



State Fiscal Note for Bill Number: 2020-H-7404

Date of State Budget Office Approval:

Date Requested:

Date Due:

Impact on Expenditures

FY 2020 Indeterminable

FY 2021 Indeterminable

FY 2022 Indeterminable

Impact on Revenues

FY 2020 Indeterminable

FY 2021 Indeterminable

FY 2022 Indeterminable

Explanation by State Budget Office:

This legislation would create a compact that states could join by enacting substantially similar legislation that would prohibit member states from offering or providing any company-specific tax incentives or grants to any entity located in any other member states as an inducement for the relocation or partial relocation of that firm (referred to as “anti-poaching”). The legislation specifies that workforce development grants that provide training to employees are excluded, as are company-specific tax incentives, credits and grants from local governments.

Comments on Sources of Funds:

This legislation may not have an impact on any source of funds if it were to pass, as no other states have passed similar legislation. However, if other states were to join the compact, this legislation could impact revenue sources, primarily business taxes but also personal income taxes, which would impact general revenue.

Summary of Facts and Assumptions:

This legislation would prevent member states from providing company-specific tax incentives and grants to any corporation located in another member state as an inducement for relocation. However, a review of media reports and a sampling of select states’ legislative actions indicates that no states have passed similar legislation, and therefore no states are currently members of the compact (similar legislation has been introduced in Illinois, Iowa, Florida, Hawaii, Maryland, New Hampshire, and New York). If no states enact this legislation and join the compact, then Rhode Island would not be prohibited from offering or providing any company-specific tax incentives or grants to any entity located in any other state as an inducement for the relocation or partial relocation of that firm. As a result, there would be no impact on State revenues and expenditures.

If other states did pass similar legislation and joined the compact, there may be State revenue and expenditures impacts. If the State could no longer offer corporations in other states company-specific tax credits and incentives, some corporations may choose not to locate in Rhode Island (to the extent that corporations base location decisions on tax credits and incentives). It is unclear to what degree this would limit the total number of corporations relocating to the state, as Rhode Island could continue to offer corporations in non-member states tax credits and incentives to induce relocation.

A reduction in the number of corporations relocating to the State could result in a variety of fiscal impacts, including:

- A decrease in tax incentives and grants expenditures would result in decreased state

Prepared by:

Christoph Demers / 4015748429 / christoph.demers@omb.ri.gov



expenditures;

•A decrease in the number of corporations locating in the State could reduce tax receipts associated directly and indirectly with that corporation, including a decrease in corporate tax receipts as well as personal income tax receipts associated with the employees that would have received income from the corporation. This would result in decreased revenues to the state.

•Increased tax revenues resulting from corporations remaining in Rhode Island instead of relocating to compact member states because they are no longer offered incentives contingent on relocation.

*Summary of Fiscal
Impact:*

This legislation could impact State revenues and expenditures in several ways. However, the fiscal impact of this legislation is indeterminable for two reasons:

1. No states have joined the compact, so there is currently no expected fiscal impact; and,
2. If states did join the compact, the fiscal impact of the legislation would depend on various firm-specific, governmental, and economic factors, several of which are unknown.

It is important to note that while the fiscal impact is indeterminable, if this legislation was enacted and other states did join the compact there is likely to be some fiscal impact.

Budget Office Signature:

Fiscal Advisor Signature: