



State Fiscal Note for Bill Number: 2021-H-5316

Date of State Budget Office Approval: Friday, April 9, 2021

Date Requested: Friday, February 26, 2021

Date Due: Monday, March 8, 2021

<i>Impact on Expenditures</i>		<i>Impact on Revenues</i>	
FY 2021	n/a	FY 2021	n/a
FY 2022	n/a	FY 2022	See below
FY 2023	n/a	FY 2023	See below

*Explanation by State
Budget Office:*

This bill would add to Rhode Island General Laws (R.I. Gen. Laws) Title 44 entitled "Taxation," Chapter 44-70 titled "Agreement to Phase Out Corporate Incentives Act." The bill would prohibit a member state "from offering or providing any company-specific tax incentive or company-specific grant to any entity for a corporate headquarters, manufacturing facility, office space or other real estate development located in any other member state as an inducement for the corporate headquarters, manufacturing facility, office space or other real estate development to relocate to the offering member state." A "member state" is defined as "any state or the District of Columbia that has enacted a statute agreeing to this compact." Excluded from the terms "company-specific tax incentive or company-specific grant" are workforce development grants that train employees, local company-specific tax incentives or local company-specific grants, and state company-specific tax incentives or state company-specific grants that are provided to "entities for corporate headquarters, office space, manufacturing facilities or real estate developments located within" the state. The bill also creates a national board of gubernatorial appointees "charged with finding consensus around improvements to this agreement over time."

*Comments on
Sources of Funds:*

Under current law, Rhode Island is not a party to a multi-state compact that prohibits the offering or provision of state company-specific tax incentives or state-specific-grants to companies located in any of the 50 states or the District of Columbia

Generally, company-specific tax incentives offered to out-of-state companies by Rhode Island would involve tax credits that can be used against the personal income tax, the business corporation tax, the bank excise tax, etc. all of which are general revenues. Company-specific grants offered to out of state companies by the State could be made from general revenues, restricted receipts or other funds.

*Summary of Facts
and Assumptions:*

The effective date of the bill is upon passage. Given that the bill creates a multi-state compact and that the provisions of the bill cannot take effect until more than one state joins the compact, the Department of Revenue, Office of Revenue Analysis (ORA) assumed an implementation date of January 1, 2022 and thereafter.

According to a State Tax Notes story dated February 4, 2021, five other states, Arizona, Connecticut, Hawaii, Illinois, and New York have introduced identical or similar bills to this bill in the 2021 session in their respective legislatures. In 2020, 14 states, including Connecticut and Rhode Island, introduced legislation that would have adopted a multi-state compact to eliminate corporate tax incentives.

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As drafted, the bill fails to specify what happens to state company-specific tax incentives and/or state company-specific grants that are in place prior to the enactment of the compact. It is possible that the “national board of the agreement” could address this issue as part of the process for “finding consensus around improvements” to the multi-state compact over time.

Given that neither a state nor the District of Columbia has enacted a law that provides for the establishment of a multi-state compact to phase out corporate incentives, there is no determinable revenue impact from passage of the bill. ORA would note that the bill seems to preclude generally available tax incentives from the multi-state compact such as investment tax credits or research and development tax credits and targets more recently passed economic development tax incentives such as those found in the New Qualified Jobs Incentive Act of 2015 or the Rebuild Rhode Island Tax Credit.

*Summary of Fiscal
Impact:*

FY 2021: Not applicable given the assumed implementation of the bill to tax years beginning on or after January 1, 2022.

FY 2022: No revenue impact is forecast given that the provisions of the bill require multiple states to pass similar legislation for the bill to take effect.

FY 2023: No revenue impact is forecast given that the provisions of the bill require multiple states to pass similar legislation for the bill to take effect

Budget Office Signature:



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Fiscal Advisor Signature:

