



Rhode Island  
Economic Development Corporation

*Building the 21st Century Innovation Economy*

# Rhode Island Business Incentives

February 2010

**Rhode Island Economic Development Corporation**

315 Iron Horse Way, Suite 101, Providence, RI 02908

401-278-9100 (p) ▪ 401-273-8270 (f) ▪ [www.riedc.com](http://www.riedc.com)

### Welcome

The Rhode Island Economic Development Corporation (RIEDC) publishes this summary of state and local business incentives as an information tool for the business community. We also provide or facilitate other business services including financing, market data, development sites, tours and consultation through an extensive network of financing sources, state and local officials and key development organizations. Please contact RIEDC at (401) 278-9100 or visit [www.riedc.com](http://www.riedc.com) to learn more.

### Rhode Island's Innovation Economy

As the birthplace of the Industrial Revolution in America, Rhode Island has long been a center of business change. Today, Rhode Island continues to be a leader in innovation.

New models tested and refined in Rhode Island are much better positioned to scale nationally and globally. The state's compact size, accessible peer networks, and strategic location in the densely-populated and resource-rich Northeast are an ideal environment to explore new business models and collaborative partnerships. Here, firms can more easily test business ideas, products or alliances. In addition, the state's widely-acclaimed quality of life enables firms to recruit and retain high-quality workers.

Rhode Island's innovation economy draws additional strength from its proximity to the largest concentration of higher education facilities in the United States. With high-caliber institutions like the Rhode Island School of Design and Brown University located within the State's borders, high-tech brainpower is driving innovation in areas such as health and life sciences, industrial design, next generation defense research, and marine and environmental technology.

**RIEDC invites you to explore the following summary of business incentives that are available to help companies grow and prosper.**

Rhode Island's strategic location



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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:

Rhode Island Economic Development Corporation  
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

## General Business Taxes

Business income earned by a sole proprietor, a Limited Liability Corporation (LLC) or S-Corporation is typically passed through to the owner(s) and reported on a personal income tax return.

Otherwise, C-corporations operating in Rhode Island are generally subject to four (4) 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 or Franchise 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.)



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

- ▶ [Secretary of State – Business Information Center Home Page](#)
- ▶ RI General Laws on Corporations: <http://www.rilin.state.ri.us/Statutes/TITLE7/INDEX.HTM>

## Personal Income Tax Incentives

### Taxpayer Relief Act of 2006: Alternative Flat-Tax Rate Computation

Rhode Island taxpayers now have two options for computing their state personal income tax, and are free to choose whichever calculation method yields the lowest tax liability:

- Applying the state's traditional marginal income tax rates to their federal adjusted gross income (AGI) after subtracting allowable deductions and exemptions; or
- For tax year 2006, paying an 8.0% flat tax rate that is also applied to AGI, but without deductions and exemptions. The flat tax rate will be lowered 0.5% each year until 2011, when it will remain at 5.5%. *The tax rate for 2009 is set for 6.5%.*

### Innovation Tax Credit

Rhode Island now offers a new tax credit to encourage investment in high-growth, high-wage innovation industries and support the state's entrepreneurs. The Rhode Island Innovation Tax Credit offers investors up to a 50% credit on eligible investments, with a maximum tax credit of \$100,000. To be eligible to apply for the credit, an investor must invest in a Rhode Island business that produces traded goods or services and has annual gross revenues of less than \$1 million in the prior two calendar years. Companies must be categorized as one of the following innovation industries: Biotechnology and Life Sciences; Communication and Information Technology; Financial Services; Marine and Defense Manufacturing; Professional, Technical and Educational Services; Industrial and Consumer Product Manufacturing and Design.

The credit may be carried forward for a period not to exceed three years and may be issued in the name of the eligible company, an executive employee or employees of the company, an investor in the company or a combination thereof not to exceed a maximum of 10 executive employees. Investors must apply for the credit prior to making an investment. Once an application is approved, the investor has up to 12 months to make the investment and provide proof of investment back to the EDC board of directors. Upon completion of this process, EDC will certify the investor's eligibility for the credit with the Rhode Island Division of Taxation.

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

- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-63/INDEX.HTM>

## 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 Economic Development 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 must be hired or relocated after June 1, 2005 and cannot have been previously employed by the company. The tax cut applies only to bonus or incentive income, not base salary.

