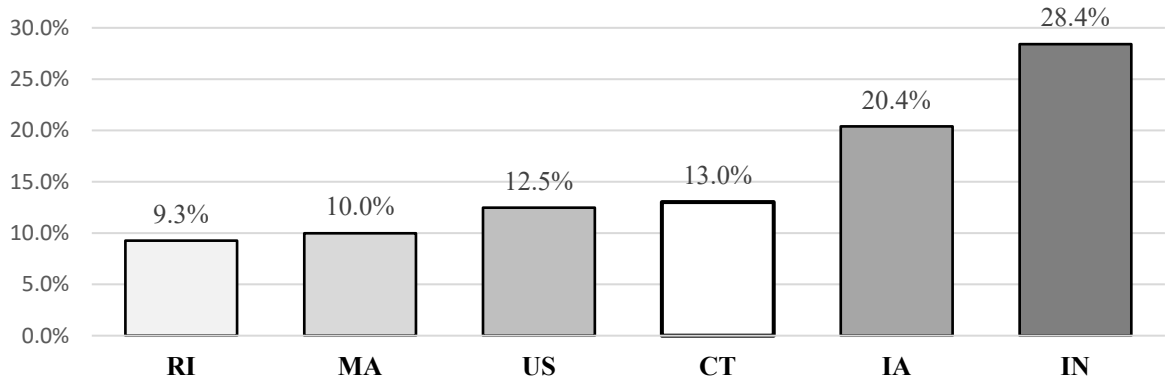
business with $1,000,000 of commercial real estate would realize $10,420 in annual tax savings in Boston compared to Providence.

It is possible that the investment disincentive created by Rhode Island's high property tax burden could be a justification for the Rhode Island ITC. However, it is interesting to note that even two states with high manufacturing output, Indiana and Iowa, are in the top half of the nation in terms of commercial and industrial property tax burden as measured by the Lincoln Land Institute. These data suggest that property taxes by themselves are not a total impediment to commercial and industrial development. However, it is unknown to what extent high property tax burdens in these states are offset via economic development tax incentives, such as a broad-based investment tax credit or through other differences in their tax bases.

The remaining portion of the benchmarking analysis devotes special attention to the manufacturing sectors in Rhode Island, comparison states, and nationwide. While the ITC is not exclusively devoted to manufacturers, several eligibility criteria carve out special provisions available only to certain types of manufacturers.

Analysis of data from the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) reveal that the Rhode Island manufacturing sector is relatively small compared to the national average when measured in terms of the sector's contribution to state gross domestic product (GDP). The following chart depicts the relative contribution of the manufacturing sector to state GDP. The levels are calculated as five-year averages to smooth out any year-to-year volatility or measurement error.

Manufacturing Industry Contribution to Private Sector GDP*
(Five-Year Average CY 2018- CY 2022)



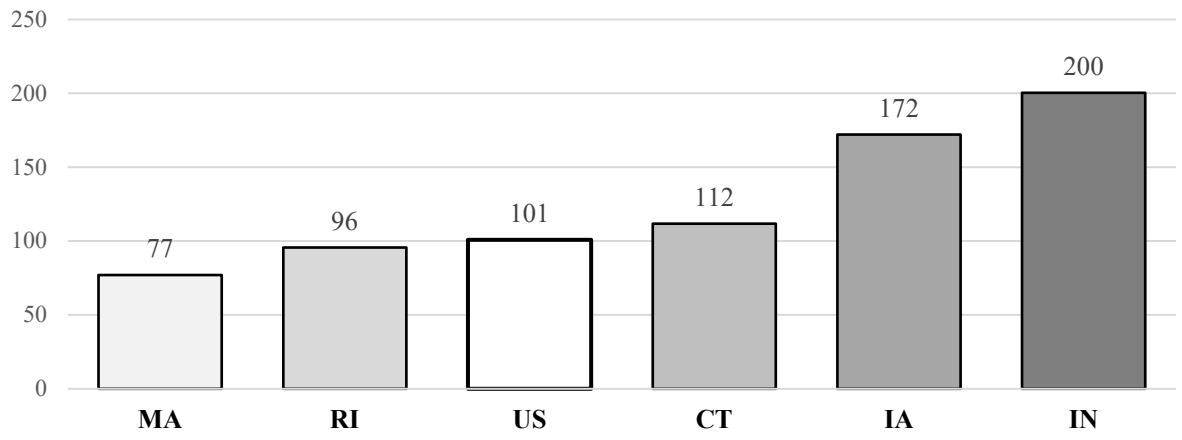
Source: ORA Calculations based on data from BEA, last updated 03/31/2023, data accessed June 2023

* Manufacturing industry contribution to GDP calculated as manufacturing industries (NAICS codes 31 through 33) GDP divided by all private industries GDP, both figures measured in current dollars.

The data presented in the chart indicates that manufacturing output is smaller as a percentage of state GDP in Rhode Island relative to comparison states and nationwide. The value of manufacturing output in Rhode Island trails that of Massachusetts and national average of 12.5% of total private sector GDP. The leading states of Indiana and Iowa are home to manufacturing sectors that contribute about one and a half times as much to state private sector GDP as the national average. By this measure, Indiana and Iowa are among the most manufacturing-intensive states in the nation.

The following chart presents data on the relative contribution of manufacturing jobs to the total private sector workforce in Rhode Island, comparison states, and nationwide as reported by the U.S. Department of Labor, Bureau of Labor Statistics (BLS). Specifically, the chart shows manufacturing employment per 1,000 private sector workers for all industries as indicated below. Rhode Island has a lower concentration of manufacturing jobs than the national average but is in the middle of the neighboring states of Massachusetts and Connecticut.

Manufacturing Sector Jobs Per 1,000 Private Sector Workers*
(Five-Year Average, CY 2018- 2022)



Source: ORA calculations based on BLS, Quarterly Census of Employment and Wages
* Manufacturing jobs per thousand private sector workers calculated as total employment, for private manufacturing industries (NAICS codes 31 through 33) divided by total employment for all private industries multiplied by 1,000.

With respect to the quality of jobs in manufacturing, ORA calculated the ratio of average annual wages in the manufacturing sectors to average annual wages for all private sector employment utilizing BLS data. The following table displays the absolute and relative wages of manufacturing jobs in Rhode Island, the comparison states, and nationwide:

Manufacturing Industries Employee Pay

(Five-year Average, Calendar Years 2018 through 2022 Annual Pay)

	Average Annual Wage		
State	Manufacturing, Private [a]	All Industries, Private [b]	Ratio of Manufacturing, Private to All Industries, Private [c]
Rhode Island	**$62,752**	**$57,408**	**109.6%**
United States	*$73,580*	*$63,804*	*115.5%*
Connecticut	$87,504	$75,250	116.5%
Massachusetts	$94,881	$83,166	124.4%
Iowa	$63,651	$51,834	123.0%
Indiana	$66,479	$52,409	127.0%

Source: ORA calculations based on BLS, Quarterly Census of Wages and Employment establishment survey data.

[a] Average CY 2018 – 2022 of private manufacturing industries (NAICS codes 31-33), average annual pay.

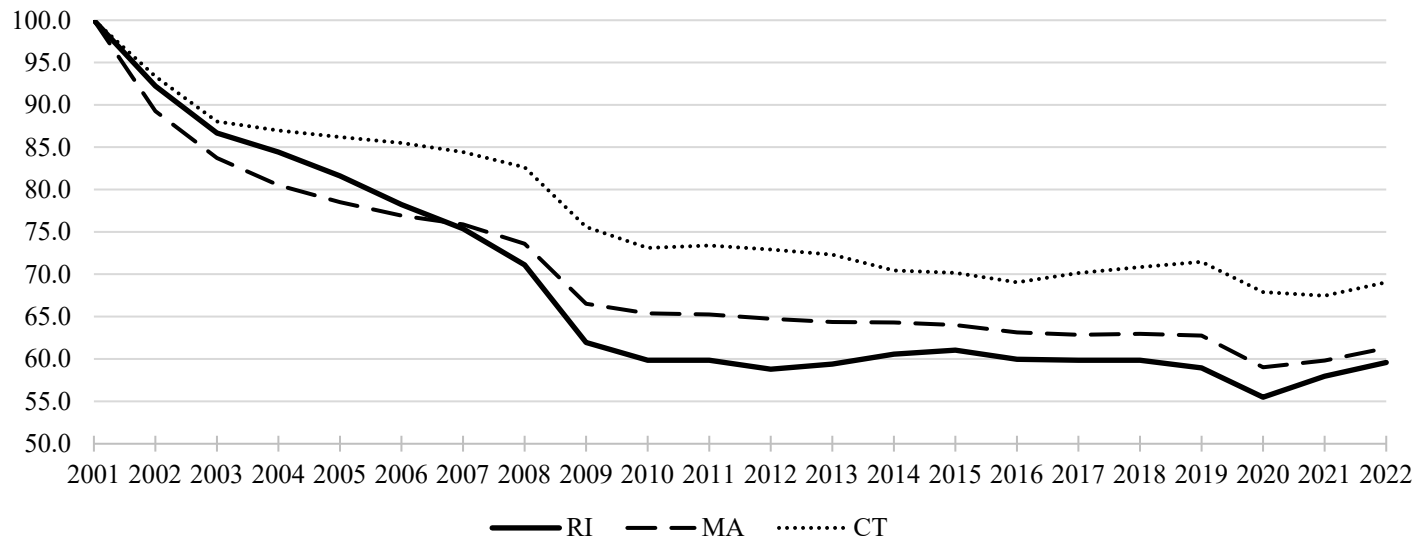
[b] Average CY 2018 – 2022 of all private industries, average annual pay.

[c] Ratio of manufacturing industries average annual wage to all private industries average annual wage.

The calculations show that manufacturing jobs pay better than the average private sector job in all comparison states and nationwide. This indicates that manufacturing jobs tend to be good jobs when measured in terms of relative wages. However, Rhode Island has the lowest ratio of average manufacturing wages to private sector average wages. In fact, the Rhode Island ratio of manufacturing wages to average private sector wages of 109.6% is the only comparison state below the national average of 115.5%. While manufacturing jobs are relatively high paying in Rhode Island, relative to other private sector jobs in the state the employee pay premium for manufacturing is considerably below the same premium in the other comparison states and nationwide.

In the three-state region of Connecticut, Massachusetts, and Rhode Island, manufacturing employment has been in a general decline over the past twenty years – with dramatic decreases in employment during the early 2000s followed by a period of relative stability following 2009. The employment index depicted in the chart below shows a decline in manufacturing employment from calendar years 2001 through 2022. For Rhode Island, this decline was steeper than the trend experienced in the two neighboring states. This result is consistent with the work of Autor, Dorn and Hanson (2013). They found that Providence, RI was the second highest commuting zone in the country based on the exposure of its economy to the growth of low-wage imports per worker in 1990, with that exposure increasing sharply after China entered the World Trade Organization (WTO) and received most-favored nation trading status among the 153 member countries of the WTO. As noted by Autor, et. al, one of the outcomes of this exposure was "higher unemployment, lower labor force participation, and reduced wages in local labor markets that house import-competing manufacturing industries."[12]

[12] Autor, David H., Dorn, David, and Hanson, Gordon H. (2013). *The China Syndrome: Local Labor Market Effects of Import Competition in the United States.* American Economic Review, Vol. 103, No. 6, pp. 2121-2168.



Source: BLS, Quarterly Census of Employment and Wages
Note: The employment index is constructed by setting base year CY 2001 employment in manufacturing industries (NAICS 31-33) equal to 100 and inflating the figure by the employment growth rate in each subsequent year.

Part III: Report Data Description

The analysis of the ITC in this report required an analysis of micro-level taxpayer data. To gain sufficient access to data while respecting confidentiality concerns, ORA entered into Memoranda of Understanding (MOU) with the Division of Taxation (Taxation), the Department of Labor and Training (DLT), and Rhode Island Commerce Corporation (CommerceRI). These MOUs 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 Taxation for tax years 2019, 2020, and 2021, to the extent such information were provided as required by R.I. Gen. Laws § 44-48.2-5(b). The data provided by Taxation consist of the following:

- Credit amounts, recipient firms, and employment information.
- Withholding tax payment records on file provided by Taxation in each tax year subject to the current analysis.
- Corporate tax payments on file provided by Taxation in each tax year subject to the current analysis.
- Cost of tax credit administration.

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

The focus of this report is on the period encompassing tax years 2019 through 2021. Some tables include additional data outside this period when additional years of data were available and where ORA determined these additional data to be informative, timely, and reliable.

1. Number of Taxpayers Granted Tax Credit

According to Taxation, an average of 38 companies received the ITC over tax years 2019 through 2021, with an average total value of $7.23 million per year. The following table provides a breakdown of the number of ITC recipients and the corresponding tax credit amounts received by tax year and tax type:

ITC Amounts and Recipients by Tax Type
(Millions of Dollars, Tax Years 2019 – 2021)

	TY 2019	TY 2020	TY 2021	Three-Year Total	Three-Year Average
Business Corporation Tax					
Credit Amount	$0.75	$0.66	$0.81	**$2.22**	**$0.74**
Number of Recipients	37	33	33	**103**	**34.3**
Insurance Premiums Tax					
Credit Amount	$0.09	$0.18	$0.18	**$0.44**	**$0.15**
Number of Recipients	<10	<10	<10	**ND**	**ND**
Financial Institutions Tax					
Credit Amount	$3.92	$10.03	$5.06	**$19.01**	**$6.34**
Number of Recipients	<10	<10	<10	**ND**	**ND**
Total					
Credit Amount	**$4.76**	**$10.87**	**$6.05**	**$21.68**	**$7.23**
Number of Recipients	**ND**	**ND**	**ND**	**ND**	**38**

Source: Taxation

Note: ND - Not disclosed by Taxation due to taxpayer confidentiality.

2. Value of Tax Credit Granted by NAICS Code

ORA matched each recipient firm to its corresponding industry code according to the NAICS code to accurately simulate direct shocks to the Rhode Island economy with the REMI model. ORA identified a total of 22 NAICS industries of which, 14 are manufacturing industries and eight are non-manufacturing industries. However, some of the industries were represented by only one or two ITC recipients. In this context, Taxation cannot disclose ITC amounts received by NAICS industries as such disclosure may violate taxpayers' confidentiality. ORA determined the breakdown of the ITC amounts received in tax years 2019 through 2021 into manufacturing and non-manufacturing sectors.[13] The following table depicts the amount of the ITC received by firms in those two industry groups during tax years 2019 - 2021:

[13] It should be noted that, even though ORA was not able to report the ITC usage across the 22 NAICS industries, this breakdown was used to conduct the breakeven analysis for the ITC.

ITC Usage in Manufacturing and Non-Manufacturing Industries
(Tax Year 2019-2021)

	Average Count of Recipients	Percent of Total	Average Total Credit Amount	Percent of Total
Manufacturing Industries	25	67.3%	$385,926	5.3%
Non-Manufacturing Industries	13	32.7%	$6,839,372	94.7%
All Industries	**38**	**100.0%**	**7,225,298**	**100.0%**

Source: Taxation

The table indicates that, even though 67.3% of the ITC recipients were companies operating in the manufacturing industries, 94.7% of the ITC amount was used by companies in the non-manufacturing industries.

3. Cost of Administration

Using data provided by Taxation, ORA found that the total cost to administer the tax credit was $9,855 in tax years 2019-2021. The following table provides a description of the cost of administration in each tax year:

ITC Cost of Administration
(Tax Years 2019 – 2021)

Cost Incurring Entity	TY 2019	TY 2020	TY 2021	Total	Average
Taxation	$3,321	$3,429	$3,105	**$9,855**	**$3,285**

Source: Taxation

4. Taxes Paid by Investment Tax Credit Recipient Firms' Employees

Taxation provided ORA with data on taxes paid by employees of the ITC recipient firms for tax years 2019 through 2021. The following table describes the breakdown of this information by taxpayer's residency status.

Personal Income Taxes Paid by Recipient Firms' Employees

(Tax Years 2019 – 2021)

	TY 2019	TY 2020	TY 2021	Average
RI Residents				
Count of Taxpayers	20,084	21,398	20,933	**20,805**
Taxes Paid *	$39,127,807	$47,142,226	$51,334,985	**$45,868,339**
Avg Taxes Paid	$1,948	$2,203	$2,452	**$2,201**
Non-Residents				
Count of Taxpayers	6,079	6,518	6,689	**6,429**
Taxes Paid ^	$15,143,044	$17,857,781	$19,767,605	**$17,589,477**
Avg Taxes Paid	$2,491	$2,740	$2,955	**$2,729**
Total				
Count of Taxpayers	26,163	27,916	27,622	**27,234**
Taxes Paid	$54,270,851	$65,000,007	$71,102,590	**$63,457,816**
Avg Taxes Paid	$2,074	$2,328	$2,574	**$2,326**

Source: Taxation

Note:

***** Taxes paid for RI residents are calculated by dividing the federal AGI by wage data for the employees of the credit recipients and applying the calculated ratio to total tax and contributions minus the property tax credit, RI earned income tax credit, and lead paint tax credit.

^ Taxes paid for non-residents are calculated by dividing the federal AGI by wage data for the employees of the credit recipients and applying the calculated ratio to total tax and contributions minus the RI earned income tax credit.

For tax years 2019 through 2021, personal income taxes paid by Rhode Island resident employees represented 72% of average total personal income taxes paid by ITC recipient, while 28% of these taxes were paid by non-resident ITC recipient employees.

5. Direct Taxes Paid by Investment Tax Credit Recipient Firms

Taxation provided ORA with data on taxes paid by the ITC recipient firms in tax years 2019 - 2021. The following table describes the breakdown of this information by firms' location of domicile.

Taxes Paid by Location of Domicile

(Tax Years 2019 – 2021)

	TY 2019	TY 2020	TY 2021	Average
RI Firms [a]				
Percent of Taxpayers	58%	65%	69%	**64%**
Taxes Paid	$4,334,224	$13,609,104	$8,860,439	**$8,934,589**
Non-RI Firms [b]				
Percent of Taxpayers	42%	35%	31%	**36%**
Taxes Paid	$15,668,941	$12,705,620	$283,927	**$9,552,829**
Total				
Taxes Paid	$20,003,165	$26,314,724	$9,144,366	**$18,487,418**

Source: Taxation

Note: The ITC may only be claimed in relation to investments that are physically located in Rhode Island but may be claimed by firms for which their primary place of business or headquarters is located in another state. Domiciliary status was deduced by tax filing and/or primary mailing location and was used as a best available proxy for determining the extent to which tax credits were claimed by in-state vs. out-of-state firms.

[a] Category includes all Rhode Island-domiciled firms. This generally means that the firm's principal place of business is in Rhode Island.

[b] Category includes all non-Rhode Island domiciled firms. This typically means that the firm has a presence in Rhode Island but may have its primary place of business located in some other state. This category also includes firms for which ORA was unable to identify a location of domicile.

In addition, data in the table above was broken down into taxes paid by ITC recipients operating in manufacturing and non-manufacturing sectors as follows:

Taxes Paid by Recipient Firms in Manufacturing and Non-Manufacturing Industries

(Tax Years 2019-2021)

	TY 2019		TY 2020		TY 2021	
	% of Taxpayers	Taxes Paid	% of Taxpayers	Taxes Paid	% of Taxpayers	Taxes Paid
Manufacturing	75%	$420,473	65%	$610,364	61%	$331,753
Non-Manufacturing	25%	$19,582,692	35%	$25,704,360	39%	$8,812,613
Grand Total	**100%**	**$20,003,165**	**100%**	**$26,314,724**	**100%**	**$9,144,366**

Source: Taxation

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

R.I. Gen. Laws § 44-48.2-5(a)(8) requires that ORA report on the extent to which benefits associated with the investment tax credit remained in the state, if such information is available. In consideration of this requirement, ORA has presented tables on taxes paid by recipient firms by location of domicile and their employees by resident vs. non-resident status.

The amount of ITC earned by a firm is tied to its investment activity in Rhode Island, such as expenditures on buildings, durable equipment, and computer hardware. ORA has no data available to confirm the extent to which the qualifying investment purchases that generated the tax credit amounts resulted from purchases from Rhode Island vendors or out-of-state vendors. When investment spending is modeled in the breakeven cost-benefit analysis in this report, the REMI Tax-PI economic modeling software allocates investment spending by Rhode Island firms between in-state vs. out-of-state vendors according to standard assumptions which are calibrated based on historical data describing the regional and national economy.

7. Additional Data Analysis

Using tax credit data provided by Taxation, ORA identified firms receiving multiple incentive programs in addition to the investment tax credit in tax years 2019 through 2021. The following table describes the portion of ITC recipients that received additional Rhode Island tax incentives:

ITC Recipients that Received Additional Incentives

(Tax Years 2019-2021)

Tax Year	Count	ITC Amounts	Other Incentives
2019	12	$3,559,331	$15,082,251
2020	15	$10,094,146	$41,195,495
2021	16	$5,516,386	$24,325,604
Average	**14**	**$6,389,954**	**$26,867,783**

Source: Taxation

On average, 14 out of 38, or approximately 37%, ITC recipients claimed at least one additional tax incentive in an average year for tax years 2019 through 2021. The following table provides additional detail by identifying amounts and types of additional tax incentive usage.

Identifying Additional Tax Incentives Received by ITC Recipient Firms

(Average Tax Years 2019-2021)

Other Tax Incentives	Average Amount
Jobs Development Act Rate Reduction	$25,445,901
Rebuild RI Tax Credit	$945,927
Research & Development Expense Tax Credit	$475,955

Source: Taxation

Based on the data presented in the table above, ORA determined that for every $1.00 of ITC, there is an additional $3.72 in other tax incentives used by ITC recipients. Furthermore, the amount of investment tax credit received by these 14 taxpayers represents 88% of the total state tax incentives received by ITC recipient firms in tax years 2019 through 2021.

