



COMMERCE CORPORATION

**RHODE ISLAND BUSINESS  
INCENTIVES 2018**

## WELCOME

The mission of the Rhode Island Commerce Corporation (Commerce RI) is to work with public, private and non-profit partners to create the conditions for businesses in all sectors to thrive and to improve the quality of life for our citizens by promoting the State's long-term economic health and prosperity.

Commerce RI publishes this summary of state and local business incentives as an informational tool for the business community.

Please contact Commerce RI at (401) 278-9100 or visit [www.commerceri.com](http://www.commerceri.com) to learn more about our programs and services.

**Commerce RI invites you to explore the following summary of business incentives that are available to help companies thrive.**

### **Disclaimer**

This document is offered only as a general summary of available tax and other business incentives. Readers should not rely upon this document as a source of legal or regulatory authority. For specific information about a particular incentive, please contact:

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315 Iron Horse Way, Suite 101  
Providence, RI 02908  
(401) 278-9100

**Rhode Island Division of  
Taxation One Capitol Hill**  
Providence, RI 02908-5800  
Corporate Taxes: (401) 222-1120  
Personal Taxes: (401) 574-8829

## TABLE OF CONTENTS

General Business Taxes .....	3
Personal Income Taxes.....	3
Corporate Tax Incentives .....	3
Jobs Growth Act of 2005: Income Tax Reduction on Performance-Based Income.....	3
Corporate Tax Rate.....	3
Corporate income tax rate .....	3
Manufacturing Incentives .....	4
Manufacturing Investment Tax Credit (4%) .....	4
High Performance Manufacturing Investment Tax Credit (10%) .....	4
Accelerated Amortization for Defense Industry Manufacturers.....	4
Investment Tax Credit: Non-Manufacturing Firms .....	6
Research and Development .....	7
Research & Development Expense Credit .....	7
Research & Development Property Credit .....	7
Elective Deduction for Research & Development Facilities.....	7
Research & Development Sales Tax Exemptions .....	7
Job Training & Education .....	8
Job Training Tax Credit.....	8
Adult Education Tax Credit.....	8
Employer's Apprenticeship Tax Credit.....	8
Educational Assistance and Development Credit.....	8
Cultural Arts Industry Incentives .....	9
Motion Picture Production Tax Credit .....	9
Small Business Incentives .....	10
Small Business Capital Investment Tax Incentives .....	10
Disabled Access Credit for Small Business .....	10
Financial Service Industry Incentives .....	11
Alien Insurance Companies .....	11
Deregulation of Commercial Lines .....	11
Income Apportionment .....	11
Insurance Company Retaliatory Tax Exemption .....	11
Intangible Personal Property Sales Tax Exemption .....	12

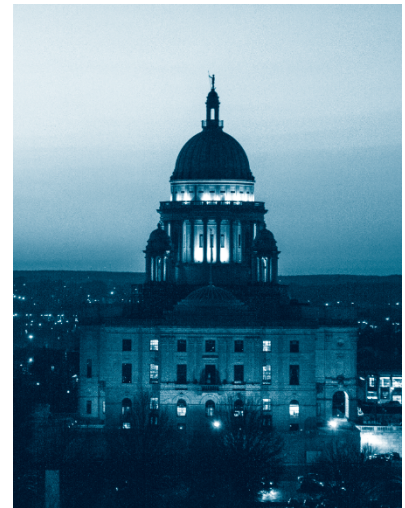
International Investment Management Fee Income Tax Exemption .....	12
Interstate Banking .....	12
Mutual Insurance Holding Companies .....	12
Protected Cell Companies .....	12
Telecommunication Sales Tax Exemption .....	12
<b>Miscellaneous Tax Credits and Incentives .....</b>	<b>13</b>
Bonus Program Private Participation .....	13
Child and Adult Daycare Tax Credit .....	13
Hazardous Waste Facilities Amortization .....	13
Hiring of Unemployed or Low-Income Residents .....	14
Natural Disaster Rebuilding .....	14
<b>Sales Tax Exemptions .....</b>	<b>16</b>
Manufacturing Fuels & Raw Materials .....	16
Manufacturing Machinery & Equipment .....	16
Wine and Spirits .....	16
Scientific Equipment .....	16
Pollution Control Equipment .....	16
Aircraft, Boats & Aircraft Fuel .....	16
Professional & Occupational Services .....	16
Intangible Personal Property .....	16
<b>Property Tax and Other Local Business Incentives .....</b>	<b>17</b>
Manufacturers' Machinery, Equipment and Inventory .....	17
Pollution Control Equipment .....	17



## General Business Taxes

Business income earned by a sole proprietor, limited liability corporation (LLC), partnership, limited partnership, limited liability partnership (LLP), or S- corporation is typically passed through to the owner(s) and reported on a personal income tax return, and all pay the minimum corporate income tax. C-corporations, S-corporations, LLCs, LPs, LLPs operating in Rhode Island are generally subject to four categories of business taxes, some of which can be modified through the tax credits or other incentives described later in this document:

1. Corporate income tax
2. Sales or use tax
3. Employment security (unemployment) tax
4. Property taxes (there are no county governments or county taxes in Rhode Island)



### 5. FOR MORE INFORMATION FOLLOW THESE WEB LINKS:

- ▶ RI Division of Taxation: <http://www.tax.state.ri.us/taxforms/>
- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-30/INDEX.HTM>

## Personal Income Taxes

Rhode Island's personal income tax structure has three personal income tax rates (figures in parentheses are Rhode Island taxable income amounts).

- The top bracket is 5.99% (\$139,400)
- 4.75% (\$61,300 - \$139,400)
- 3.75% (\$0 - \$61,300)

### FOR MORE INFORMATION FOLLOW THESE WEB LINKS:

- ▶ RI Division of Taxation: <http://www.tax.state.ri.us/taxforms/>
- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-30/INDEX.HTM>

## Corporate Tax Incentives

### Jobs Growth Act of 2005: Income Tax Reduction on Performance-Based Income

The Jobs Growth Act (RIGL 42-64.11-1) allows eligible businesses in any industry to offer their employees an exclusion of 50% of performance-based compensation from their Rhode Island gross income. In return, the company pays a 5% tax each year on the performance-based income paid that year. An application for certification would be filed with the Rhode Island Commerce Corporation.

- In order to qualify, a company must hire 100 new employees in the state and add at least \$10 million to its state payroll. Those new workers must earn at least 125% of the state's average annual compensation.
- Employees cannot have been previously employed by the company. The tax cut applies only to bonus or incentive income, not base salary.

### FOR MORE INFORMATION FOLLOW THESE WEB LINKS:

- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE42/42-64.11/INDEX.HTM>

## Corporate Tax Rate

### Corporate Income Tax Rate

The corporate income tax rate under Rhode Island General Laws (RIGL) § 44-11-2 is 7%. For some taxpayers, the actual rate could be lower, depending on certain factors (such as the Jobs Development Act rate reduction). In addition, C Corporations use a single sales factor to apportion income to Rhode Island (in lieu of the standard three-factor apportionment formula), C-corporations are subject to combined reporting with market based sourcing of service income. The annual corporate minimum tax is \$400.

RI General Law: <http://webserver.rilin.state.ri.us/Statutes/TITLE44/44-11/INDEX.HTM>

## Manufacturing Incentives

### Manufacturing Investment Tax Credit (4%)

A manufacturer is allowed a 4% tax credit against the Rhode Island corporate income tax on buildings and structural components, as well as machinery and equipment, which are owned or leased and are principally used in the production process (including storage). Property principally used for administration and distribution purposes is not eligible. The investment tax credit may not reduce the taxpayer's liability below the minimum business tax. Unused credits may be carried forward for up to seven years.



Quonset Business Park, North Kingstown

### High Performance Manufacturing Investment Tax Credit (10%)

High-performance manufacturers are allowed a 10% investment tax credit against their corporate tax on the cost of qualified lease amounts for tangible personal property or other tangible property, as well as buildings and structural components owned, leased to own or leased for at least 20 years. Unused credits may be carried forward up to 15 years for biotechnology firms and up to seven years for other types of manufacturers.

To meet the definition of a high-performance manufacturer, the firm must be in SIC codes 28, 30, 34 to 36 or 38, and the employer's median annual wage paid to its full-time equivalent employees must be greater than the average annual wage paid by all Rhode Island employers in the same two-digit SIC. In addition, the company must meet at least one of the following three criteria:

- 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, or
- 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 two-digit SIC, or
- The firm invests at least 2% of total payroll costs in worker training or retraining.

Biotechnology-related firms wishing to use the Investment Tax Credit beyond seven years must, for each tax year, maintain an average quarterly employment level that is at least 9.5% above the level maintained in the fourth year of the initial credit and pay an average quarterly median wage that is at least equal to the quarterly median wage for the previous three calendar years.

#### FOR MORE INFORMATION ON MANUFACTURING INVESTMENT TAX CREDIT:

- ▶ RI Department of Labor & Training: <http://www.dlt.ri.gov/lmi/business/invtax.htm>
- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-31/INDEX.HTM>

### Accelerated Amortization for Defense Industry Manufacturers

Qualified corporations which have annually produced goods worth at least \$10,000,000 at facilities located in Rhode Island, over a period of five consecutive years, may accelerate the amortization of depreciable assets over a five-year period if an average of at least 80% of that production has been for sale to a branch of the United States Armed Services. The company must anticipate the need to reduce its reliance on such sales in order to qualify. If in any year during the five (5) year period following the effective date of the election, the average annual level of its full-time employees in this state drops below one thousand (1,000), the company shall recapture twenty percent (20%) of any benefit resulting from the election for each decrease of one hundred

(100) full-time employees below the level up to a maximum of one hundred percent (100%) of the benefit.

**FOR MORE INFORMATION ON MANUFACTURING INCENTIVES:**

- ▶ RI Division of Taxation, Corporate Tax Division: (401) 222-1120
- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-11/44-11-11.3.HTM>

## Investment Tax Credit: Non-Manufacturing Firms

Firms in certain non-manufacturing industries are also able to take the 10% investment tax credit on owned or leased tangible personal property and other tangible property placed in service on or after January 1, 1998.

**The 10% credit is not allowed on buildings, structural components, motor vehicles and furniture for non-manufacturing firms.** The investment tax credit may not reduce the taxpayer's liability below 50% of the taxpayer's total tax liability before credits for that year. Unused credits may be carried forward up to seven years.

