

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Governor Gina M. Raimondo



Economic Development Tax Incentives Evaluation Act:

*Evaluation of
“Exemption from Tax for
Writers, Composers and Artists”*

(R.I. Gen. Laws § 44-30-1.1)
Tax Years 2013 through 2015

Office of Revenue Analysis

July 26, 2018

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Foreword

The *Economic Development Tax Incentives Evaluation Act: Tax Years 2013 through 2015* was prepared at the request of Paul L. Dion, Ph.D., Chief of the Office of Revenue Analysis in accordance with Rhode Island General Laws § 44-48.2-4. This report was prepared by the Office of Revenue Analysis team which includes Bethany Scanlon, Senior Economic and Policy Analyst, Joseph Codega Jr., Data Analyst III, and Madiha Zaffou, Principal Economic and Policy Analyst under the direction of Mr. Dion.

Part I: Introduction

Pursuant to Rhode Island General Laws § 44-48.2-4, titled *Rhode Island Economic Development Tax Incentives Evaluation Act of 2013*, the Chief of the Office of Revenue Analysis (ORA) is required to produce, in consultation with the Director of the Rhode Island Commerce Corporation, the Director of the Office of Management and Budget, and the Director of the Department of Labor and Training, a report that contains analyses of economic development tax incentives as listed in R.I. Gen. Laws § 44-48.2-3(1). According to R.I. Gen. Laws § 44-48.2-4(1), the report “[s]hall be completed at least once between July 1, 2014, and June 30, 2017, and no less than once every three (3) years thereafter”.

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

- 1) A baseline assessment of the tax incentive, including, if applicable, the number of aggregate jobs associated with the taxpayers receiving such tax incentive and the aggregate annual revenue that such taxpayers generate for the state through the direct taxes applied to them and through taxes applied to their employees;
- 2) The statutory and programmatic goals and intent of the tax incentive, if said goals and intentions are included in the incentive's enabling statute or legislation;
- 3) The number of taxpayers granted the tax incentive during the previous twelve-month (12) period;
- 4) The value of the tax incentive granted, and ultimately claimed, listed by the North American Industrial Classification System (NAICS) Code associated with the taxpayers receiving such benefit, if such NAICS Code is available;
- 5) An assessment and five-year (5) projection of the potential impact on the state's revenue stream from carry forwards allowed under such tax incentive;
- 6) An estimate of the economic impact of the tax incentive including, but not limited to:
 - i. A cost-benefit comparison of the revenue forgone by allowing the tax incentive compared to tax revenue generated by the taxpayer receiving the credit, including direct taxes applied to them and taxes applied to their employees;
 - ii. An estimate of the number of jobs that were the direct result of the incentive; and
 - iii. A statement by the Chief Executive Officer of the Commerce Corporation, as to whether, in his or her judgment, the statutory and programmatic goals of the tax benefit are being met, with obstacles to such goals identified, if possible;
- 7) The estimated cost to the state to administer the tax incentive if such information is available;
- 8) An estimate of the extent to which benefits of the tax incentive remained in state or flowed outside the state, if such information is available;
- 9) In the case of economic development tax incentives where measuring the economic impact is significantly limited due to data constraints, whether any changes in statute would facilitate data collection in a way that would allow for better analysis;
- 10) Whether the effectiveness of the tax incentive could be determined more definitively if the General Assembly were to clarify or modify the tax incentive's goals and intended purpose;

- 11) A recommendation as to whether the tax incentive should be continued, modified, or terminated; the basis for such recommendation; and the expected impact of such recommendation on the state's economy;
- 12) The methodology and assumptions used in carrying out the assessments, projections and analyses required pursuant to subdivisions (1) through (8) of this section.

The current report is one part of a series of reports for each one of the tax credits to be analyzed according to R.I. Gen. Laws § 44-48.2-3(1). This report concerns R.I. Gen. Laws § 44-30-1.1 entitled “Exemption from Tax for Writers, Composers and Artists” and measures the economic impact associated with the tax incentive during tax years 2013 through 2015. This analysis is performed at the micro level using information provided by the Division of Taxation. This report is divided into five sections. Section I provides a detailed description of the tax incentive and its statutory programmatic goals and intent. Section II presents some background regarding this tax incentive. Section III presents a description of the data provided and used in the analysis by ORA. Section IV assesses the economic impact generated under the Jobs Training Tax Credit. Section V discusses relevant policy recommendations that could help in the decision process as to whether the tax credit should be continued, modified, or terminated.

