STATE OF RHODE ISLAND

Governor Daniel J. McKee

Economic Development Tax Incentives Evaluation Act:

Evaluation of

"Jobs Training Tax Credit Act"

(R.I. Gen. Laws § 42-64.6)

Tax Years 2019 through 2021

Office of Revenue Analysis

August 16, 2024

Table of Contents

Foreword

The evaluation of the "Jobs Training Tax Credit Act," *Tax Years 2019 through 2021* was prepared at the request of Matthew McCabe, Chief of the Rhode Island Department of Revenue, Office of Revenue Analysis in accordance with R.I. Gen. Laws § 44-48.2 4. Anoushka Mohnot, Senior Economic & Policy Analyst in the Office of Revenue Analysis, was the project leader for the production and writing of this report, under the guidance of Madiha Zaffou, Ph.D., Deputy Chief in the Office of Revenue Analysis.

Part I: Introduction

Pursuant to Rhode Island General Laws (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 (ORA) is required to produce a report that contains analyses of economic development tax incentives as listed in R.I. Gen. Laws § 44-48.2-3(1). According to R.I. Gen. Laws § 44-48.2-4(1), the report "[s]hall be completed at least once between July 1, 2014, and June 30, 2017, and no less than once every three (3) years thereafter."

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

1) A baseline assessment of the tax incentive, including, if applicable, the number of aggregate jobs associated with the taxpayers receiving such tax incentive and the aggregate annual revenue that such taxpayers generate for the state through the direct taxes applied to them and through taxes applied to their employees;
2) The statutory and programmatic goals and intent of the tax incentive, if said goals and intentions are included in the incentive's enabling statute or legislation;
3) The number of taxpayers granted the tax incentive during the previous twelve-month (12) period;
4) The value of the tax incentive granted, and ultimately claimed, listed by the North American Industrial Classification System (NAICS) Code associated with the taxpayers receiving such benefit, if such NAICS Code is available;
5) An assessment and five-year (5) projection of the potential impact on the state's revenue stream from carry forwards allowed under such tax incentive;
6) An estimate of the economic impact of the tax incentive including, but not limited to:
    i. A cost-benefit comparison of the revenue forgone by allowing the tax incentive compared to tax revenue generated by the taxpayer receiving the credit, including direct taxes applied to them and taxes applied to their employees;
    ii. An estimate of the number of jobs that were the direct result of the incentive; and

iii. A statement by the Chief Executive Officer of the Commerce Corporation, as to whether, in his or her judgment, the statutory and programmatic goals of the tax benefit are being met, with obstacles to such goals identified, if possible.[1]

7) The estimated cost to the state to administer the tax incentive if such information is available;

8) An estimate of the extent to which benefits of the tax incentive remained in state or flowed outside the state, if such information is available;

9) In the case of economic development tax incentives where measuring the economic impact is significantly limited due to data constraints, whether any changes in statute would facilitate data collection in a way that would allow for better analysis;

10) Whether the effectiveness of the tax incentive could be determined more definitively if the General Assembly were to clarify or modify the tax incentive's goals and intended purpose;

11) A recommendation as to whether the tax incentive should be continued, modified, or terminated; the basis for such recommendation; and the expected impact of such recommendation on the state's economy;

12) The methodology and assumptions used in carrying out the assessments, projections and analyses required pursuant to subdivisions (1) through (8) of this section.

Part II: Description of the Tax Incentive

No Jobs Training Tax Credits shall be awarded for tax years beginning on or after January 1, 2018.

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

[1] 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.

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

Part III: Tax Incentive Amount

For tax years 2019 through 2021 there was no recipient of this tax credit. As of the 2018 legislative session, no credits shall be awarded for tax years beginning on or after January 1, 2018.

Part IV: Recommendations

1. ORA Recommendations

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