## Reduction of Long-Term Capital Gains Tax

All capital assets purchased prior to January 1, 2002 and sold on or after January 1, 2007, shall be deemed to have a holding period beginning January 1, 2002. For tax years beginning in 2007, the capital gains rate for assets held more than five (5) years shall be as follows:

- (i) 0.83% of the net capital gain as reported for federal income tax purposes under 26 U.S.C. § 1(h)(1)(a) and 26 U.S.C. § 1(h)(1)(b).
- (ii) 1.67% of the net capital gain as reported for federal income tax purposes under 26 U.S.C. § 1(h)(1)(c).
- (iii) 2.08% of the net capital gain as reported for federal income tax purposes under 26 U.S.C. § 1(h)(1)(d).
- (iv) 2.33% of the net capital gain as reported for federal income tax purposes under 26 U.S.C. § 1(h)(1)(e).

RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-30/44-30-2.7.HTM>

### FOR MORE INFORMATION ON PERSONAL INCOME TAX INCENTIVES:

- ▶ RI Division of Taxation, Personal Income Tax Division, (401) 222-1040

## Corporate Tax Rate Reduction

### Jobs Development Act: Corporate Income Tax Reduction for Job Creation

The Jobs Development Act (RIGL 42-64.5-1) provides an incremental reduction in the corporate income tax rate (currently 9%) to companies that create new employment in Rhode Island over a three-year period. The reduction equals:

- A quarter percentage point (0.25%) for every ten (10) new jobs created, for those companies having a baseline employment below 100; or
- A quarter percentage point (0.25%) for every fifty (50) new jobs created, for those companies having a baseline employment above 100.

The corporate income tax may be reduced to as low as 3%. The rate reduction is permanent as long as the company maintains the same level of employment that it had at the end of the third year following the company's self-selected base period. New employees must be paid at least 250% of the state minimum wage (the current state minimum wage is \$7.40/ hour.) This benefit is subject to a finding of revenue neutrality and vote of the RIEDC Board.

### FOR MORE INFORMATION ON CORPORATE INCOME TAX RATE REDUCTION:

- ▶ RI Division of Taxation, Corporate Tax Division: (401) 222-1120
- ▶ RI Division of Taxation Regulations: <http://www.tax.state.ri.us/regulations/other/ct04-11.php>
- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE42/42-64.5/INDEX.HTM>

## Manufacturing Incentives

### Manufacturing Investment Tax Credit (4%)

A manufacturer is allowed a 4% tax credit against the Rhode Island corporate income tax and the personal 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 (7) 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 and personal income tax on the cost or 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. Under current law, credits are transferable between related entities. Unused credits may be carried forward up to 15 years for biotechnology firms and up to seven (7) 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 SIC 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 RI employers in the same two-digit SIC. In addition, the company must meet at least one (1) 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 percent 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 Code; or
- The firm invests at least 2 percent 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>

### Business Income Apportionment for Manufacturers

Affiliated multi-state corporations may file single, separate Rhode Island corporate tax returns or file a consolidated return. In either case, the corporate net income/net worth is subject to Rhode Island apportionment using the average of a three-factor formula (property, receipts, and payroll).

- For tax years beginning on or after January 1, 2005, the alternate apportionment formula allows for a 25% property factor, a 25% payroll factor and a 50% receipts factor.

### Apportionment Exclusion for Medical & Pharmaceutical Manufacturers

A Rhode Island manufacturer of *Medical Instruments, Supplies or Pharmaceuticals* whose facility is registered and certified by the United States Food & Drug Administration may modify the RI business income apportionment formula for the current tax year.

- The property value portion in the numerator may be reduced by the increase in book value of tangible personal property in Rhode Island in the current taxable year over the previous year.
- The wage value portion in the numerator may be reduced by the increase in total qualified payroll in Rhode Island in the current taxable year over the previous year.  
<http://www.rilin.state.ri.us/Statutes/TITLE44/44-11/44-11-14.1.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 depreciation of their 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. RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-11/44-11-11.3.HTM>

#### **FOR MORE INFORMATION ON MANUFACTURING INCENTIVES:**

- ▶ RI Division of Taxation, Corporate Tax Division: (401) 222-1120

## 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 (7) 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 and 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, and Services	82	Educational Services
65	Real Estate	87	Engineering, Accounting, Research, & Management Services
67	Holding and 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 to corporations, sole proprietorships or passed through from partnerships, joint ventures and S corporations. 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 which 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 3 years or more. The credit is available to corporations, sole proprietors or passed through from partnerships, joint ventures or subchapter S corporations. 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 either the corporate income tax or 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 General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-18/44-18-30.HTM> (43)

### Specialized Stock Provisions for Software Developers

Rhode Island grants complete personal income tax exemption for capital gains or ordinary income that result from the sale, transfer, or exercise of qualified or non-qualified stock or options for employees in software industries (defined by SIC codes 7371, 7372, 7373).