Part IV: Evaluation of the Economic Impact of the Investment 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 ITC on state revenues from projected future use and carryforward of unused amounts; and second, to produce a breakeven cost-benefit analysis that can determine the net impact on state revenues resulting from the ITC.

1. Assessment and Five-Year Projection of Revenue Impacts

ORA assumes that the issuance of the ITC under current law will follow historical issuance patterns. Therefore, ORA assumed a three-year moving average in the total amount of the tax credit that would be assigned in future calendar years. The following table provides the distribution of the anticipated amount of the ITC to be issued in each fiscal year.

ITC Revenue Projection

Tax Year	Projections
2019	$4,759,380
2020	$10,868,955
2021	$6,047,559
2022*	$7,225,298
2023*	$8,047,271
2024*	$7,106,709
2025*	$7,459,759
2026*	$7,537,913

Source: ORA calculations based on Taxation data.

Notes: Projections are constructed as a three-year moving average. The most recent three years of historical data included in moving average are tax years 2019 - 2021.

2. Breakeven Cost-Benefit Analysis of the Investment Tax Credit

- *Introduction to Breakeven Cost-Benefit Analysis Methodology*

Pursuant to R.I. Gen. Laws § 44-48.2-5(6), ORA conducted a breakeven cost-benefit analysis to measure the fiscal impacts on the state economy resulting from the ITC program under a variety of assumptions. To provide additional insight, ORA also produced breakeven analyses with respect to Rhode Island employment and Rhode Island gross domestic product (GDP).

To execute these cost-benefit analyses, ORA utilized Regional Economic Models, Incorporated's (REMI) 70-sector model of the Rhode Island economy via the REMI Tax-PI software platform to produce estimates of the total economic effects of the tax credits issued in tax years 2019 through

2021.[14] The dynamic capabilities of the REMI Tax-PI model allows one to estimate the impacts of exogenous shocks to the state's economy, including changes to public policy, shifts in consumer behavior and demand, and developments in industry. The REMI Tax-PI operationalizes these insights by augmenting REMI's base economic and demographic model, PI+, with a module that allows the user to enter a state's customized budget to run fiscal and economic forecasts. Specifically, for each budget item, one can choose an indicator, which is the economic or demographic driver of that budget item (e.g., personal income for personal income tax revenue, or age 5-18 population for K-12 education spending), and a policy variable, which is the economic or demographic change associated with a change to the structure of that budget item (e.g., a change in consumer prices for a change in the sales tax).

The analysis is based on self-reported firm-level data provided by Taxation and publicly available historical data on the regional and national economies. ORA assigned the three-year average ITC amount of $7,225,298 as the cost of the incentive. Direct benefits were inputted into the REMI model as policy variables simulating changes in capital costs, industry sales, and investment spending in the 22 NAICS industries. Taxation provided ORA with the ITC usage breakdown by 3-digit NAICS industries with the condition that this information is to be used for modeling purposes only.

The breakeven approach developed for this report allows a reader to assume that the ITC leveraged various levels of economic activity required of recipient firms to receive the tax credit. This assumption means that some varying portion of the economic activity required of ITC recipient firms to receive the tax credit would not have occurred in the absence of the tax credit. Under this assumption, firms made some portion of their long-term production decisions based on the availability of the ITC over time, and removal of the tax credit in a particular year would undo all such decisions.

- *Modeling Costs*

ORA assumes that the ITC is funded by an equivalent reduction in state government spending – that is, when the state government forgoes revenue by allowing an investment tax credit, there are fewer funds available for other spending priorities. ORA modeled these adjustments based on a comprehensive historical analysis of Rhode Island general fund expenditures for fiscal years 2019 through 2021. ORA compiled all state general fund expenditures and assumed that the level of these expenditures could be adjusted to maintain a balanced general fund budget. The breakdown of general fund expenditures by category is shown in the following table:

[14] Detailed documentation on the REMI Tax-PI v3.0.0 model employed in this analysis is available at: http://www.remi.com/resources/documentation.

Rhode Island General Fund Expenditures by NAICS

(Average FY 2019-2021)

Industry Description	NAICS Code	Percent of Total
Ambulatory Healthcare Services	621	36.6%
Educational Services	61	30.3%
State Wages	n/a (Entered as "state/local govt. compensation" and "employment")	24.3%
Local Government Spending	n/a (Entered as "state/local govt. spending"	3.5%
Social Assistance	624	2.0%
Administrative and Support Services	561	1.8%
Professional, Scientific, and Technical Services	54	1.8%
Repair and Maintenance	811	1.3%
Wholesale Trade	42	1.0%
Remaining Industries		2.3%
	Total:	**100.0%**

Source: ORA analysis of Rhode Island general fund expenditure data.

- *Modeling Benefits*

The cost-benefit methodology employed by this report assumes that the availability of the ITC impacted some portion of recipient firms' decisions to undertake major investments in Rhode Island. In this way, the methodology assumes that a portion of the economic activity generated by the ITC recipients would not have taken place but for the availability of the ITC. ORA modeled the portion of ITC amounts used by companies operating in non-manufacturing industries, $6,839,372 or 94.7%, as a reduction in capital cost, and the portion of ITC amounts used by those operating in manufacturing industries, $385,926 or 5.3%, as an increase in investment spending and industry sales.

Reduction in Capital Cost:

This approach assumes that the availability of the ITC resulted in a reduction in the cost of capital for ITC recipients operating in non-manufacturing industries. Consider a firm that qualifies for a 10% credit rate. The ITC essentially represents a 10% reduction in the marginal cost of capital investments in qualifying plant, property, and equipment. This 10% cost of capital reduction could be translated into a dollar amount reduction in the cost of capital. In this way, ORA entered the

three-year average ITC amount, used by credit recipients operating in non-manufacturing industries as a reduction in the capital cost policy variable in the REMI model.[15]

Cost of capital flows through the economy in a variety of ways. The principles of supply and demand imply that a reduction in the cost of capital will lead to an increase in the quantity of capital investment. This capital investment will have certain benefits including the jobs and sales necessary to furnish the capital. For example, the construction or renovation of a building creates construction jobs. The purchase of new equipment will result in increased sales for the retailers or wholesalers furnishing the equipment. The REMI model allows a reduction in cost of capital to be entered by industry. ORA distributed the cost of capital reduction across the nine non-manufacturing industries according to the three-year average usage.

Increase in Investment Spending & Industry Sales:

This approach assumes that the availability of the ITC resulted in an increase in investment spending and industry sales for ITC recipients operating in manufacturing industries. ORA modeled investment spending utilizing the non-residential investment spending policy variable in the REMI Tax-PI model.[16] Due to the lack of information, all credit recipients are assumed to have utilized the ITC at the 10% credit rate. Therefore, $1.00 of ITC leverages $10.00 of investment spending and in this case leverages $3,859,260 of investment spending.

To estimate the amount of industry sales associated with the investment spending undergone by manufacturing ITC recipients, ORA used data from the United States Economic Census for the Rhode Island manufacturing industry. This data suggests that approximately $29.50 of gross sales are associated with each dollar of investment spending. This yields total industry sales of $113,994,421 (i.e., $3,859,260 * $29.50). ORA then discounted the impact of the ITC on industry sales by 50% to account for the fact that a portion of a firm's gross sales originated from customers inside the state of Rhode Island and may have cannibalized sales that would otherwise have been made by other Rhode Island firms. ORA formulated this assumption based on R.I. Gen. Laws § 44-31-1(b)(3)(v)(B)(I) requiring that more than 50% of the gross revenue of certain recipients of the ITC is to be sourced from customers outside the state.[17] Therefore, the amount of industry sales modeled in this analysis is $56,997,210 (i.e., $113,994,421 * 50%). The REMI model allows a change in industry sales to be entered by industry. ORA distributed the industry sales increase across the 14 manufacturing industries according to the three-year average usage.

The following chart summarizes the U.S. Economic Census data utilized in constructing the ratio of investment spending (capital expenditures) to gross sales utilized in this report.

[15] REMI defines capital cost as "the industry capital cost in the region relative to the nation, and includes the effects of corporate and property taxes, investment tax credits, allowable tax depreciation, and cost of investment inputs."
[16] The non-residential investment spending" policy variable in the REMI model consists of purchases of nonresidential structures which also impact purchases of non-residential equipment and intellectual property products by private businesses and non-profit institutions.
[17] According to R.I. Gen. Laws § 44-31-1(b)(3)(v)(B), certain recipients are "[w]ith 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."

2021 Manufacturing Industries Key Economic Statistics and Average Company Calculations

Key Economic Statistic	Statewide	Average Company
Count of Companies*	1,511	1
Capital Expenditures	$453.9M	$300,423
Gross Sales [a]	$13.408B	$8,873,860
Value Added [b]	$7.109B	$4,705,190
Number of Employees	37,236	25
Total Compensation [c]	$2.493B	$1,649,994

Source: U.S. Census Bureau, "Annual Survey of Manufactures: Summary Statistics for Industry Groups and Industries in the U.S.: 2021." Source defines manufacturing as NAICS codes 31-33 (AM1831BASIC01).
*BLS, QCEW data, number of establishments in 2021
Notes:
[a] ORA assumes Census variable "total value of shipments and receipts for services" to be a proxy for gross sales.
[b] Gross domestic product is equal to the sum of value added across the economy; therefore, value added can be interpreted as a firm's contribution to GDP.
[c] ORA assumes that compensation is equal to the sum of Census variables "annual payroll," "employer's cost for health insurance," "employer's cost for defined benefit pension plans," "employer's cost for defined contribution plans," and "employer's cost for other fringe benefits."

ORA assumed that these data, which describe the Rhode Island manufacturing industry, are representative of ITC recipients operating in manufacturing industries. On one hand, these data suggest that if evaluators were to assume that the full economic footprint of ITC-recipient firms were attributable to the ITC credit, there would be substantial leverage associated with each dollar of ITC. A dollar of ITC would leverage $10.00 of investment spending and $295 in total sales. Under this assumption, it is plausible that the ITC would have a positive net impact on state general revenues, gross domestic product, and employment if a significant portion of recipient firms chose to locate in the state due to the availability of the ITC program.