To qualify:

1. The firm must be in one of the following categories of the Standard Industrial Classification (SIC)

Non-Manufacturing "Qualified Taxpayers"			
SIC	Short Title	SIC	Short Title
50-51	Wholesale Trade (durable & non-durable goods)	73	Business Services
60	Depository Institutions	76	Miscellaneous Repair Services
61	Non-Depository Credit Institutions	781	Motion Picture Production & Allied Services (must meet special requirements)
62	Security and Commodity Brokers, Dealers & Exchanges	80	Health Services
63	Insurance Carriers	81	Legal Services
64	Insurance Agents, Brokers & Services	82	Educational Services
65	Real Estate	87	Engineering, Accounting, Research & Management Services
67	Holding & Other Investment Offices	89	Miscellaneous Services

-and-

2. One of the following criteria must apply:
  - More than half of the firm's gross revenues come from out-of-state sales, or
  - More than half of the firm's gross revenues come from sales to the federal government, or
  - More than half of the firm's gross revenues come from a combination of sales as described above.

### FOR MORE INFORMATION ON NON-MANUFACTURING INVESTMENT TAX CREDITS:

- ▶ RI Department of Labor & Training: <http://www.dlt.ri.gov/lmi/business/invtax.htm>
- ▶ RI Division of Taxation, Corporate Tax Division: (401) 222-1120
- ▶ Tax Division Regulation: <http://www.tax.state.ri.us/regulations/other/cr03-04.php>
- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-31/44-31-1.HTM>



## Research and Development

### Research & Development Expense Credit

Rhode Island offers a 22.5% tax credit for increases in qualified research expenses - the highest rate in America. This credit is available Rhode Island companies filed as a C-corporation. If the increase above base period expenditures exceeds \$111,111, the credit equals 16.9% of the excess. Unused credits may be carried forward for up to seven years.

#### FOR MORE INFORMATION FOLLOW THESE WEB LINKS:

- ▶ RI Division of Taxation <http://www.tax.state.ri.us/regulations/other/cr03-07.php>
- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-32/INDEX.HTM>

### Research & Development Property Credit

A taxpayer is allowed a 10% tax credit for expenditures paid or incurred for the construction, reconstruction or acquisition of any property that is principally used or to be used for research and development in the experimental or laboratory sense. Leased property is not eligible. The property must be depreciable and have a useful life of three years or more. This credit is available Rhode Island companies filed as a C-corporation. Unused credit may be carried forward for up to seven years.

#### FOR MORE INFORMATION FOLLOW THESE WEB LINKS:

- ▶ RI Division of Taxation Regulation: <http://www.tax.state.ri.us/regulations/other/cr95-06.php>
- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-32/INDEX.HTM>

### Elective Deduction for Research & Development Facilities

In lieu of depreciation or the investment tax credit, a taxpayer is allowed a one-year write-off for expenditures paid or incurred during the taxable year for the construction, reconstruction or acquisition of all qualifying depreciable tangible property, including buildings, which is used or to be used for the purpose of research and development in the experimental or laboratory sense. The deduction is allowed under both the corporate income tax and the personal income tax.

#### FOR MORE INFORMATION FOLLOW THESE WEB LINKS:

- ▶ RI Division of Taxation Regulation: <http://www.tax.state.ri.us/regulations/other/cr88-03.php>
- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-32/INDEX.HTM>

### Research & Development Sales Tax Exemptions

Sales or use of scientific equipment, computers, software and related items to a qualifying firm to be used predominantly for research and development purposes are exempt from Rhode Island Sales and Use Tax.

#### FOR MORE INFORMATION FOLLOW THESE WEB LINKS:

- ▶ RI Department of Labor & Training: <http://www.dlt.ri.gov/lmi/business/invtax.htm>
- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-18/44-18-30.HTM> (43)

## Job Training & Education

### Jobs Training Tax Credit

Rhode Island law (RIGL 42-64.6) grants a credit against the corporate income tax (or the insurance premium tax) equal to 50% of eligible training expenditures for new or existing employees, in accordance with an approved training plan. Employees must be full-time, and after training, the employee must earn at least 150% of the Rhode Island minimum wage. Training plans must be filed with the Rhode Island Human Resources Investment Council for prior written approval. The credit is capped at \$5,000 per employee over a three-year period and only 50% of the credit amount is allowable for the tax year in which the training expense is paid with the balance allowable in the following taxable year.

#### FOR MORE INFORMATION, CONTACT:

- ▶ Governor's Workforce Board of RI: <https://gwb.ri.gov/>

### Adult Education Tax Credit

The Adult Education Tax Credit (RIGL 44-46) allows for a corporate tax credit of 50% of the direct costs for vocational training or basic education, up to a maximum of \$300 per employee. The employee must remain employed by the business for 13 consecutive weeks *and* a minimum of 455 hours of paid employment before the credit can be claimed. This credit is available to Rhode Island companies filed as C-corporations\*. The maximum overall credit is \$5,000 per employer, per calendar year. Credits cannot be carried forward.

\* This credit can be used against bank excise, public utilities gross earnings, and insurance premiums' taxes.

#### FOR MORE INFORMATION FOLLOW THESE WEB LINKS:

- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-46/INDEX.HTM>

### Employer's Apprenticeship Tax Credit

Employers of registered full-time apprentices in the metal and plastic industries are eligible for an annual corporate tax credit of 50% of the actual wages paid to the qualifying apprentice, or \$4,800, whichever is less. The number of apprenticeships for which tax credit is allowed must exceed the average number of apprenticeships begun during the five preceding income years. The following trades are eligible: machinist, toolmaker, model-maker, gage maker, pattern-maker, plastic process technician, tool and machine setter, die- sinker, mold-maker, tool and die maker, and machine tool repair.