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

- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-39.3/INDEX.HTM>

## Job Training & Education

### Job 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.

**FOR MORE INFORMATION, CONTACT:**

- ▶ Governor's Workforce Board of RI: <http://www.rihric.com/>

### Adult Education Tax Credit

The Rhode Island Adult Education Tax Credit (RIGL 44-46) allows for a tax credit of 50% of the direct costs for worksite and non worksite-based vocational training or basic education, up to a maximum of \$300 per employee. The maximum overall credit is \$5,000 per employer per calendar year. 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. Excess credits cannot be carried forward.

**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/TITLE44/44-46/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 (5) preceding income years. The following trades are eligible: machinist, toolmaker, model-maker, gage maker, pattern-maker, plastic process technician, tool & machine setter, die-sinker, mold-maker, tool & die maker, 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 (5) years.

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

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

### Job Training Grants

The Governor's Workforce Board offers a training program for business and industry funded through a job development assessment of 0.21% on the firm's taxable payroll. (Each employer's unemployment tax rate is reduced annually by 0.21% to ensure that this program does not result in a tax increase.) This pool of money is available for industry to create customized training programs tailored specifically for a company and free from income and other restrictions imposed by federally-funded programs.

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

- ▶ Governor's Workforce Board of RI: <http://www.rihric.com/>
- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE42/42-64.6/INDEX.HTM>

## State Enterprise Zones

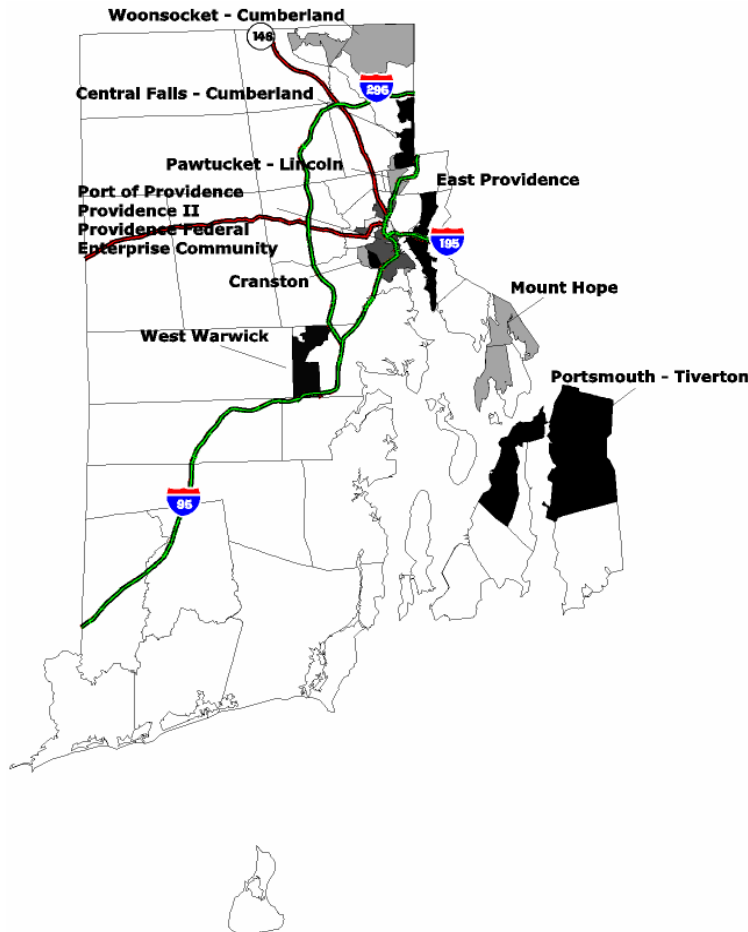
Any business with a certified business facility within a state-designated Enterprise Zone or a Federally-designated Enterprise Community in Rhode Island may qualify for the following incentives:

- **Enterprise Zone Business Tax Credit:** Firms that increase total company employment by 5 percent each year within an enterprise zone may take a credit equal to 75% of the total wages paid to employees living in an enterprise zone or 50% of wages paid to workers not living in an enterprise zone. The maximum credit is \$5,000 per enterprise zone resident employees and \$2,500 for other enterprise zone employees. Earned but unused enterprise zone credits may be carried forward for up to three (3) years.
- **Enterprise Zone Business Owner Modification:** An enterprise zone business owner may elect to take the Owner Modification instead of the Business Tax Credit. In computing his or her personal income tax, an owner of a qualified business facility in an enterprise zone, who also resides within that same enterprise zone, may deduct \$50,000 per year as a modification reducing federal adjusted gross income during the first three years of operation; and \$25,000 during the fourth and fifth years. To take this income modification, the business must meet the 5% employment growth requirements of the regular EZ business tax credit (see above). Owners can take either the Tax Credit or the Owner Modification, but not both.