On the other hand, the fact that capital expenditures are relatively insignificant compared to the gross sales of the firm suggest that it may not be plausible that a firm would consider locating in Rhode Island from a competitive out-of-state location merely because of the availability of the ITC. An average manufacturing firm undertakes approximately $300,423 in annual capital expenditures. Assuming the firm qualified to utilize the ITC at the 10% credit rate would allow this example firm to earn $30,042 in ITC in relation to its $300,423 in capital expenditures – though it would be limited by its tax liability from using this full amount in the first year and would have to carry forward a portion to use in a future year. This cost savings to the firm is equal to approximately 0.34% of gross sales. This incentive is relatively small compared to the magnitude of other business expenses such that it may not have a determinative impact on a firm's investment

or location decisions. For example, other business costs such as wages, local property taxes, and logistics costs are likely to vary by more than 0.34% of gross revenue between competitive out-of-state business locations.[18] To the extent that the ITC fails to provide sufficient incentive to influence a firm's location decisions, it merely represents a marginal cost savings to the firm. If one assumes that the ITC provides only a marginal incentive, it is unlikely that the ITC would break even with respect to state general revenues.

- *Important Limitations Regarding ORA Assumptions*

ORA cautions that due to data limitations and the lack of statutory purpose regarding the goals and intent of the ITC, the results of this cost-benefit analysis are particularly dependent on the assumptions made. ORA has provided as much supporting documentation and discussion as possible to make these assumptions transparent to the reader. Furthermore, ORA encountered other difficulties in constructing a set of assumptions to use in a breakeven analysis:

> ***There is no typical credit recipient.*** Conducting a breakeven analysis would require either having perfect, complete data on all credit recipients – which is not practical – or having enough data to construct a profile of a typical recipient or groups of recipients. While the enabling statute makes special reference to manufacturing firms, the credit is broadly available to a wide range of industries, provided that taxpayers in these industries meet the requirement that more than 50% of gross revenue results from sales outside the state. In fact, usage data indicate that a majority of credit usage is claimed by non-manufacturing firms. Furthermore, self-disclosed usage published in Taxation's *Tax Credit & Incentive Reports* suggest that a large portion of the annual ITC amount is delivered to just a few credit recipients. This fact means that generalizing based on averages would be inappropriate.
>
> ***The ITC is used extensively in combination with other tax incentives.*** On average each dollar of ITC is awarded in combination with $3.72 of other Rhode Island tax incentives. While it is plausible that firms may make production location decisions based on the availability of an entire menu of tax incentives, it is difficult to assess the impact of a single component of this package – especially when the ITC is one of the least significant incentives awarded to an average ITC recipient. Evaluating the ITC in isolation is potentially misleading and inappropriate. While evaluating it in combination with complementary tax incentives is a worthy goal, it extends beyond the scope of this current report. Furthermore, this task would require additional data access and resources beyond what is currently granted to ORA.
>
> ***ORA currently has limited access to data on firm characteristics.*** These data would be necessary for constructing a breakeven cost-benefit analysis that would consider the extent to which the credit influenced firms' investment or location decisions. For example, ORA does not have access to data to determine the breakdown between 4% credit rate and 10% credit rate recipients. ORA also does not have the access to examine the entire tax return of credit recipients. DLT maintains data necessary for confirming compliance with ITC

[18] For example, see the variation in average manufacturing wages presented above in the "Benchmarking" section of this report.

eligibility criteria, such as an application containing the firm's NAICS code and average wages per worker, but this data is not sufficient for economic analysis. DLT data does not indicate the final credit amount claimed by recipients (or whether the recipient utilized a credit at all; for example, it is possible that a firm applies for certification but ends up with no tax liability against which to apply the credit), nor does the DLT data indicate the total number of workers or other metrics that would indicate the economic footprint of the firm such as gross sales, etc.

With these assumptions and warnings in mind, ORA encourages readers to interpret the findings of the cost-benefit analysis with appropriate discretion.

- *The Breakeven Approach*

A fundamental challenge in evaluating economic development tax incentives is determining the extent to which a tax incentive stimulated or attracted new economic activity rather than subsidized economic activity that would have been largely present even in the absence of the tax incentive. On one hand, the availability of a tax incentive might have a decisive influence on a firm's production decision. In this case it might be appropriate for an evaluator to attribute the entirety of the firm's economic activity to the tax incentive. On the other hand, a tax incentive program may simply reward or subsidize behavior that would have occurred anyway. In this case the tax incentive would have an impact on a firm's marginal productivity, but it would be inappropriate to attribute the full economic activity of the firm solely to the availability of the tax incentive. Real world conditions often make it difficult if not impossible for an evaluator to assess where on this continuum the impact of any given tax incentive falls.

In the case of the ITC program, the determination of the extent to which economic activity would have taken place in the absence of the tax credit is further complicated by a lack of statutory clarity. For example, a common feature of an economic development tax incentive is a "but for" provision, whereby recipients attest that they would not have engaged in the underlying activity if the tax credit were not available, possibly with some amount of due diligence taking place to confirm this attestation during the application process. While it should be made clear that a "but for" provision does not represent sufficient evidence in and of itself that the activity related to the tax incentive is net new to the state, its presence at least signals the intent of lawmakers that the credit ought to be awarded to firms that might not otherwise have increased investment in the state. However, the ITC is available to all taxpayers meeting statutory requirements regardless of whether the taxpayer's business had considered competitive out-of-state alternative locations or would have been unable to undertake the investment without the credit. Given the availability of investment tax credits across states, it is possible that some portion of ITC related investment would not have occurred in Rhode Island but for the availability of the tax credit. However, it would overstate the economic benefits of the ITC program to assume that all ITC related investment would not have occurred in Rhode Island but for the availability of the tax credit. Furthermore, to assume that the ITC caused investment decisions would require that the ITC was sufficient to overcome the significant cost of relocating a capital-intensive business across state lines.

In this context, ORA conducted a breakeven analysis. This analysis allows for the evaluation of a tax incentive program's performance under a wide range of assumptions regarding the level of economic activity that would have taken place if the tax credit had not been available. Furthermore, the breakeven analysis specifies the portion of economic activity associated with the tax incentive recipient that one must assume to have been attributable to the tax incentive for the total benefits to equal its total costs, where benefits and costs are measured as the impact on state general revenues (i.e., the condition that must be satisfied for the tax incentive to "pay for itself").

The breakeven percentage should be interpreted as follows: if the reader believes the assumption to be plausible, that at least the amount of economic activity implied by the breakeven percentage can be attributed to the availability of the tax incentive, then one can infer that the tax incentive has a net positive impact on state general revenues. In the opposite case, if the reader believes that the amount of economic activity attributable to the tax incentive was less than the level implied by the breakeven percentage, then one can infer that the tax incentive had a net negative impact on state general revenues. Holding other factors equal, a lower breakeven percentage is more desirable than a higher breakeven percentage if an objective of a tax incentive is to cost the state as little revenue as possible.

A tax incentive fails to breakeven, under any counterfactual assumption, when the breakeven percentage is greater than 100%. This implies that even if 100% of the economic activity associated with the tax incentive recipient was assumed to have taken place strictly because of the tax incentive's availability, a net negative impact on state general revenues would have resulted. Because breakeven percentages above 100% do not have a meaningful interpretation, under this outcome ORA simply publishes that the tax incentive fails to breakeven.

The breakeven cost-benefit analysis models 100% of ITC costs as a $7,225,298 reduction in state government spending, where this amount is equal to the average ITC usage for tax years 2019 through 2021 for both manufacturing and non-manufacturing recipients. Benefits are modeled as a $6,839,372 decrease in capital costs and a $3,859,260 increase in non-residential investment spending, as well as an increase in industry sales of $56,997,210. Capital costs and industry sales amounts are distributed across the NAICS industries of the ITC recipients as provided by Taxation, in proportion with the three-year average ITC amount used by recipient firms allocated to each industry. The investment tax credit amounts are scaled according to the assumed percentages listed in each results chart, but the costs are always held fixed at 100%.

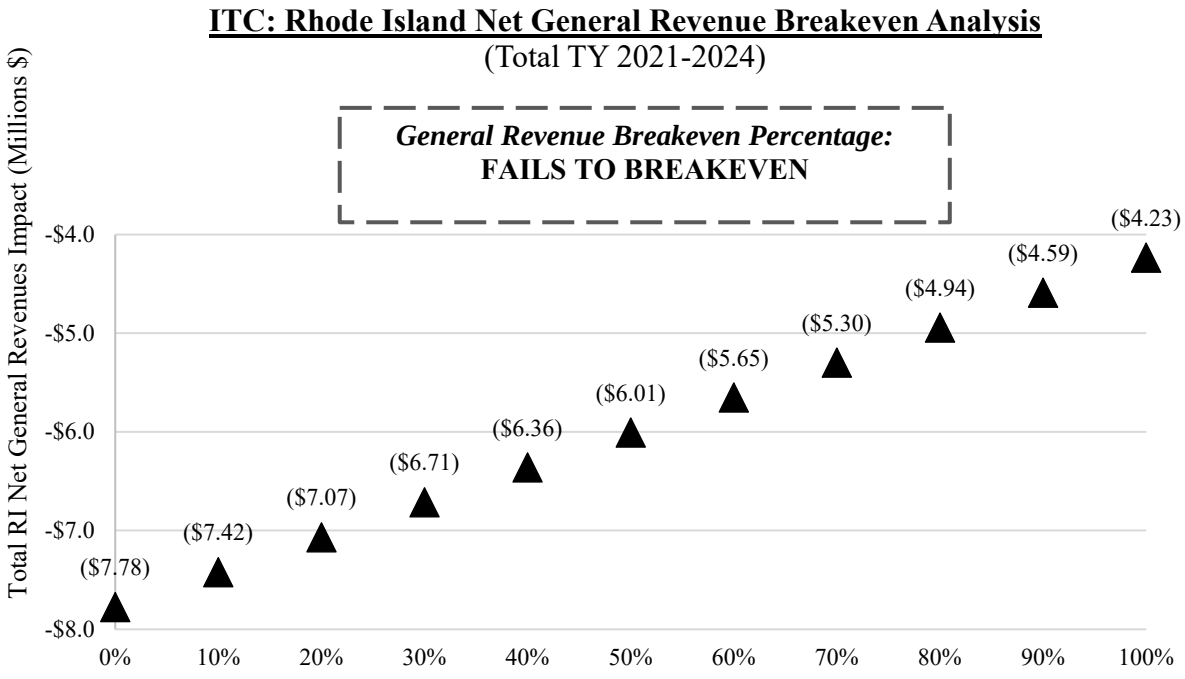
Benefits were summed over four years to ensure that the analysis included the full extent of the lingering benefits of the investment spending response. ORA selected a four-year period of analysis, 2021 through 2024, because R.I. Gen. Laws § 44-31-1(b)(1) specifies that ITC-qualified investments shall have a useful life of at least four years. Investment spending has the most dramatic impact in the year in which investment takes place, resulting from the construction industry activity related to construction of structures and any sales to manufacturers, wholesalers, retailers, and trades for the purchase and installation of durable equipment. Investment spending has a continuing impact for as long as the property and durable equipment related to the investment remains in service. Furthermore, after conducting sensitivity tests on this assumption, ORA

determined that the overwhelming majority of economic benefits related to investment spending in the REMI model took place within the first four years.