#### FOR MORE INFORMATION FOLLOW THESE WEB LINKS:

- ▶ RI Department of Labor & Training: <http://www.dlt.ri.gov/esu/taxcredits.htm>
- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-11/44-11-41.HTM>

### Educational Assistance and Development Credit

Under RIGL 44-42, a contribution to a Rhode Island institution of higher education is allowed a tax credit of 8% for the amount above \$10,000. The contribution, which can include qualified tangible personal property, must be for the establishment or maintenance of a faculty chair, department, work fellowship, or program of scientific research or education. The 8% tax credit is applied against the corporate income tax, the bank excise tax or the insurance companies tax. Unused credits may be carried forward up to five years.

#### FOR MORE INFORMATION FOLLOW THESE WEB LINKS:

- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-42/INDEX.HTM>

## Cultural Arts Industry

Rhode Island, one of the most scenic and culturally-diverse locations on the East coast, provides a natural setting for the production of motion pictures, films, television programs and other media. Colonial-era homes, Gilded Age mansions, urban skylines and open country vistas are all available in a compact area that is 48 miles long and 37 miles wide. The state is also home to one of the world's premiere art, design and technology institutions—the Rhode Island School of Design in Providence.



### Motion Picture Production Tax Credit

A motion picture production company shall be allowed a credit to be computed as provided in this chapter against a tax imposed by chapters 11, 14, 17 and 30 of this title. The amount of the credit shall be twenty-five percent (25%) of the state certified production costs incurred directly attributable to activity within the state, provided that the primary locations are within the state of Rhode Island and the total production budget as defined herein is a minimum of one hundred thousand dollars (\$100,000). The credit shall be earned in the taxable year in which production in Rhode Island is completed, as determined by the film office in final certification pursuant to subsection 44-31.2-6(c).

#### FOR MORE INFORMATION FOLLOW THESE WEB LINKS:

- ▶ Rhode Island Film and Television Office: <http://www.film.ri.gov/>
- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-31.2/44-31.2-5.HTM>

### Musical and Theatrical Production Tax Credit

Any person, firm, partnership, trust, estate, or other entity that receives an accredited theater production certificate shall be allowed a tax credit equal to twenty-five percent (25%) of the total production and performance expenditures and transportation expenditures for the accredited theater production and to be computed as provided in this chapter against a tax imposed by chapters 11, 12, 13, 14, 17, and 30 of this title. Said credit shall not exceed five million dollars (\$5,000,000) and shall be limited to certified production cost directly attributable to activities in the state and transportation expenditures defined above. The total production budget shall be a minimum of one hundred thousand dollars (\$100,000).

### Tax Exemption of Sales by Writers, Composers and Artists

The sale of a "work," defined as an original and creative work, whether written, composed, created or executed for "one-of-a-kind, limited" production, which falls into one (1) of the following categories:

1. a book or other writing;
2. a play or the performance of said play;
3. a musical composition or the performance of said composition;
4. a painting or other like picture;
5. a sculpture;
6. traditional and fine crafts;
7. the creation of a film or the acting within said film;
8. the creation of a dance or the performance of said dance.

RI General Law: <http://webserver.rilin.state.ri.us/Statutes/TITLE44/44-30/44-30-1.1.HTM>

## Small Business Incentives

### Small Business Capital Investment Tax Incentives

Small business entities or venture capital partnerships that are certified by the Rhode Island Commerce Corporation may be eligible for two types of special incentives:

- **Deductions or modifications:** The deduction or modification is equal to the taxpayer's qualifying investment in a certified venture capital partnership or equal to the entrepreneur's investment in a qualifying business entity. Restrictions prohibit the deduction or modification from reducing the business corporation tax, public service corporation tax or bank excise tax to less than the minimum tax. This tax credit cannot be taken against a taxpayer's personal income tax. The amount of unused deductions or modifications may not be carried over to following years.
- Insurance companies can use these deductions or modifications against the premium tax.
- **Capital gains exclusion:** The calculation of the business corporation tax, public service corporation tax or bank excise tax may exclude long-term capital gains from sale or exchange of an interest in a qualifying business entity or certified venture capital partnership if: (1) it is recognized by a partner in a certified venture capital partnership from the sale or exchange of an interest in the partnership, or (2) it is a partner's distributive share (from a certified venture capital partnership) of a long-term capital gain recognized by the partnership from the sale or exchange of an interest in a qualifying business entity, or (3) it is recognized by an entrepreneur from the sale or exchange of an interest in a qualifying business entity. Taxpayers must provide proof of the date and amount of the investment in the qualifying business entity or certified venture capital partnership.

#### FOR MORE INFORMATION FOLLOW THESE WEB LINKS:

- ▶ Tax Division Regulation: <http://www.tax.state.ri.us/regulations/other/cr88-02.php>
- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-43/INDEX.HTM>

### Disabled Access Credit for Small Business

A tax credit of up to \$1,000 is available to small businesses that incur expenses in complying with federal or state laws protecting the rights of persons with disabilities. The credit is equal to 10% of the total amount expended up for removing architectural, communication, physical, or transportation barriers; providing qualified interpreters or other effective methods of delivering aurally delivered materials to persons with hearing impairments; providing readers, tapes, or other effective means of making visually delivered materials available to persons with visual impairments; providing job coaches or other effective means of supporting workers with severe impairments in competitive employment; providing specialized transportation services to employees or customers with mobility impairments; buying or modifying equipment for persons with disabilities; and providing similar services, modifications, material or equipment for persons with disabilities. A "small business" is one that, for the preceding year, had 30 or fewer full-time employees, or had \$1 million or less in gross receipts.