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

- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE42/42-64.3/INDEX.HTM>
- ▶ RIEDC: [RIEDC - Enterprise Zones - Application & Certification](#)

### RHODE ISLAND ENTERPRISE ZONES



## Foreign Trade Zones

A Foreign Trade Zone (FTZ) is a specially-designated area in or adjacent to a U.S. Customs Port of Entry, but which is considered to be outside the Customs territory of the United States. FTZ # 105, originally designated in 1984 and modified in 2008, consists of three different geographic locations in the state of Rhode Island:

1. Thirty-two (32) acres at the Port of Providence, a 185-acre commercial and industrial inter-modal facility owned and operated by Waterson Terminal Services, LLC;
2. A 43-acre area at the Airport Business Park adjacent to T.F. Green Airport in Warwick, Rhode Island and;
3. The Quonset-Davisville Port, a 880-acre area within the Economic Development Corporation's premier 3000-acre Quonset Business Park in North Kingstown, Rhode Island. Quonset-Davisville's strategic location, situated between New York and Boston and at the entrance of Narragansett Bay, provides one of the best deep-water ocean ports on the East Coast. Major cargo arriving at the port includes automobiles, quarried stone, seafood, and general cargo. The Port offers three major piers with over 6,800 lineal feet of deep water dockage.

The following is a partial list of benefits when using Foreign-Trade Zones or Foreign-Trade Subzone:

- **Duty Exemption on Re-Exports:** If merchandise is re-exported after being placed in a FTZ or shipped to another FTZ and then re-exported, no customs duty is ever paid. If the merchandise is sold domestically, no duty is paid until it leaves the zone or zones.
- **Duty Elimination on Manufacture, Re-Packaging, Waste and Scrap:** Merchandise in a foreign-trade zone may be stored, repackaged, manipulated, manufactured, destroyed or otherwise altered or changed. No duty is charged on most waste and scrap from production in Foreign-Trade Zones.
- **Relief from Inverted Tariffs:** Generally, if foreign merchandise is brought into a Foreign-Trade Zone or Subzone and manufactured into a product that carries a lower duty rate, then the lower rate applies.

EXAMPLE: A Foreign-Trade Zone user imports a motor (which carries a 5.3% duty rate) and uses it in the manufacture of a vacuum cleaner (which has a 1.4% duty rate). When the vacuum cleaner leaves the FTZ and enters the commerce of the U.S., the duty owed on the motor drops from the 5.3% motor rate to the 1.4% vacuum cleaner rate.

- **No Duty on Rejected or Defective Parts:** Merchandise found to be defective or faulty may be returned to the country of origin for repair or simply destroyed. Whichever choice is taken, no duty is paid. Many companies suffer from the "double duty crunch." That is, they pay duty on imported merchandise, find it to be faulty and return it to the country of origin for repair, and then pay duty again when the merchandise re-enters the United States.
- **Duty Deferral:** No duty is ever charged on merchandise while it is in a Foreign Trade Zone, and there is no limit on the length of time merchandise may be kept in a Foreign-Trade Zone. By deferring the duty, capital is freed for more important needs.
- **No Duty on Domestic Content or Value Added:** The "value added" to a product in a FTZ (including manufacture using domestic parts, cost of labor, overhead, and profit) is not included in its dutiable value when the final product leaves the Zone. Final duties are assessed on foreign content only.
- **Relief from Local Property Taxes:** Foreign merchandise stored in Foreign-Trade Zones, or merchandise held in a zone for export, is not subject to any state or local property taxes.
- **No Duty on Sales to the U.S. Military or NASA:** No duty is charged on merchandise sold from a Foreign-Trade Zone to the U.S. Military or NASA, returned to the country of origin for repair or simply destroyed. Whichever choice is taken, no duty is paid.

## Historic Preservation

### Historic Preservation Investment Tax Credit



Historic downtown  
Providence

Rhode Island's state tax credit for rehabilitation of historic income-producing buildings is one of the most innovative in the nation, and has generated over \$485 million in new private investment. Buildings that are listed on the National Register of Historic Places or which are located within a National Register Historic District (and contribute to the district's significance, or if it is part of a local historic district) are eligible.

The credit equals 30% of the cost of approved rehabilitation work. Exterior and interior rehab qualifies for the tax credit as long as the work meets the [Secretary of the Interior's Standards for Rehabilitating Historic Properties](#). Eligible projects include work on the roof, exterior walls, windows, foundations, structure, heating, plumbing, electrical system, and interior improvements that are capitalized to the building. In order to qualify, the project must cost at least half the value of the building (50% of adjusted basis). The entire credit may be claimed when the project is completed.