It should be noted that the estimated results below cannot solely be attributed to the availability of the ITC. The value of the ITC represents 21.2% (i.e., $7,225,298 / ($7,225,298 + $26,867,783)) of the total state tax incentives received by firms that utilize the ITC. A firm's investment decisions, which are captured as a benefit in this analysis, are determined by the entire suite of tax incentives received (among other factors).

- *The Breakeven Analysis for State General Revenues*

The following chart provides results of the breakeven analysis with respect to Rhode Island general revenues.



Notes: Label accompanying each ▲ marker refers to net general revenue impact resulting from a cost-benefit analysis assuming the associated percentage of benefits that are attributable to the tax incentive. Net general revenue impact is equal to the revenue impact resulting from the direct, indirect, and induced effects of the ITC program in addition to the dircet cost in foregone revenue to the State.

Source: ORA calculations utilizing REMI Tax-PI

The chart above shows the estimated new general revenue that results for different scenarios regarding how much economic activity was caused by the ITC. These results indicate that, under

a best-case scenario, ORA estimated a net revenue loss of $4.23 million. Under the worst-case scenario, the estimated net revenue impact is a loss of $7.78 million. These revenue estimates reflect an assumption that Rhode Island forgoes revenues and state government spending to provide the tax credit to eligible companies.

The breakeven point is where revenue losses from foregone state government spending are offset by revenue gains due to the tax credit Therefore, it can be said that the ITC fails to breakeven in terms of general revenues. The following table shows the detailed general revenue impact under the best-case assumption that 100% of the economic activity associated with the ITC was caused by the tax incentive:

ITC Detailed Net Revenue Impacts

(RI General Revenue Impact, Total TY 2021-2024)

Item Description	Amount
Forgone Revenue Due to Credit	**$(7,225,298)**
Total General Revenue Generated by Credit	**$2,991,208**
General Revenue Generated by Credit by Component	
Personal Income Tax	$676,710
General Business Taxes	$322,944
Sales and Use Taxes	$1,604,926
Other Taxes	$30,512
Total Departmental Receipts	$189,389
Other Sources	$166,728
Net Change in General Revenue, After Paying for Credit	**$(4,234,090)**
New Revenues Generated for Every Dollar of Credit	**$0.41**

Source: ORA calculations based on historical Rhode Island revenue amounts and REMI Tax-PI model simulations.

Note: Revenue impacts under the "best case" scenario that assumes 100% of economic activity associated with the ITC program is attributable to the availability of the ITC incentive.

The table above provides the REMI Tax-PI model of the Rhode Island economy simulation results after removing the $7.2 million cost of the ITC from state government spending to account for the forgone revenue that the state incurs due to the issuance of the ITC and simultaneously adding the investment spending and industry sales amounts (the metrics used to account for economic activity) gained by the state economy due to the availability of the ITC.

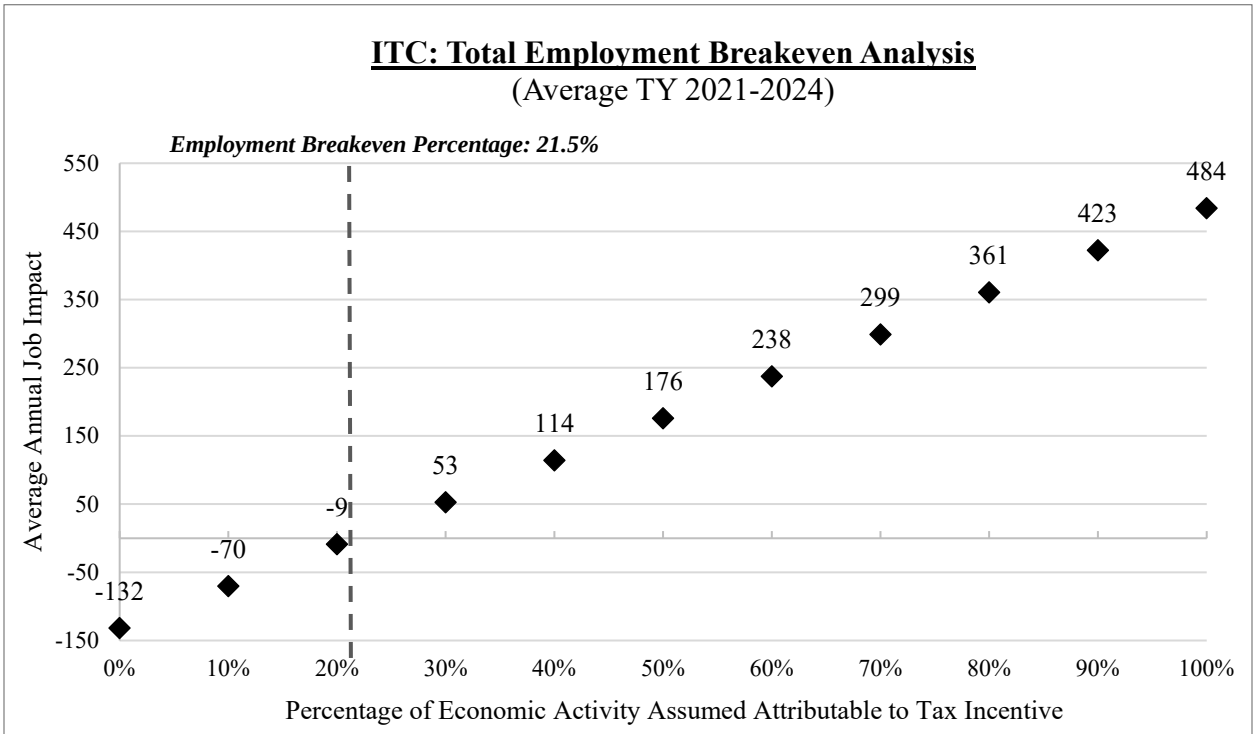
These results indicate that, if 100% of the economic activity associated with the ITC was caused by the tax credit, then the ITC generated a total $2,991,208 of net state general revenues over tax years 2021 through 2024. The generated total general revenue of $2,991,208 does not account for the cost of the tax credit itself. To take into consideration the cost of the tax credit, ORA subtracted the $7,225,298 cost of the ITC from the $2,991,208 generated revenue. This is equal to a net loss of $4,234,090 in net general revenue. Expressed another way, for every dollar of ITC claimed by recipient firms the state generates $0.41 of new revenue under this scenario.

This payback ratio shows that new revenues generated from the ITC related investment activity exceed the total costs of the ITC and add a new net positive revenue amount to the state under the assumption that all the investment spending and industry sales associated with the ITC recipient firms would not exist in Rhode Island if not for the availability of the tax credit. Additional detailed revenue results from different percentage of assumed benefits attributable to the ITC are provided in Appendix C.

- *The Breakeven Analysis for Rhode Island Total Employment*

The breakeven framework can also be extended to Rhode Island total employment. In this context, the breakeven percentage can be interpreted as the percentage of economic activity associated with ITC-recipient firms assumed to be attributable to the availability of the ITC necessary for the increase in employment. This increase resulting from new economic activity is necessary to outweigh the employment loss resulting in the reduction in government spending necessary to fund the credit.

The following chart shows the results of a breakeven analysis with respect to employment.



Notes: Label accompanying each ◆ marker refers to net job impact resulting from a cost-benefit analysis assuming the associated percentage of benefits that are attributable to the tax incentive. Employment is equal to the employment impact resulting from the direct, indirect, and induced effects of the ITC program in addition to the direct employment loss by the State.

ORA tested a variety of assumptions regarding the level of economic activity taking place in Rhode Island due to the ITC. The chart above shows the estimated new employment results for different

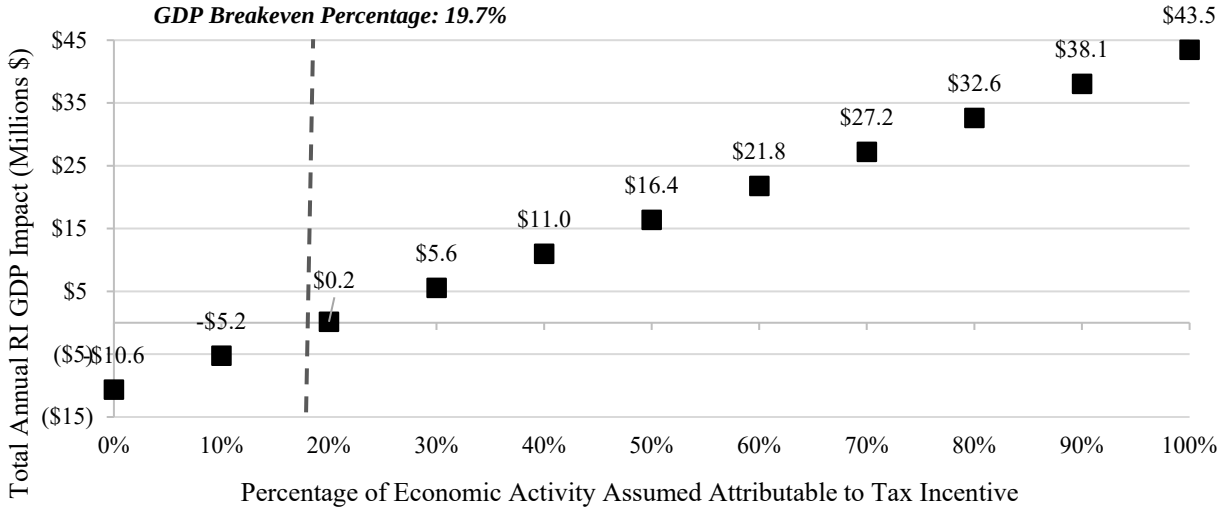
scenarios on how much economic activity was caused by the ITC. These results indicate that, under a best-case scenario, ORA estimated a net gain of 484 economy-wide jobs. Under the worst-case scenario, the estimated net loss is 132 jobs across the state economy. These job estimates reflect an assumption that Rhode Island forgoes state government spending and employment to provide the tax credit to eligible companies.

The breakeven point, where job losses from forgone state government spending are offset by job gains due to the tax incentive, is when approximately 21.5% of economic activity generated by firms utilizing the ITC is caused by the tax credit. In other words, the employment breakeven percentage of approximately 21.5% implies that the ITC has a net positive impact on Rhode Island total employment if at least 21.5% of the economic activity associated with the ITC recipient firms would not have occurred but for the availability of the tax credit.

- *The Breakeven Analysis for Rhode Island Gross Domestic Product*

The breakeven framework can also be extended to Rhode Island GDP. In this context, the breakeven percentage can be interpreted as the percentage of economic activity associated with ITC-recipient firms assumed to be attributable to the availability of the ITC necessary for the increase in GDP. This increase resulting from new economic activity is necessary to outweigh the GDP loss resulting in the reduction in government spending necessary to fund the credit.

The following chart shows the results of a breakeven analysis with respect to Rhode Island GDP.