#### FOR MORE INFORMATION FOLLOW THESE WEB LINKS:

- ▶ Tax Division Regulation: <http://www.tax.state.ri.us/regulations/other/cr98-10.php>
- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-54/INDEX.HTM>





Waterplace Park, Providence

## Financial Service Industry Incentives

### Alien Insurance Companies

The Rhode Island Port of Entry Act passed in 1997 allows a foreign (non-U.S.) insurance company to become licensed in Rhode Island and, as long as it maintains its base of U.S. operations in Rhode Island, be treated as a Rhode Island domiciled insurance company for the purposes of obtaining licenses in other states.

▶ RI General Law: <http://webserver.rilin.state.ri.us/Statutes/TITLE27/27-59/INDEX.HTM>

### Deregulation of Commercial Lines

This law exempts qualified commercial insurance lines from specific state review requirements, including filing policy forms, casualty insurance rating requirements and certificate of compliance requirements.

▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE27/27-65/INDEX.HTM>

### Income Apportionment

- **Depository institutions:** Income of banks having a regular place of business outside Rhode Island are entitled to apportion net income using a three-factor formula similar to that used for the corporate income tax. (Excludes the deduction allowed in 44-14-14.1 from the definition of net income.)
  - ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-14/INDEX.HTM>
- **Credit card banks:** Banking institutions engaged only in credit card business may elect to apportion net income derived directly or indirectly from the banking institution to Rhode Island only to the extent that customers of the taxpayer are domiciled in Rhode Island. Companies choosing this type of income allocation must do so for successive periods of five years.
  - ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-11/44-11-14.3.HTM>
- **Regulated investment companies & securities brokerage:** Income of regulated investment companies and securities brokerage services may be apportioned to Rhode Island using a one-factor formula based on the ratio of gross sales to Rhode Island residents to gross sales everywhere.
  - ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-11/44-11-14.2.HTM>
- **Retirement and pension plans:** Pension fund service firms may use a one-factor formula based on the ratio of total Rhode Island receipts to total receipts everywhere. Taxpayers who provide traditional administrative services to pension or retirement plans may elect to have its net income apportioned on the basis of the domicile of its employee beneficiaries.
  - ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-11/44-11-14.4.HTM>

### Insurance Company Retaliatory Tax Exemption

Foreign insurance companies are exempt from gross premiums retaliatory taxes in Rhode Island when their home jurisdiction does not impose a like tax.

RI General Law: <http://webserver.rilin.state.ri.us/Statutes/TITLE44/44-17/INDEX.HTM>

### **Intangible Personal Property Sales Tax Exemption**

Sales or transfers of intangible personal property such as stocks, bonds, accounts receivable, money or insurance policies are exempt from the sales tax.

RI General Law: <http://webserver.rilin.state.ri.us/Statutes/TITLE44/44-3/44-3-3.HTM>

### **International Investment Management Fee Income Tax Exemption**

Companies with at least 500 employees in Rhode Island will not be taxed on fee income derived from international investment management services rendered to investors not domiciled in the U.S. These services include investment advice, investment research, investment consulting, portfolio management, administration or distribution services rendered to or on behalf of non-U.S. persons, and non-U.S. investment funds.

- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-11/44-11-14.5.HTM>

### **Interstate Banking**

Rhode Island allows out of state banks to operate branch offices in Rhode Island as long as the same opportunities are offered to Rhode Island banks in their home state.

- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE19/19-7/INDEX.HTM>

### **Mutual Insurance Holding Companies**

The Rhode Island Mutual Holding Company Act effectively permits mutual insurance companies to access capital through stock issues without threatening policy holder rights or sacrificing the benefits of the mutual form of ownership.

- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE27/27-1/27-1-40.HTM>

### **Protected Cell Companies**

The protected cell act facilitates insurance securitization transactions and rent-a-captive formation through its protected cell structure. These features are available to domestic insurance companies, domestic reinsurance companies and domestic captive insurance companies. This act also amends Rhode Island captive insurance company laws to allow the formation of reciprocal captives.

- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE27/27-64/INDEX.HTM>

### **Telecommunication Sales Tax Exemption**

Regulated investment companies with at least 500 full-time equivalent employees are exempt from the sales and use tax imposed on toll-free terminating telecommunication service. An eligible company is a regulated investment company or a corporation to the extent such service is provided, directly or indirectly, to or on behalf of a regulated investment company, and employee benefit plan, a retirement plan or a pension plan.

- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-18/44-18-30.HTM>

## Miscellaneous Tax Credits and Incentives (alphabetical)

### Bonus Program Private Participation

An employer who participates in the Bonus Program, which provides job training for former public assistance recipients, can qualify for a \$250 tax credit per participant. A certificate of eligibility from the Rhode Island Department of Human Services is required.



Revitalized Providence Waterfront

#### FOR MORE INFORMATION FOLLOW THESE WEB LINKS:

- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE40/40-6.3/INDEX.HTM>
- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-39.1/INDEX.HTM>

### Child and Adult Daycare Tax Credit

A Rhode Island taxpayer that purchases or provides for adult or child day care services for adult family members or dependent children of the taxpayer's employees or to employees of its commercial tenants is allowed a tax credit in the amount of:

- 25% of the total amount expended during the taxable year for services purchased and 25% of the total amount expended during the taxable year for the establishment and/or operation of a day care facility by the taxpayer alone or in conjunction with others. Credits may not exceed the Rhode Island tax liability.
- 30% of the total amount foregone in rent or lease payments related to the dedication of rental or lease space to day care services. The amount forgone shall be the difference between fair market rental and actual rental. The maximum credit allowed is \$30,000 and the amount of unused credit may be carried forward five years.
- Credits for child daycare require confirmation that the facility agrees to accept children for whom the services are paid by Rhode Island Department of Human Services.

#### MORE INFORMATION FOLLOW THESE WEB LINKS:

- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE40/40-6.3/INDEX.HTM>

### Hazardous Waste Facilities Amortization

This section extends the business corporation tax amortization provisions of 44-11-11.1(a) and (h) to include tangible personal property for the recycling, reuse or recovery of materials from the treatment of hazardous waste as defined in 44-3-3(1) (26) of the Rhode Island General Law

#### MORE INFORMATION FOLLOW THESE WEB LINKS:

- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-3/44-3-3.HTM>

## Hiring of Unemployed or Low-Income Residents

A tax credit of 40% of a newly-hired employee's first year wages (up to a maximum of \$2,400) is allowed for individuals or businesses that employ and retain Rhode Island residents who were previously unemployed or receiving public assistance. This tax credit cannot be taken against the taxpayer's personal income tax. The business must seek certification of the employee's unemployment status from the Department of Labor and Training within 30 days of hire. Each eligible employee must:

- Have been a Rhode Island resident for at least 52 consecutive weeks prior to the date of hire, and
- Previously unemployed for a period of at least 26 consecutive calendar weeks immediately prior to the date of hire, and
- Either: (1) received public assistance for at least one year preceding the date of hire or (2) have received unemployment benefits from Rhode Island or any other state at any time during the 52 weeks prior to the date of hire.

### FOR MORE INFORMATION FOLLOW THESE WEB LINKS:

- ▶ RI Department of Labor & Training: <http://www.dlt.ri.gov/esu/taxcredits.htm>
- ▶ Tax Division Regulation: <http://www.tax.state.ri.us/regulations/other/cr98-09.php>
- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-55/INDEX.HTM>

## Natural Disaster Rebuilding

Manufacturers who have lost 60% or more of their facilities due to a natural disaster, resulting in the inability of active employees to continue production, may qualify for corporate income tax rate reductions under the Jobs Development Act for jobs retained or added. Damaged businesses may also qualify for a sales tax exemption on reconstruction materials that are not reimbursed by insurance.

### FOR MORE INFORMATION FOLLOW THESE WEB LINKS:

- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE42/42-64.5/INDEX.HTM>
- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-18/INDEX.HTM>

## Agricultural Industry Incentives:

### Farm Equipment and Farm Structure Construction Materials

The exemption provided in Section 44-18-30(32) applies to the sale (including lease or rental) and to the storage, use or other consumption in this state of machinery and equipment which is used primarily and directly for commercial farming and agricultural production, including but not limited to tractors, plows, harrows, spreaders, seeders, milking machines, silage conveyors, balers, bulk milk storage tanks, trucks with farm plates, mowers, combines, irrigation equipment, greenhouses and greenhouse coverings, graders and packaging machines, tools and supplies and other farming equipment, including replacement parts, appurtenant to or used in connection with commercial farming, as well as tools and supplies used in the repair of such farm machinery and equipment.

The exemption applies if the farm equipment or machinery is used for ancillary uses or is temporarily used for non-farming or a non-agricultural purpose. However, in order to maintain the exemption, ancillary use or temporary non-farming or non-agricultural use of any farm equipment and machinery must be less than 50% of the use of the equipment or machinery.



Also exempt is lumber, hardware and other materials used in the new construction of farm structures, including production facilities such as, but not limited to, farrowing sheds, free stall and stantion barns, milking parlors, silos, poultry barns, laying houses, fruit and vegetable storages, rooting cellars, propagation rooms, greenhouses, packing rooms, machinery storage, seasonal farm worker housing, certified farm markets, bunker and trench silos, feed storage sheds, and any other structures used in connection with commercial farming.

## Sales Tax Exemptions

### Manufacturing Fuels & Raw Materials

Sales of tangible personal property, computer software and public utility services are exempt from sales tax when the property or service becomes a component part of a manufactured product for resale, or when the property or service is used in the process of manufacturing or processing products for resale.

The sales tax is exempt for electricity, gas and heating fuels used in all commercial entities, and manufacturers. Electricity and gas used in the manufacturing process is exempt from the public utilities gross earnings tax (RIGL 44-13-35).

### Manufacturing Machinery & Equipment

Sales, storage, use, or other consumption of tools, dies, and molds, and machinery and equipment (including replacement parts), and related items to the extent used in an industrial plant in connection with the actual manufacture, conversion, or processing of tangible personal property are exempt from sales tax.

### Wine and Spirits

Rhode Island's sales and use tax does not apply to wine and spirits sold at package stores and liquor stores ("Class A" licensees under RIGL Title 3).

### Scientific Equipment

Scientific equipment used for research and development by eligible firms is exempt from the state sales tax.

### Pollution Control Equipment

Pollution control property and supplies are exempt from the state sales tax.

### Aircraft, Boats & Aircraft Fuel

Rhode Island exempts the sale, storage, use or other consumption of new or used aircraft and aircraft parts from taxation. Labor charges continue to be exempt where labor charges are separately stated by the seller. Fuel used for propulsion of aircraft is also exempt. Boats are also exempt from the sales tax.

### Professional & Occupational Services

Professional services such as those provided by physicians, attorneys, accountants, engineers and others are exempt. However, the tax applies to any tangible personal property that may be sold at retail by such professionals (i.e. opera glasses, field glasses, etc.). Occupational services such as provided by barbers, beauty parlors, bootblacks, cleaning and pressing shops, laundries, and similar service establishments are exempt. However, if delivery to the purchaser or his agent is consummated within the state, the tax applies to any tangible personal property which may be sold at retail by such establishments.

### Intangible Personal Property

Sales or transfers of intangible personal property such as stocks, bonds, accounts receivable, money or insurance policies are exempt.

#### MORE INFORMATION FOLLOW THESE WEB LINKS:

- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-18/44-18-30.HTM>

## Property Tax and Other Local Business Incentives

State legislation (<http://www.rilin.state.ri.us/Statutes/TITLE44/44-3/44-3-9.HTM>) enables local governments in Rhode Island to exempt or stabilize real estate and/or personal property taxes associated with manufacturing and commercial uses. Many jurisdictions in the state phase-in the added property valuation resulting from renovation, expansion or new construction of manufacturing, industrial and commercial buildings. Some municipalities offer other types of incentives. The table below is a summary of business incentives available from local jurisdictions. **Please contact the appropriate municipal official or local office for detailed, current information.**

### Manufacturers' Machinery, Equipment and Inventory

Machinery and equipment used in the research, quality control and/or manufacturing process, as well as finished inventory, are exempt from local property tax by state law. (<http://www.rilin.state.ri.us/Statutes/TITLE44/44-3/44-3-3.HTM>)

### Pollution Control Equipment

Certified pollution control equipment and equipment that generates hydroelectric power are exempt from taxation. (<http://www.rilin.state.ri.us/Statutes/TITLE44/44-3/44-3-3.HTM>)

## Municipal Business Incentives

City/Town	Industrial/Commercial Property Tax Incentives	Other Programs/ Incentives	Local Contact Person
Bristol	Increased assessments may be phased in over 5 years for eligible industrial, commercial & manufacturing renovation, expansion or new construction. Requires job creation in proportion to increase in facility size.	<ul style="list-style-type: none"> <li>Wholesale inventories are tax-exempt</li> <li>Business loan programs available</li> </ul>	(401) 253-7000
Burrillville	Increased assessments may be phased in over 10 years on eligible manufacturing or commercial projects.	<ul style="list-style-type: none"> <li>Retail and wholesale inventories are tax- exempt</li> </ul>	(401) 568-4300
Central Falls		<ul style="list-style-type: none"> <li>Job Creation Incentive program</li> <li>Business loan programs available</li> </ul>	(401) 727-7430
Coventry	Property assessments for business in the Centre of New England Business Park may be phased in over 10 yrs.	<ul style="list-style-type: none"> <li>Business personal property (computers, furniture, fixtures, etc.) are tax-exempt for 10 years</li> </ul>	(401) 822-9155

City/Town	Industrial/Commercial Property Tax Incentives	Other Programs/ Incentives	Local Contact Person
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Cranston	Increased property assessments may be phased in over 5 years for eligible new, expanded (over 20% expansion) or renovated (over \$250,000) industrial or commercially zoned properties. Ten-year phase-in of property assessments for new development or business expansions within industrial or commercially- zoned property (non-retail).	<ul style="list-style-type: none"> <li>· Additional freeze/phase-in of taxes available in target areas</li> <li>· Wholesale inventories are tax-exempt</li> <li>· Business loan program available</li> <li>· Streamlined permitting</li> <li>· Job Training grants</li> <li>· Extensive real estate database and site selection assistance</li> </ul>	(401) 780-3166
Cumberland	Property tax stabilization is available on a case-by-case basis. Firms locating in the Highland Corporate Park II may have property taxes fixed for 5 years after project completion. The levy on the building value is increased by 5% per year for years 6- 10.	<ul style="list-style-type: none"> <li>· Wholesale inventories are tax-exempt</li> <li>· Technology property (mainframe computers, networks, R&amp;D, etc.) may be exempt from taxation</li> </ul>	(401) 728-2400
East Greenwich		<ul style="list-style-type: none"> <li>· Wholesale inventories are tax-exempt.</li> <li>· Business loan programs and fee waivers are available in target areas</li> </ul>	(401) 886-8665
East Providence	Increased property assessments may be phased in over 5 years for eligible new, expanded or renovated industrial properties costing under \$1 million. Length of phase-in for projects over \$1 million is determined by the City Council. Terms up to 20 years.	<ul style="list-style-type: none"> <li>· Business loan program available</li> </ul>	(401) 435-7531
Glocester		<ul style="list-style-type: none"> <li>· Wholesale inventories are tax-exempt</li> <li>· Retail businesses may apply for exemption on retail inventories</li> </ul>	(401) 568-6206
Hopkinton	Property tax stabilization may be available on a case-by-case basis.		(401) 377-7775
Lincoln	Property tax stabilization may be available on a case-by-case basis.	<ul style="list-style-type: none"> <li>· Wholesale inventories are tax-exempt</li> <li>· Accelerated depreciation of computer equipment</li> </ul>	(401) 333-8449
Middletown	A portion of the increased valuation is exempted over a period of 3-5 years for eligible renovation, expansion or new construction. Requires job creation, with percentage of exemption determined by number of jobs created.	<ul style="list-style-type: none"> <li>· Wholesale inventories are tax-exempt.</li> </ul>	(401) 849-4027