**The state tax credits may be combined with federal tax credits for historic preservation and affordable housing.** Unused portions of the credit may be taken over a 10-year period. Also, the owner does not have to use the credit him/herself, but instead can sell the credit to another individual or to a corporation. Non-profit owners can qualify for the credit and assign or sell it to a tax-paying partner or investor.

**Note: RIGL § 44-33.2 divides projects into three (3) groups and afford them different treatment depending upon what stage the project has reached as of January 1, 2008.**

**1. All projects placed in service prior to January 1, 2008 will receive the current 30% tax credit provided that processing fees are paid to the Division of Taxation (Tax Division) on or before May 15, 2008. Projects that fail to make payment by May 15, 2008 will not be eligible to receive tax credits.**

**2. Most projects that are already in progress may continue but with a reduced credit amount and higher fee. Projects which have submitted Part 1 of their application to the Commission prior to January 1, 2008 will have the option of continuing under the new rules.**

**3. Projects that submitted a Part 1 application to the Commission after December 31, 2007 will not be eligible for tax credits. Please see:**

**[http://www.riphc.state.ri.us/pdfs\\_zips\\_downloads/credits\\_pdfs/hpitc\\_pdfs/hpitc\\_reqs08-10-20.pdf](http://www.riphc.state.ri.us/pdfs_zips_downloads/credits_pdfs/hpitc_pdfs/hpitc_reqs08-10-20.pdf)**

**FOR MORE INFORMATION FOLLOW THIS WEB LINK:**

- ▶ RI Historical Preservation & Heritage Commission: <http://www.preservation.ri.gov/>

### Historic Homeowner Tax Credit

Owners of Rhode Island historic residences may claim a credit against the RI personal income tax up to 20% of certified costs for exterior restoration work in the year in which the work is completed. Most exterior repairs to the building will qualify for the tax credit as long as the work meets the Secretary of the Interior's Standards for Rehabilitating Historic Properties. Eligible projects include work on the roof, foundation, structure, exterior walls, porches, trim, windows, doors, and painting. The maximum credit per year is \$2000, and unused credits can be rolled over to future years, so long as the owner continues to live in the house and maintain its historic features.

Any applicant who owns and lives in the historic house can qualify. Buildings that are listed on the National Register of Historic Places, located within a National Register Historic District, or located in a local historic district are eligible. Single-family, two-family, and three-family residences are eligible. If the property has more than three units, restrictions apply. Rental apartments, stores, offices, and other income-producing properties are not eligible for the State Historic Homeowner Tax Credit unless one unit is owner-occupied, but may be eligible for Federal Income Tax Credits and/or State Commercial Tax Credits.

**FOR MORE INFORMATION FOLLOW THIS WEB LINK:**

- ▶ RI Historical Preservation & Heritage Commission: <http://www.preservation.ri.gov/>

## Film & Television Industry Incentives

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.



Rhode Island State House

### Motion Picture Production Tax Credit

The State of Rhode Island provides a transferable 25% tax credit against the corporate or personal income tax for all certified costs (including salaries) associated with Rhode Island primary locations of feature-length film, video, video games, television series, or commercial. There are no caps on the amount of certified costs that are eligible for the credit. A “primary location” means the locations within which at least fifty-one percent (51%) of the motion picture principal photography days are filmed. Unused credits can be carried forward for up to three years.

The film/TV commercial/video game production must be filmed primarily in the state of Rhode Island and have a minimum budget of \$300,000. 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.

#### 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>



## Small Business Incentives

### Small Business Capital Investment Tax Incentives

Small business entities or venture capital partnerships that are certified by the Rhode Island Economic Development Corporation may be eligible for three (3) 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. Personal income tax or gross premiums tax may not be reduced to less than \$0. The amount of unused deductions or modifications may not be carried over to following years.
- **Capital Gains Exclusion:** The calculation of the business corporation tax, public service corporation tax, bank excise tax or personal income 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.
- **Wage Credit:** A credit is available against an entrepreneur's personal income tax for wages paid in a qualifying business entity. The wage credit is computed annually beginning with the first calendar year in which the business first became a qualified business entity. The credit is first computed at 3% of the wages paid to employees for the calendar year in excess of \$50,000 and excludes (1) wages paid to owners; (2) wages paid more than 5 years after the start or purchase of the business; and (3) wages paid to employees who are not principally employed in Rhode Island and whose wages are not subject to Rhode Island withholding. The credit is then divided among the entrepreneurs of the qualifying business entity by using the ratio of each entrepreneur's interest compared to the total interest held by all entrepreneurs. The credit ceases in the tax year following the year in which the average annual gross revenue of the business equals or exceeds \$1,500,000.