1. Description of the Incentive

An individual to whom R.I. Gen. Laws § 44-30-1.1 applies is entitled to have the profits or gains arising from the publication, production, or sale of a work or works be taken as a modification reducing federal adjusted gross income (AGI) for the purposes of computing the personal income tax (R.I. Gen. Laws Chapter 44-30).¹ The tax modification is available to artists, writers and composers that reside and derive income within designated economic development zones in Providence, Pawtucket, Woonsocket, Warwick, Westerly, Newport, Tiverton, Little Compton, and Warren. Taxpayers claiming this modification must submit a schedule showing the source and amount of income claimed to be exempt.²

A work is defined in R.I. Gen. Laws § 44-30-1.1(a) “an original and creative work whether written, composed, created or executed” that falls into one 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 of said film; or (8) the creation of a dance or the performance of said dance.

The “Exemption from Sales Tax for Sales by Writers, Composers and Artists” per R.I. Gen. Laws § 44-18-30B and the “Exemption from Tax for Writers, Composers and Artists” were established by R.I. Pub. Laws 1996, ch. 432, § 1. While historically linked, the two tax benefit programs have

¹ While R.I. Gen. Laws § 44-30-1.1 is titled “*Exemption* from Tax for Writers, Composers, and Artists” [emphasis added], the text of the section describes this tax benefit as a *modification*, or reduction to a taxpayer’s Rhode Island adjusted gross income, rather than an exemption, a provision designating that a certain portion of a taxpayer’s income shall not be subject to tax. This report refers to the tax benefit program either by its full statutory title of “Exemption from Tax for Writers, Composers, and Artists” or informally as simply a “modification.”

² A copy of the RI 1040 instructions form related to the Exemption from Tax for Writers, Composers and Artists is attached in the appendix.

diverged over time. Originally, eligibility criteria of both programs were narrowly defined to include only residents of selected zones within the city of Providence. Over time, various zones in cities and towns throughout the state were added. Between 1996 and 2013, geographic eligibility for both the sales tax and personal income tax exemption programs expanded in unison; bills submitted to expand to include new zones in new municipalities typically made identical revisions to both statutes. In 2013, the programs diverged when R.I. Pub. Laws 2013, ch. 144, art. 9, § 15 expanded the “Exemption from Sales Tax for Sales by Writers, Composers and Artists” to the entire state, but no such modification was made to the “Exemption from Tax for Writers, Composers and Artists”.

2. Statutory and Programmatic Goals and Intent of the Tax Incentive

This information is unavailable. Statutory and programmatic goals and the intent of the tax incentive are not defined in the enabling statute.

Part II: Benchmarking and Background

The following benchmarking and background analysis provides some historical and national context for the analysis of the Rhode Island “Exemption from Tax for Writers, Composers and Artists.” This section describes different economic factors that may facilitate the understanding of the arts activity in Rhode Island as well as in comparison states and the nation.

For the purposes of this benchmarking analysis, ORA examined employment and wages data provided by the United States Department of Labor, Bureau of Labor Statistics for different art-related occupations in Rhode Island. The following table summarizes this information for calendar years 2013 through 2015.

Rhode Island Occupational Employment Statistics:
Art-Related Occupations
(Average Calendar Years 2013 - 2015)

Occupation Code	Occupation Title	Total Employment	Jobs per Thousand Workers	Location Quotient ^a	Hourly Wages
27-1011	Art Directors	43	0.09	0.38	\$29.45
27-2031	Dancers	80	0.17	2.03	\$13.43
27-2041	Music Directors and Composers	180	0.39	2.35	\$27.39
27-2042	Musicians and Singers	263	0.57	2.03	\$18.55
27-3043	Writers and Authors	93	0.20	0.63	\$26.38
27-4021	Photographers	257	0.56	1.44	\$21.22
27-4031	Camera Operators, Television, Video, and Motion Picture	40	0.08	0.66	\$23.71
Total		957	2.06		
Average				1.28 ^b	\$22.88

Source: U.S. Department of Labor, Bureau of Labor Statistics

Notes:

^a The location quotient represents the ratio of an occupation’s share of employment in a given area to that occupation’s share of employment in the U.S. as a whole. For example, an occupation that makes up 10 percent of employment in a specific state compared with 2 percent of U.S. employment would have a location quotient of 5 for the state in question.

^b This average was calculated using the “weighted harmonic mean” method which is the result of dividing the number of observations by the sum of reciprocals of the observations, weighted by total employment. This method is generally preferable when calculating an average for rates and ratios and is equivalent to calculating the combined location quotient for all occupations included in the table.