Notes: Label accompanying each ■ marker refers to net RI GDP impact resulting from a cost-benefit analysis assuming the associated percentage of benefits that are attributable to the tax incentive. RI GDP is equal to the GDP impact resulting from the direct, indirect, and induced effects of the ITC program in addition to the direct GDP loss to the State

Source: ORA calculations utilizing REMI Tax-PI

The chart above shows the estimated Rhode Island GDP results for different scenarios regarding how much economic activity was caused by the benefits associated with the ITC. These results indicate that, under a best-case scenario, ORA estimated a net gain of $43.5 million of GDP in the state. Under the worst-case scenario, the estimated net loss is $10.6 million of GDP across the state economy. These GDP estimates reflect an assumption that Rhode Island forgoes state government spending to provide the tax credit to eligible companies.

The breakeven point, where GDP losses from forgone state government spending are offset by GDP gains due to the economic activity generated by the investment spending associated with the ITC, is when approximately 19.7% of economic activity generated by firms receiving ITC benefits is caused by the tax credit. In other words, The Rhode Island GDP breakeven percentage of approximately 19.7% implies that the ITC has a net positive impact on Rhode Island GDP as long as at least 19.7% of the economic activity associated with the ITC recipient companies would not have occurred but for the availability of the tax incentive.

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:

The Rhode Island Commerce Corporation (Commerce) is dedicated to stimulating investment in Rhode Island and promoting sustained business growth. The ITC is one tool among many used to achieve our objectives alongside broad tax credits, improvements to the overall business environment, and strategic investments in infrastructure, job creation, and more. Although the ORA report indicates the ITC did not directly break even regarding state revenues, it notably contributed to the creation of nearly 500 jobs and a $43.5 million boost to the state's annual GDP.

ORA has highlighted the potential of refining the ITC's focus on manufacturing firms. Commerce supports increasing the ITC's benefits for manufacturers, in coordination with other investment approaches, to bolster the industry's competitive edge. As we witness the sector's commendable recovery from the COVID-19 setback, it's imperative we extend our support to manufacturers of every scale, ensuring a resilient manufacturing base in our state.

Recognizing the positive impact of similar programs in states like Massachusetts and Connecticut, Commerce values the ITC but also agrees with ORA's proposal of a sunset provision which will align the ITC more closely with the taxpayer safeguards present in Commerce's newer business incentive programs.

2. Discussion of Data Concerns

While it is acceptable from a standpoint of confidentiality to present taxpayer data in aggregated form, and ORA has made every effort to do so throughout this report, there are practical limitations to this approach. When dealing with a small state such as Rhode Island, a small number of taxpayers claiming narrowly focused tax incentives often makes it impossible to aggregate data into sufficiently large units of analysis of sufficient size to satisfy the minimum number of taxpayers threshold put forth by Taxation.

The ITC has been claimed by an average of 38 taxpayers, which is a large enough population such that statistical aggregation techniques could be utilized to obscure potential, albeit unlikely, taxpayer identification. However, the firms that utilize the ITC are from a diverse range of industries. In addition, claimants of the ITC consist of both large and small businesses that claim a wide variety of credit amounts, utilize the credit at either a 4% or 10% credit rate, and qualify for the credit via one of seven potential eligibility pathways. It is not possible to make meaningful generalizations regarding an average credit recipient without dividing taxpayers into sub-groups and categories. ORA determined that the most precise categorization possible in this report was to

describe credit recipients in two groups: manufacturing industries and non-manufacturing industries.

3. ORA Recommendations

Finding #1: A best practice of tax incentive design is the inclusion of a sunset provision. The Investment Tax Credit does not contain a sunset provision.

Related Recommendations:

- Add a sunset provision. This will allow reconsideration of the program, preferably within the next five years.

Discussion Supporting Finding #1:

An important feature of a sunset provision is that it gives legislators a regular opportunity to reconsider the continued relevance of a tax incentive program and to revise the tax incentive's features as needed. For example, the 2015 Rhode Island corporate tax reform had a major impact on the state's business corporation tax landscape, which may have had an impact on the effectiveness and necessity of tax incentive programs such as the ITC, but no legislative changes have been made to the ITC in response to this change. A sunset provision would help to ensure that such reconsiderations and revisions occurred at regular intervals.

Finding #2: The vast majority of ITC is awarded to non-manufacturing firms.

Related Recommendations:

- Better target the incentive to manufacturing firms, potentially by limiting eligible industries.

Discussion Supporting Finding #2:

ORA found that while around two-thirds of companies claiming ITC were in manufacturing industries, just under 95% of the amount of ITC was received by companies in non-manufacturing industries. This is likely because the 10% credit is available to companies not only in manufacturing and wholesale trade, but also finance, insurance, real estate and selected services industries.

As discussed in the report, ORA modeled the economic benefits for this non-manufacturing firms through a reduction in capital costs – basically a marginal reduction in the cost of doing business. This assumes that these firms require less upfront capital investment and therefore the ITC would unlikely stimulate new investment directly. However, for manufacturing firms ORA assumed that, given their investment needs, the ITC would incentivize new investment and thus generate new sales. As a sensitivity analysis, ORA looked at a breakeven analysis as if all ITC recipients were manufacturing firms. ORA found that the program breaks even on a general revenue basis if it is assumed that approximately 14.9% of activity is generated by the credit.

This analysis suggests a more targeted incentive would yield a greater benefit to the state. ORA recommends exploring ways to limit the recipients to manufacturing firms or activity, such as (a) by limiting the type of qualifying spending or (b) limiting the eligible industries.

Finding #3: The statutory goals of the Investment Tax Credit and related Biotechnology Investment Tax Credit and Specialized Investment Tax Credit are ***NOT*** defined in R. I. Gen. Laws § 44-31-1, § 44-31-1.1, or § 44-31-2. Therefore, it is not possible to measure performance against statutory objectives.

Related Recommendations:

- Policymakers should determine the goals and objective of the investment tax credit to provide guidance to evaluators in assessing the effectiveness of the tax credit.

Discussion Supporting Finding #3:

R.I. Gen. Laws § 44-48.2-5(a)(10) requires ORA to offer recommendations "as to 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." Discussion related to the goals and purposes of the ITC are as follows:

The success of a tax incentive program is usually related to the extent to which its goals and objectives were achieved. In this context, the lack of statutory goals makes it very difficult to evaluate the ITC given that the outcomes the tax credit is trying to incentivize are not defined under the program's governing statute. The statute provides no clarification with respect to the extent to which the ITC is intended to provide a marginal cost savings to local firms making capital investments vs. attract capital investment from competitive out-of-state locations. While this difference is subtle, making this determination would help to inform cost-effective tax credit design and evaluation.

Finding #4: While adequate from a standpoint of confirming taxpayer compliance with eligibility requirements, current reporting requirements are inadequate for economic analysis.

Related Recommendations:

- Consider legislative change to enhance data reporting and revise disclosure rules for ITC recipients to be the same as those required by recipients of credits covered in Taxation's annual *Tax Credit & Incentive Report*.
- There is currently minimal administrative burden imposed on ITC recipients. Policymakers should consider the tradeoffs between efficiency and transparency when deciding the extent to which to enhance data reporting and disclosure requirements.
- To produce more rigorous analysis than what is contained in this report would require analysis of individual tax returns, which may require enhanced capacity as well as additional statutory authority for the Office of Revenue Analysis.

Discussion Supporting Finding #4:

R.I. Gen. Laws § 44-48.2-5(a)(9) requires ORA's analysis to offer recommendations "[i]n 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." Discussion related to this topic is as follows:

There is an inherent tradeoff between administrative efficiency and transparency involved in offering broadly available tax credits such as the ITC at the 4% credit rate. For many taxpayers, the investment tax credit is offered as an "entitlement" – claiming the credit requires no pre-approval or certification other than filling out Rhode Island Form 3468 when filing their tax return.[19]

This method of administering the tax credit imposes a minimal burden on the taxpayer and tax administrators. However, the only data available for evaluating the effectiveness of the tax credit is an analysis of data contained in specific tax returns – information which is not made available to ORA due to confidentiality statutes that apply to tax returns filed by taxpayers. It is possible that useful information could be gleaned from the tax returns of ITC recipients if ORA had access individual tax returns. While the Economic Development Tax Incentives Evaluation Act of 2013 requires that tax incentive programs be subject to cost-benefit analysis and that certain characteristics of tax incentive recipients be published, the statute is deemed to be insufficient by Taxation to allow for the publication of such information.

[19] Taxpayers claiming the ITC at the 4% credit rate face no additional reporting requirements other than filing a tax return with Rhode Island Form 3468. This form documents the investments that generated the tax credit but provides no information regarding the economic characteristics of the firm claiming the credit. Taxpayers claiming the ITC at the 10% credit rate are required to apply for certification with DLT. This process requires firms to attest to average/median wage levels or workforce training expenditures necessary to satisfy credit eligibility criteria but does not provide any additional information regarding economic characteristics of the firm.

One option for policymakers to consider is to require public reporting of key metrics from all ITC recipients. ITC recipients would claim the credit with the understanding that certain information about the taxpayer will be publicly disclosed in an anonymized manner. At a minimum, public disclosure should require that the number of utilizers of the tax credit and the amount of tax credit claimed be publicly reported. Optionally, tax credit recipients could be required to file an annual report with Taxation that contains key data for economic analysis including total employment, payroll, and gross sales in order to claim the tax credit. Taxation's annual *Tax Credit & Incentive Report* provides an existing model for this type of disclosure, but it does not currently include the ITC or a number of other economic development tax incentives. This reporting requirement would augment the credit pre-certification process currently administered by DLT's Labor Market Information (LMI) Division and the Governor's Workforce Board (GWB).

An alternative, less intensive recommendation is to enhance data collected as part of the credit certification process currently administered by LMI and GWB. Currently, the certification forms present only the minimum required information necessary for applicants to demonstrate compliance with eligibility criteria.[20] For example, the current certification form administered by LMI requests only basic identifying information on the applicant, median or average wage paid to the relevant group of the firm's employees, and a declaration by a representative of the taxpayer attesting under penalty of perjury that the wage information provided is true. Applicants are instructed to retain supporting documentation as they may be subject to verification by Taxation, but no additional documentation are requested from applicants at the time of certification. Requesting additional fields as part of the certification application could make the data collected by the form more useful for economic analysis. Useful fields include the firm's total Rhode Island payroll, a description of the assets or property placed into service due to the firm's qualifying investment, total employee count, the firm's total sales, and the portion of total sales that originate from in-state vs. out-of-state customers.

ORA recommends further investigation as to whether these changes would require legislative change or if they can be accomplished under current law by LMI.

Finding #5: The Specialized Investment Tax Credit defined under R.I. Gen. Laws § 44-31-2 has been effectively repealed:

- ORA was unable to identify any usage of the credit for the period of this report.
- Following the repeal of R.I. Gen. Laws Chapter 42-64.7, ORA has been unable to identify a legal pathway by which any new credit usage could be authorized.