**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 (Alphabetical)

### 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://www.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>

### Gross Premiums Tax Credits in Enterprise Zones

In addition, Rhode Island offers some of the most competitive ongoing tax incentives for job creation in Enterprise Zones. These credits may be taken against the gross premiums tax.

### 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://www.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://www.rilin.state.ri.us/Statutes/TITLE44/44-18/44-18-30.HTM>

## Interest and Usury

Rhode Island has no cap on credit card transactions and authorizes any interest rate agreed upon between lender and debtor that cannot exceed 21%.

- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE6/6-26/6-26-2.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 United States. 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 as 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)

### Artwork Exhibition

A credit is available against the personal income tax for 10% of each \$1,000 of the purchase price of qualifying artwork to a maximum purchase price of \$10,000. **The credit is available to taxpayers presenting written certification from the Board of Curators** (see RIGL 42-97). Unused credits cannot be carried forward.



Revitalized Providence waterfront

**FOR MORE INFORMATION FOLLOW THIS WEB LINK:**

- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-30/44-30-24.HTM>

### 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 RI Department of Human Services is required.**

**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:

- 30% of the total amount expended during the taxable year for services purchased and 30% 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. The maximum credit allowed is \$30,000 and the amount of unused credit may not be carried forward.
- 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 5 years.
- Credits for child daycare require confirmation that the facility agrees to accept children for whom the services are paid by Rhode Department of Human Services.

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

- ▶ RI General Law Title 44 Chapter 47: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-47/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 Laws.

**FOR 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. 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 twenty-six (26) consecutive calendar weeks immediately prior to the date of hire; and
- either: (1) received public assistance for at least 1 year preceding the date of hire or (2) have received unemployment benefits from RI 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>

## Hydroelectric Tax Credit

A hydroelectric power generator shall receive a non-refundable tax credit in the amount of 10% the installation costs of a small (less than 15,000 kW capacity) hydroelectric power production facility. The maximum credit allowed is \$50,000.

**FOR MORE INFORMATION FOLLOW THIS WEB LINK:**

- ▶ RI General Law: <http://www.rilin.state.ri.us/Statutes/TITLE44/44-30/44-30-22.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>

## Sales Tax Exemptions

### Sales Tax Rebate under RIEDC “Project Status”

Firms using bond financing programs offered through the Rhode Island Economic Development Corporation or which are given “Project Status” by the RIEDC are exempt from Rhode Island sales tax on construction materials and equipment, furniture, fixtures, machinery, computers and equipment for the facility that are not already exempt from sales tax under other provisions of the state law, e.g.: pollution control equipment. To be considered for project status, a project must result in firms wages exceeding the median annual wage by 5% (105% of median annual wage) for full-time jobs (minimum of 30 hours per week) and gain approval by the RIEDC.

### 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.

### 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.

### 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 and 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 and 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.

**FOR MORE INFORMATION FOLLOW THIS WEB LINK:**

- ▶ 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>)

### Wholesale and Retail Inventories

Cities and towns have the option of exempting wholesale and retail inventories immediately. The local property tax on wholesale & retail inventories is being phased out over 10 years beginning in 1999. The tax will be eliminated in 2009. (<http://www.rilin.state.ri.us/Statutes/TITLE44/44-3/44-3-29.1.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
<a href="#">Bristol</a>	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>Area west of Metacom Ave. is a state-designated Enterprise Zone.</li> <li>Wholesale inventories are tax-exempt.</li> <li>Business loan programs available</li> </ul>	Diane Williamson Director of Community Development (401) 253-7000
<a href="#">Burrillville</a>	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>	Thomas J. Kravitz Director of Economic Development (401) 568-4300
<a href="#">Central Falls</a>		<ul style="list-style-type: none"> <li>Entire city is a state-designated Enterprise Zone</li> <li>Job Creation Incentive program</li> <li>Business loan programs available</li> </ul>	Wayne Brown Tax Assessor (401) 727-7430

## Rhode Island Business Incentives

City/Town	Industrial/Commercial Property Tax Incentives	Other Programs/ Incentives	Local Contact Person
<a href="#">Coventry</a>	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>	Warren West Finance Director (401) 822-9130
<a href="#">Cranston</a>	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>• Portion of city is a state-designated Enterprise Zone</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>	Larry DiBoni Director of Economic Development (401) 780-3167
<a href="#">Cumberland</a>	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>• Portion of town is a state-designated Enterprise Zone</li> <li>• Wholesale inventories are tax-exempt</li> <li>• Technology property (mainframe computers, networks, R&amp;D, etc.) may be exempt from taxation</li> </ul>	John Aubin III Planning & Community Development Director (401) 728-2400
<a href="#">East Greenwich</a>		<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>	William Sequino Jr. Town Manager (401) 886-8676
<a href="#">East Providence</a>	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>• Portion of city is a state-designated Enterprise Zone</li> <li>• Business loan program available</li> </ul>	Jeanne Boyle Planning Director (401) 435-7531