City/Town	Industrial/Commercial Property Tax Incentives	Other Programs/ Incentives	Local Contact Person
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Newport		<ul style="list-style-type: none"> <li>For artists who live and work within a specified district, any sale of work created within the district is exempt from state sales tax (RIGL §44-18-30B(6))</li> <li>For gallery spaces located within the boundaries of a specified district, the sale of original, one-of-a-kind works of art are exempt from state sales tax, whether or not they were created within the boundaries of the arts district</li> <li>Business loan program available</li> </ul>	(401) 845-5450
New Shoreham (Block Island)		<ul style="list-style-type: none"> <li>Retail and wholesale inventories are tax-exempt</li> </ul>	(401) 466-3210
North Kingstown	Increased assessments from new construction for a manufacturing, office and commercial enterprises located in the <i>Quonset Business Park</i> may be phased in over 5 years. Renovation of existing facilities is not eligible.	<ul style="list-style-type: none"> <li>Retail and wholesale inventories are tax-exempt</li> </ul>	(401) 294-3331
North Providence		<ul style="list-style-type: none"> <li>Loan program available for businesses in targeted commercial areas</li> </ul>	(401) 233-1419
North Smithfield	Property tax stabilization or exemption may be available for new facilities & existing businesses that expand their facilities. The tax stabilization schedule (up to 10 years) must be negotiated and approved by the Town Council.	<ul style="list-style-type: none"> <li>Wholesale inventories are tax-exempt. Local business loan program available</li> </ul>	(401) 767-2200
Pawtucket	The city offers a financial incentive for new and existing businesses to construct and/or substantially renovate industrial and commercial facilities. New or additional municipal property tax assessments are phased-in according to a schedule that is directly related to the creation of new or expanded employment opportunities for Pawtucket residents.	<ul style="list-style-type: none"> <li>Local business loan programs available</li> </ul>	(401) 724-5200
Portsmouth	The new added taxable assessment from expansion or renovation of an existing facility or construction of a new facility in the local Enterprise Zone is phased-in over a 5-year period. The Town Council may also negotiate property tax stabilization on a case-by-case basis.	<ul style="list-style-type: none"> <li>Wholesale inventories are tax-exempt</li> </ul>	(401) 643-0382

City/Town	Industrial/Commercial Property Tax Incentives	Other Programs/ Incentives	Local Contact Person
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Providence	The City Council may exempt property used for industrial purposes from the payment of property tax. The estimated cost of new construction or renovation must exceed twenty (20) per cent of the assessed value of the industrial property or \$100,000, whichever is less. In Year 1, the abatement is fifty (50) percent of the assessed valuation of the property attributable to new construction. In each subsequent year, the percentage abated decreases by 5%, expiring at the end of year 10.	<ul style="list-style-type: none"> <li>· Computer and telephone equipment may be exempted from taxation for certain eligible types of businesses</li> <li>· Tax incentives available in designated downtown Arts &amp; Entertainment District</li> <li>· Extensive loan and technical assistance programs are available from the Providence Economic Development Partnership (PEDP)</li> </ul>	(401) 351-4300
Smithfield	Property tax stabilization may be available on a case-by-case basis.	<ul style="list-style-type: none"> <li>· Local small business loan program available</li> <li>· Streamlined permitting and location assistance</li> </ul>	(401) 233-1017
South Kingstown	Property tax stabilization may be available on a case-by-case basis.		(401) 789-9331
Tiverton	The town offers a 3-year, phased-in assessment on all improvements made within the local Enterprise Zone. The assessment begins at 25% in year 1, rising to 100% in year 4.	<ul style="list-style-type: none"> <li>· Business loan programs are available</li> </ul>	(401) 625-6710
Warren	The new added taxable assessment from expansion or renovation of an existing facility or construction of a new industrial, commercial or manufacturing facility is phased-in over 5 years.	<ul style="list-style-type: none"> <li>· Rehabilitation of historic business property valued at \$1 million or less may be eligible for tax rebates totaling 20% of approved rehabilitation costs</li> <li>· Merchants selling art from a Warren artist are exempt from sales tax on sold products</li> </ul>	(401) 245-2469
Warwick	15-year Tax Stabilization Agreement for City Centre Warwick district	<ul style="list-style-type: none"> <li>· Business loan or façade improvement program available in target areas</li> </ul>	(401) 738-2000
Westerly	The new added taxable assessment from expansion or renovation of an existing facility or construction of a new industrial, commercial or manufacturing facility is phased-in over 5-20 years, depending upon the type of use. The estimated cost of new construction or renovation must exceed 20% of the assessed value of the industrial property or \$100,000, whichever is less.		(401) 348-2521
West Warwick	The added taxable assessment from expansion or renovation of an abandoned building, or, from construction of a new commercial or manufacturing facility can be phased- in over 5 years.	<ul style="list-style-type: none"> <li>· The West Warwick Business Park has been designated a redevelopment area, eligible for the use of tax stabilization and tax increment financing</li> </ul>	(401) 827-9025
Woonsocket	The taxable assessment from expansion or renovation of an existing facility or construction of a new industrial, commercial or manufacturing facility is phased-in over 5-10 years, depending upon the type of use. Requires job creation.	<ul style="list-style-type: none"> <li>· Technology property (e.g. computers and research equipment) used by firms with at least 40 employees are tax-exempt</li> <li>· Wholesale inventories are tax-exempt</li> <li>· Local business loan program available</li> <li>· Job training tax credits available</li> </ul>	(401) 767-9203



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