Related Recommendations:

- Formally repeal the Specialized Investment Tax Credit.

[20] Further information regarding the administration of the ITC at the 10% credit rate by the Department of Labor and Training is available at: http://www.dlt.ri.gov/lmi/business/invtax.htm. Copies of the certification forms completed by ten percent credit recipients can be found in Appendix D and Appendix E at the end of this report.

4. ORA Conclusions and Overall Recommendations

R.I. Gen. Laws § 44-48.2-5(a) (11) requires ORA to make a recommendation "as to whether the tax incentive should be continued, modified, or terminated." These recommendations will help legislators make better-informed decisions. Given that this is the first report[21] to show that the ITC program does not break even on a general revenue basis, ORA recommends the program be continued but modified in line with the preceding recommendations. If the next report in three years shows a similar result, ORA will likely recommend that the program be terminated. Adding a sunset provision to this program will allow the ITC program to be reconsidered after another ORA evaluation is completed.

[21] The tax years 2018-2021 report showed a very high breakeven percentage of 98%, suggesting the program barely broke even for those years.

Appendices

Appendix A: Rhode Island Form 3468

State of Rhode Island and Providence Plantations
Form RI-3468
Investment Tax Credit

15131399990101

Name	Federal employer identification number	For the year ending:

U.S. BUSINESS CODE NUMBER

☐ Check if company is a high performance manufacturer

Schedule A: 10% Investment Tax Credit Calculation - Attach DLT 10% ITC Certification Letter

Description of Property	Date Placed in Service	Date Acquired	Life	Cost	% Qualifying	Basis for Credit
(a)						
(b)						
(c)						
(d)						
(e)						
(f)						
(g)	Total Basis Eligible for 10% Investment Tax Credit. Add all amounts from Basis for Credit column .					
(h)	Credit Amount for 10% Investment Tax Credit. Multiply Total Basis from line g by 10% (0.1000) . . . (You must attach current year 10% ITC Certification Letter from the Department of Labor and Training) . . .					
(i)	Unused 10% Investment Tax Credit from Prior Year(s). . . Attach schedule showing Year Generated, Amount Generated, Amount(s) Used and Year(s) Used . . .					
(j)	Total 10% Investment Tax Credit Available. Add lines h and i . . .					

Schedule B: 4% Investment Tax Credit Calculation

Description of Property	Date Placed in Service	Date Acquired	Life	Cost	% Qualifying	Basis for Credit
(k)						
(l)						
(m)						
(n)						
(o)						
(p)						
(q)	Total Basis Eligible for 4% Investment Tax Credit. Add all amounts from Basis for Credit column lines k - p. . .					
(r)	Credit Amount for 4% Investment Tax Credit. Multiply Total Basis from line q by 4% (0.0400) . . .					
(s)	Unused 4% Investment Tax Credit from Prior Year(s) . . . Attach schedule showing Year Generated, Amount Generated, Amount(s) Used and Year(s) Used . . .					
(t)	Total 4% Investment Tax Credit Available. Add lines r and s . . .					

R.I. Gen. Laws § 44-31

State of Rhode Island and Providence Plantations

Form RI-3468

Investment Tax Credit

15131399990102

Name	Federal employer identification number	For the year ending:

ITC Calculation - Note: This worksheet does not take into account other Rhode Island Credits. Refer to each credit law for proper usage order of credits.		
1.	Enter Tax Amount from Form RI-1120C, line 11	
2.	Enter Minimum Tax Amount (RI-1120C - enter $450.00)	
3.	**Maximum ITC Amount.** Subtract line 2 from line 1	
4.	Enter 4% credit amount from Schedule B, line t	
5.	**4% ITC Credit Used.** If line 4 is less than or equal to line 3, enter the amount from line 4 here. If line 4 is more than line 3, enter the amount from line 3 here	
6.	**Tax Balance after 4% ITC credit usage.** Subtract line 5 from line 3	
7.	Multiply line 6 times 50% (0.5000) and enter here. 10% ITC is limited to half the tax amount. However, if the entity is a high performance manufacturer, enter amount from line 6. The half tax limitation does not apply to high performance manufacturers	
8.	**10% ITC Credit Used.** Enter the lesser of line 7 or the 10% ITC amount from Schedule A, line j	
9.	**2016 ITC Credit.** Add lines 5 and 8. Enter here and on Schedule B-CR, line 8	
10.	**4% ITC carryforward amount.** Subtract line 5 from Schedule B, line t	
11.	**10% ITC carryforward amount.** Subtract line 8 from Schedule A, line j	

State of Rhode Island and Providence Plantations

Form RI-3468

Investment Tax Credit

Investment Tax Credit
R.I. Gen. Laws § 44-31

INSTRUCTIONS

1. For taxable years beginning on or after July 1, 1974, Section 31 of Chapter 44 of the Rhode Island General Law allows an investment tax credit of two percent (2%) of the cost or other basis used for federal income tax purposes on certain property. Provided, however, the amount of the credit shall be four percent (4%) of the cost or other basis for federal income tax purposes of tangible personal property and other tangible property, including buildings and other structural components of buildings that are acquired, constructed, reconstructed or erected after December 31, 1993. For taxable years ending on or after 1/1/1998, the credit is (10%) for certain tangible personal property and other tangible property, excluding buildings and structural components of buildings, motor vehicles and furniture, which are acquired after 1/1/1998. To qualify for such credit the items must (a) be depreciable pursuant to Sec. 179 (d) thereof, (b) have a useful life of 4 years or more, (c) have a situs in this state, and (d) be principally used by the taxpayer in the production of goods by manufacturing, processing or assembling.

2. The items listed in this schedule should be in such form as will present an accurate statement. Complete details substantiating the amounts shown must be made available on request.

3. At the election of the taxpayer, an investment tax credit may be allowed on otherwise qualifying property in lieu of elective deductions on facilities qualifying as: (a) Air and water pollution control facilities and (b) Research and Development facilities.

4. If the property is disposed of or ceases to be in qualified use during the INITIAL taxable year, the credit allowed is 2%, 4% or 10% of the cost or other basis of the property multiplied by a fraction the numerator of which is the months of qualified use during the year of purchase and the denominator of which is the total months of useful life (submit rider for such items).

5. Credit may not be claimed on property leased to or from others, unless such lease is treated for federal income purposes as an installment purchase rather than a lease.

6. The total credit may not reduce the tax for any year to less than $500.00 starting with years beginning 1/1/2004 and thereafter. For tax years 1/1/2004 through 12/31/2014, the total credit may not reduce the tax for any year to less than $500.00. Effective with tax year beginning 1/1/2015, the total credit may not reduce the tax to less than $450.00. Unused investment tax credit amounts may be carried forward for seven years.

7. If property is disposed of or ceases to be in qualified use other than the initial taxable year, the difference between the credit taken and the credit allowed for actual use must be added back in the year of disposition on the appropriate line of tax on Form RI-1120C and not on Form RI-3468. A taxpayer may not reduce the amount of tax liability created by a recapture of investment tax credit by investment tax credits allowed for the year in which the asset is disposed of, nor can it be reduced by any carryover of investment tax credit to that year. The recapture is the tax credit taken on property ceasing to qualify multiplied by a fraction the numerator of which is the useful life of property in months less the qualified use in months and the denominator is the useful life of the property in months.

   For example, qualified property is purchased by a calendar year taxpayer on 1/1/1975 for $100,000.00 and has a useful life of 10 years (120 months) for federal depreciation purposes. The credit taken for 1975 is 2% of $100,000.00 or $2,000.00. If it is disposed of or traded in on 12/31/1980 after being used for 6 years (72 months), $800.00 of the credit originally taken must be added back for 1980, since the asset was disposed of while it still had 4 years (48 months) of useful life remaining at 40%.

$$\$2{,}000.00 \times \frac{120-72}{120} = \$800.00$$

   (Submit rider for such items)
   A recapture of a portion of the investment tax credit is required where property on which a credit has been allowed is disposed of or ceased to be in qualified use except: (a) where property was in qualified use for its entire useful life, or (b) where property was in qualified use for more than twelve consecutive years.

10% Investment Tax Credit - If you qualify for the 10% investment tax credit, you must submit a copy of your 10% ITC Certification from the Department of Labor and Training.

Credit Carryover Schedule - If you have unused credit from prior years, you must attach a schedule detailing the type of investment tax credit (4% or 10%), the amount of credit generated, the year the credit was generated, the amount of credit used, and the year the credit was used.

Appendix B: SIC Codes to NAICS Codes

SIC Code and Description	NAICS Code and Description
Division D: Manufacturing	
20: Food and Kindred Products	311: Food Manufacturing
21: Tobacco Products	3122: Tobacco Manufacturing
22: Textile Mill Products	313: Textile Mills Manufacturing
23: Apparel and Other Finished Products Made from Fabrics	315: Apparel Manufacturing
24: Lumber and Wood Products, Except Furniture	1133: Logging; 321: Wood Product Manufacturing
25: Furniture and Fixtures	337: Furniture and Related Product Manufacturing
26: Paper and Allied Products	322: Paper Manufacturing
27: Printing, Publishing, and Allied Industries	323: Printing and Related Support Activities; 511: Publishing Industries (except Internet)
28: Chemicals and Allied Products	325: Chemical Manufacturing
29: Petroleum Refining and Related Industries	324: Petroleum and Coal Products Manufacturing
30: Rubber and Miscellaneous Plastics Products	326: Plastics and Rubber Products Manufacturing
31: Leather and Leather Products	316: Leather and Allied Product Manufacturing
32: Stone, Clay, Glass, and Concrete Products	327: Nonmetallic Mineral Product Manufacturing
33: Primary Metal Industries	331: Primary Metal Manufacturing
34: Fabricated Metal Products, Except Machinery and Transportation	332: Fabricated Metal Products Manufacturing
35: Industrial and Commercial Machinery and Computer Equipment	333: Machinery Manufacturing; 334: Computer and Electronic Product Manufacturing; 336: Transportation and Equipment Manufacturing
36: Electronic and Other Electrical Equipment and Components, Except Computer Equipment	334: Computer and Electronic Product Manufacturing; 335: Electrical Equipment, Appliance and Component Manufacturing; 336: Transportation and Equipment Manufacturing
37: Transportation Equipment	336: Transportation and Equipment Manufacturing
38: Measuring, Analyzing, And Controlling Instruments; Photographic, Medical and Optical Goods; Watches and Clocks	334: Computer and Electronic Product Manufacturing; 3391: Medical Equipment and Supplies Manufacturing
39: Miscellaneous Manufacturing Industries	3399: Other Miscellaneous Manufacturing
Division F: Wholesale Trade	
50: Wholesale Trade-Durable Goods	423: Merchant Wholesalers, Durable Goods
51: Wholesale Trade-Non-Durable Goods	424: Merchant Wholesalers, Nondurable Goods

SIC Code and Description	NAICS Code and Description
Division H: Finance, Insurance, and Real Estate	
60: Depository Institutions	521: Monetary Authorities-Central Bank; 522: Credit Intermediation and Related Activities; 523991: Trust, Fiduciary, and Custody Activities
61: Non-Depository Credit Institutions	5222: Non-depository Credit Intermediation; 5223: Activities Related to Credit Intermediation
62: Security and Commodity Brokers, Dealers, Exchanges, and Services	523: Securities, Commodity Contracts, and Other Financial Investments and Related Activities
63: Insurance Carriers	5241: Insurance Carriers; 525 (except 5259): Funds, Trusts, and Other Financial Vehicles
64: Insurance Agents, Brokers, And Service	5242: Agencies, Brokerages, and Other Insurance Related Activities
65: Real Estate	2372: Land Subdivision; 531: Real Estate; 541191: Title Abstract and Settlement Offices; 81222: Cemeteries and Crematories
67: Holding and Other Investment Offices	551111: Offices of Bank Holding Companies; 551112: Offices of Other Holding Companies; 5259: Other Investment Pools and Funds; 5331: Lessors of Nonfinancial Intangible assets (except Copyrighted Works); 813211: Grantmaking Foundations
Division I: Services	
73: Business Services	5112: Software Publishers; 517: Telecommunications; 5182: Data Processing, Hosting and Related Services; 51911: News Syndicates; 5322: Consumer Goods Rental; 5324: Commercial and Industrial Machinery and Equipment Rental and Leasing; 54143: Graphic Design Services; 5415: Computer System Design and Related Services; 5418 (except 54182): Advertising, Public Relations, and Related Services; 541922: Commercial Photography; 5613(except for 561312): Employment Services; 5614: Business Support Services; 5616: Investigation and Security Services; 5617: Services to Buildings and Dwellings; 811212: Computer and Office Machine Repair and Maintenance; 81292: Photofinishing
76: Miscellaneous Repair Services	8112: Electronic and Precision Equipment Repair and Maintenance; 8113: Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance; 8114: Personal and Household Goods Repair and Maintenance
80: Health Services	621: Ambulatory Health Care Services; 622: Hospitals; 623: Nursing and Residential Care Facilities
81: Legal Services	5411: Legal Services
82: Educational Services	51912: Libraries and Archives; 611: Educational Services

SIC Code and Description	NAICS Code and Description
87: Engineering, Accounting, Research, Manage	5412: Accounting, Tax Preparation, Bookkeeping, and Payroll Services; 5413: Architectural, Engineering, and Related Services; 5416 (except 541612 54162 and 54169): Management, Scientific, and Technical Consulting Services; 5417: Scientific Research and Development Services; 54182: Public Relations Agencies; 5611: Office Administrative Services; 5612: Facilities Support Services; 6117: Educational Support Services
89: Miscellaneous Services	51223: Music Publishers; 51225: Record Production and Distribution; 51913: Internet Publishing and Broadcasting and Web Search Portals; 541612: Human Resources Consulting Services; 541620: Environmental Consulting Services; 54169: Other Scientific and Technical Consulting Services; 54199: All Other Professional, Scientific and Technical Services; 561312: Executive Search Services; 7115: Independent Artists, Writers, and Performers

Appendix C: Additional Breakeven Scenarios

The following table presents a sensitivity analysis of the ITC. ORA ran different economic scenarios across which the input parameters are being varied accordingly to provide the reader with additional possible breakeven analysis outcomes.

ITC: Detailed Economic & Revenue Impacts TY 2021 through 2024

	Policy Variable Percentage Assumed										
	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%	0%
	Economic & Revenue Impacts Calculated										
Total Employment	**484**	**423**	**361**	**299**	**238**	**176**	**114**	**53**	**-9**	**-70**	**-132**
Gov Employment	**-28**	**-32**	**-37**	**-41**	**-45**	**-50**	**-54**	**-58**	**-63**	**-67**	**-71**
Private Non-Farm Employment	**512**	**455**	**398**	**340**	**283**	**226**	**168**	**111**	**54**	**-3**	**-60**
Direct Employment	300	268	237	206	175	144	113	82	51	20	-11
Indirect Employment	99	87	75	63	51	39	27	15	3	-9	-21
Induced Employment	114	100	85	71	57	43	29	15	1	-13	-28
Total GDP ($000)	**$43,478**	**$38,055**	**$32,634**	**$27,218**	**$21,805**	**$16,393**	**$10,982**	**$5,574**	**$167**	**($5,238)**	**($10,642)**
Generated Revenues by Component ($000)											
Personal Income Tax	$677	$590	$504	$418	$332	$246	$160	$74	($12)	($98)	($184)
General Business Taxes	$323	$286	$249	$212	$175	$139	$102	$65	$28	($9)	($45)
Sales and Use Taxes	$1,605	$1,426	$1,247	$1,068	$890	$711	$532	$354	$175	($3)	($182)
Other Taxes	$31	$27	$23	$19	$15	$11	$7	$3	($1)	($4)	($8)
Total Departmental Receipts	$189	$163	$137	$111	$86	$60	$34	$8	($18)	($44)	($70)
Other Sources	$167	$144	$121	$98	$75	$53	$30	$7	($16)	($38)	($61)
Cost of Incentive ($000)	**($7,225)**	**($7,225)**	**($7,225)**	**($7,225)**	**($7,225)**	**($7,225)**	**($7,225)**	**($7,225)**	**($7,225)**	**($7,225)**	**($7,225)**
Total Net Revenues ($000)*	**($4,234)**	**($4,589)**	**($4,944)**	**($5,298)**	**($5,652)**	**($6,007)**	**($6,361)**	**($6,714)**	**($7,068)**	**($7,422)**	**($7,776)**

Source: ORA calculations based on historical Rhode Island revenue amounts and REMI Tax-PI simulations.

Note: The total net revenues represent the difference between the sum of generated revenues and the cost of the tax incentive.

Appendix D: TY 2023 RI Department of Labor and Training ITC Certification Form

Department of Labor and Training

1511 Pontiac Avenue Cranston, RI 02920

Rhode Island 10% Investment Tax Credit
Certification Form

Name of Person Requesting Certification:	**Date:**
Address:	**Tax Year:** 2023
Fax Number:	**Phone Number:**
Name & Address of Company to be Certified:	
Federal Identification Number:	**NAICS Code:**

Employers* may qualify for the 10% Investment Tax Credit by meeting one of the following three criteria:

1) The employer's median annual wage paid to its full-time equivalent employees must be greater than the average annual wage paid by all employers in the state in the same three digit NAICS Code.

or

2) The employer's median annual wage paid to its full-time equivalent employees is greater than or equal to 125 percent of the average annual wage paid by all employers in the state.
($63,807 X 125 % = $79,759 from 7/1/2023 thru 6/30/2024)

or

3) For manufacturing employers only - the average annual wage paid to the employer's full-time equivalent employees classified as production workers (as defined by the Department of Labor and Training) is greater than the average annual wage paid to all production workers in the state in the same three digit NAICS Code.

Median Annual Wage Paid by Employer to its full-time equivalent employees: **$**_____ ***(For Options 1 or 2 only)***	**Average Annual Wage Paid by Employer to its full-time equivalent *production* employees:** **$**_____ ***(For Option 3 only)***

I hereby declare under penalty of perjury that the wages provided above are true.

Signature of Employer Representative: _____

Based on the information provided above, the Department of Labor and Training has determined that this company meets the wage requirements under option ___ to qualify for the RI 10% Investment Tax Credit under section 44-31-1 of the General Laws. Dept of Labor & Training's endorsed document must be included with the applicable filed Income Tax Return.

Department Representative: _____

Date of Certification: _____

*Employers classified in the following eligible NAICS codes may qualify for the 10% Investment Tax Credit:
311, 313-316, 321-327, 331-337, 339, 423-425,513,518, 522-525, 531,533,541,551,561, 611,621-623, 811, 51211,5122,and 7115.

Employers are advised to retain supporting documentation as they may be subject to verification by the RI Division of Taxation.You may submit this form by mail, or fax it to the LMI Unit at (401) 462-8766.

This certification is for the RI 10% Investment Tax Credit, as only a "qualified taxpayer", under Section 44-31-1 of the RI General Laws.

Appendix E: Governor's Workforce Board Request for Certification Letter

RI Investment Tax Credit
Request for Certification Letter

Please refer to the Rhode Island Investment Tax Credit Act, Title 44, Chapter 31, of Rhode Island General Laws for a complete review of the requirements of this program.

Purpose

Rhode Island Law, Section 44-31-1 provides for a 10 Percent Investment Tax Credit. This credit is available to employers classified in manufacturing, wholesale trade, finance, insurance, real estate and selected services industries. In order to be eligible for the credit, the employer must be paying above average wages or investing significantly in employee training. In addition, more than half of the revenue of non-manufacturing firms must come from out-of-state sales or sales to the federal government.

Employers may qualify for the 10% Investment Tax Credit by meeting one of three criteria, including that the firm invests at least 2% of total payroll costs in worker training.

In order to qualify for the credit under the above criteria, an entity must submit a letter specifying total wages, total amount spent on training, and the computation of the percent spent on training to the Governor's Workforce Board in order to receive a letter from the GWB certifying these expenses. This Request Form satisfies this requirement.

For GWB ONLY:

Date Request Received:_____

Date Certification Letter Issued: Application No.

Governor's Workforce Board
RHODE ISLAND
train for success · connect for growth

CONTACT INFORMATION:

Company Name: _____

Address: _____

City: _____ State: _____ Zip: _____

Telephone Number: _____ Email Address: _____

Contact Person: _____

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

2. Primary NAICS Code (if you are unsure, please visit https://www.naics.com/search/): _____

3. Total Number of RI-based Employees: _____

TRAINING SUMMARY:

Please provide a narrative description of all training programs included in the training costs total:

COST SUMMARY:

Below please itemize the costs associated with all training programs included in the training costs total (Example: June 2013 Call Center Training: $50,000, January 2015 Team Building Training: $8750). The total these costs to arrive at the total Amount Spent on Training. If you need more space please attach an appendix to this document.

AMOUNT SPENT ON TRAINING	
TRAINING PROGRAM	**COST**
TOTAL	$ 0.00
TOTAL PAYROLL (TOTAL WAGES)	
TOTAL	
Amount Spent on Training / Total Payroll (Expressed as a %, must be greater than 2%)	
% of Payroll Spent on Training	

RI Investment Tax Credit Act - Request for Certification Letter

Signatory Page:

The information contained in this document is accurate to the best of my knowledge.

I certify that my company is an eligible employer, and that only qualifying training expenses for eligible employees will be taken as the tax credit. I understand that any information contained in this document may be subject to audit/confirmation by the Governor's Workforce Board, the RI Division of Taxation, and any other relevant authority.

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 request for certification to:

RI Investment Tax Credit
Governor's Workforce Board RI
1511 Pontiac Avenue
Building 72-2
Cranston, RI 02920

Employers are advised to retain supporting documentation for their records.