## Rhode Island Business Incentives

City/Town	Industrial/Commercial Property Tax Incentives	Other Programs/ Incentives	Local Contact Person
<a href="#">Glocester</a>		<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>	Viviane Valentine Assessor (401) 568-6206, # 3
<a href="#">Hopkinton</a>	Property tax stabilization may be available on a case-by-case basis.		Steven Hazard Assessor (401) 377-7780
<a href="#">Lincoln</a>	Property tax stabilization may be available on a case-by-case basis.	<ul style="list-style-type: none"> <li>• Portion of town is a state-designated Enterprise Zone</li> <li>• Taxes on wholesale inventories are being phased-out and will be eliminated by 2008/2009</li> <li>• Accelerated depreciation of computer equipment</li> </ul>	Elaine M. Mondillo Tax Assessor (401) 333-8448
<a href="#">Middletown</a>	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>	Ron Wolanski Town Planner (401) 849-4027
<a href="#">Newport</a>	Increased property assessments may be phased in over 5 years for eligible re-use or renovation (over \$100,000) of commercial and industrial buildings that are more than 50 years old.	<ul style="list-style-type: none"> <li>• The Newport Arts and Entertainment District provides 3 different incentives:</li> <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 artists who live and work within a specified district, any income they receive from the sale of work they have created within the district is exempt from state personal income tax (RIGL 44-30-1.1)</li> <li>• For gallery spaces</li> </ul>	Mr. Paige Bronk Director of Planning (401) 845-5450



## Rhode Island Business Incentives

City/Town	Industrial/Commercial Property Tax Incentives	Other Programs/ Incentives	Local Contact Person
		<p>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</p> <ul style="list-style-type: none"> <li>• Business loan program available</li> </ul>	
<a href="#">New Shoreham</a> (Block Island)		<ul style="list-style-type: none"> <li>• Retail and wholesale inventories are tax-exempt</li> </ul>	Nancy Dodge Town Manager (401) 466-3210
<a href="#">North Kingstown</a>	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>	Jonathan Reiner Planning & Development Director (401) 294-3331, #310
<a href="#">North Providence</a>		<ul style="list-style-type: none"> <li>• Loan program available for businesses in targeted commercial areas</li> </ul>	Edward C. Civito Director of Planning and Zoning (401) 232-0900
<a href="#">North Smithfield</a>	Property tax s tabilization 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>	Michael Phillips Town Planner (401) 767-1310, #312
<a href="#">Pawtucket</a>	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>• Portion of city is a state-designated Enterprise Zone</li> <li>• Local business loan programs available</li> </ul>	Michael D. Cassidy Director of Planning (401) 724-5200
<a href="#">Portsmouth</a>	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>• Significant portion of town is a state-designated Enterprise Zone</li> <li>• Wholesale inventories are tax-exempt</li> </ul>	Bill Clark Business Development Director (401) 643-0382



## Rhode Island Business Incentives

City/Town	Industrial/Commercial Property Tax Incentives	Other Programs/ Incentives	Local Contact Person
<a href="#">Providence</a>	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>• Significant portion of city is a state and/or Federally-designated Enterprise Zone</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>	Thomas E. Deller Acting President, PEDP (401) 351-4300 Ext. 604
<a href="#">Smithfield</a>	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>	Donna Corrao Acting Town Planner (401) 233-1017
<a href="#">South Kingstown</a>	Property tax stabilization may be available on a case-by-case basis.		L. Vincent Murray Director of Planning (401) 789-9331
<a href="#">Tiverton</a>	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>• Entire town is a state-designated Enterprise Zone</li> <li>• Business loan programs are available</li> </ul>	James C. Goncalo Interim Administrator (401) 625-6710
<a href="#">Warren</a>	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>• Most of town is a state-designated Enterprise Zone</li> <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>• Artists living/selling/creating in Warren are exempt from income tax on the art sold.</li> <li>• Merchants selling art from a Warren artist are exempt from sales tax on</li> </ul>	Michelle Maher Town Planner (401) 245-2469

## Rhode Island Business Incentives

City/Town	Industrial/Commercial Property Tax Incentives	Other Programs/ Incentives	Local Contact Person
		sold products	
<a href="#">Warwick</a>		<ul style="list-style-type: none"> <li>• Business loan or façade improvement program available in target areas</li> <li>• Ten Percent tax credit to new R&amp;D facilities and equipment with a 22.5% tax credit to qualified research expenses</li> <li>• Reduction of corporate income tax rate in exchange for creating new jobs</li> <li>• Tax rebate or exemption of sales and use tax when using bonds issued by the RI Economic Development Corporation</li> </ul>	<p>Karen Jedson            Director of Tourism, Culture &amp; Development            (401) 738-2000, ext 6202</p>
<a href="#">Westerly</a>	<p>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 twenty (20) per cent of the assessed value of the industrial property or \$100,000, whichever is less.</p>		<p>Charles E. Vacca            Town Assessor            (401) 348-2541</p>
<a href="#">West Warwick</a>	<p>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.</p>	<ul style="list-style-type: none"> <li>• Most of town is a state-designated Enterprise Zone</li> <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>	<p>Robert Malavich            Town Planner            (401) 827-9026</p>
<a href="#">Woonsocket</a>	<p>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 5-10 years, depending upon the type of use. Requires job creation.</p>	<ul style="list-style-type: none"> <li>• Significant portion of city is a state-designated Enterprise Zone</li> <li>• Sites: Highland Corporate Park</li> <li>• "Technology property" (e.g. computers and research equipment) used by firms with at</li> </ul>	<p>Jeff Polucha            Economic Development Director            (401) 767-9203</p>

City/Town	Industrial/Commercial Property Tax Incentives	Other Programs/ Incentives	Local Contact Person
		<p style="text-align: center;">least 40 employees are tax-exempt</p> <ul style="list-style-type: none"> <li>• Wholesale inventories are tax-exempt</li> <li>• Local business loan program available</li> <li>• Job training tax credits available</li> </ul>	

## RIEDC Business Assistance Programs

### Every Company Counts (Small Business Assistance)

The Every Company Counts initiative provides technical assistance resources, referral, coordination and follow-up for small business seeking to start or expand in Rhode Island. The ECC program provides entrepreneurs with an extensive and growing network of professional business partners located throughout the state. ECC also offers a wide range of business resource tools and material. Please contact the ECC program at (800) 384-9704.

### Expedited Permitting (CCEC)

The RIEDC provides technical assistance, resources and coordination for companies seeking permits from Rhode Island regulatory bodies. EDC can provide for expedited approvals for project plans and improvements by issuing a certificate of critical economic concern (CCEC) to the project. Please contact RIEDC at (401) 278-9100.

### Industrial Revenue Bonds

The Rhode Island Industrial Facilities Corporation (RIIFC) is empowered to issue Industrial Revenue Bonds, which may be used to finance qualified commercial and industrial projects. Industrial Revenue Bonds are tax-exempt obligations of the issuer, the interest on which is exempt from federal and state income tax. The bonds permit a competitive interest rate and state sales tax exemption on building materials, which may be significant for projects involving new construction. Financing can cover the entire project cost. The project and the credit of the user provide the security for the bonds, which may be issued on the financial strength of the user when the user is appropriately rated, or may also be issued with an enhancement letter of credit from a financial institution.

### Tax-Exempt Small Issue Bonds

Under the provisions of the Omnibus Budget Reconciliation Act of 1993, interest on certain bonds with face amounts of less than \$10 million is excluded from income if at least 95 percent of the bonds proceeds are used to finance manufacturing facilities or machinery and equipment. Industrial Revenue Bonds are tax-exempt obligations of the issuer, the interest on which is exempt from federal and state income tax. The bonds permit a competitive interest rate and state sales tax exemption on building materials which may be significant for projects involving new construction. Financing is available through the Rhode Island Industrial Facilities Corporation and may cover the entire project cost. The project and the credit of the user provide the security for the bonds which may be issued on the financial strength of the user when the user is appropriately rated. The bonds may also be issued with an enhancement letter of credit from a financial institution.

### **Bond & Mortgage Insurance**

The Rhode Island Industrial-Recreational Building Authority (IRBA) may insure contractual principal and interest payments required under first mortgages and first security agreements issued by financial institutions and the RIIFC. Under present law, the IRBA is authorized to insure up to \$5,000,000 for any one project. The IRBA will insure the permanent bonds or mortgage once the project is completed. The applicant must provide its own interim financing.

### **Small Business Loan Fund**

SBLFC provides direct financing as a subordinated lender with area financial institutions, serving small businesses that are unable to secure financing or the full amount of proceeds necessary from a conventional lender. Special funding programs under SBLF include the Urban Enterprise Equity Fund, the Micro-Business Emerging Growth Fund and the Brownfields Revolving Fund.

The Small Business Loan Fund (SBLF) provides funding for expansion projects that will benefit Rhode Island's economy by encouraging business development. The program makes loans available for land acquisition; machinery or equipment; new buildings and facilities; and working capital. The SBLF program is restricted to small independently-owned companies involved in manufacturing; processing; marine resources; and selected services.