The occupations included in the table above represent a variety of occupations assumed by ORA to be eligible for the modification and for which data were available. This table is not intended to be a comprehensive listing of all modification-eligible individuals or a full accounting of all arts-related employment. Instead, this table is intended to provide additional information regarding the concentration and characteristics of some typical arts-related occupations in Rhode Island.

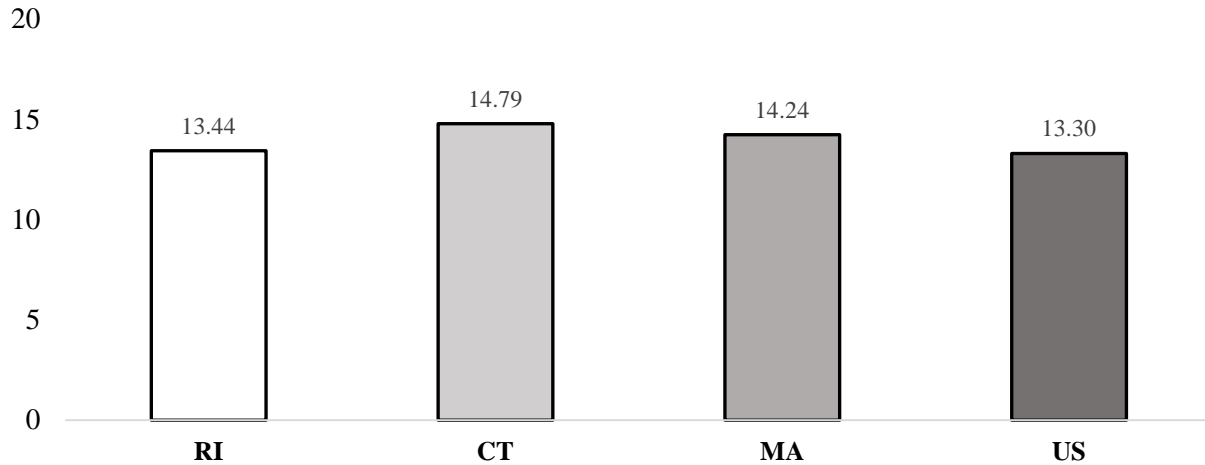
The location quotients provided in the table indicate whether the relative concentration of each occupation in Rhode Island is higher or lower than that of the nation. A location quotient of 1.0 indicates that concentration of local employment in that particular industry as a percentage of the total local workforce is the same as it is for the country as a whole. A quotient greater than 1.0 indicates a higher concentration of local employment relative to the national average, and less than 1.0 indicates a lower concentration of local employment vis-à-vis the U.S. average. Rhode Island has a higher concentration of employment for four of the seven selected arts-related occupations. Concentration of employment across all seven occupations outpaces the national average with a ratio of 1.28 – in other words, there is 28 percent more employment in selected arts-related occupations in Rhode Island when compared to the national average.

The table above also includes the average wages in each occupation and the overall average. The table indicates that the average hourly wage in selected arts-related occupations in Rhode Island was \$22.88 during the time period of calendar years 2013 through 2015. For purposes of comparison, the average hourly wage in Rhode Island for all occupations was \$23.90 and nationwide for all occupations it was \$22.76 for the same time period.

In addition, using data from United States Department of Labor, Bureau of Labor Statistics, ORA selected the “Arts, Design, Entertainment, Sports, and Media Occupations” (Occupation Code: 27-0000) to represent a broad category of art occupations, and compared the employment activity for these occupations in Rhode Island and other states. ORA is aware that this category may include some occupations that are not related those defined in R.I. Gen. Laws § 44-30-1.1(a)³, however, ORA determined this category to be the most suitable option for capturing arts-related occupational employment in multiple states for comparison purposes. ORA encountered significant data non-availability due to small sample populations when analyzing more specific occupational categories. The selected comparison states are Rhode Island’s two neighbors, Massachusetts and Connecticut. Additionally, the table provides a comparison to the national average. The following bar graph shows employment in the Arts, Design, Entertainment, Sports, and Media Occupations as a portion of the total workforce:

³ R.I. Gen. Laws § 44-30-1.1(a) states that:” For the purposes of this section, a "work" means an original and creative work, whether written, composed, created or executed for "one-of-a-kind, limited" production, before or after the passing of this section, which falls into one 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 of said film; (8) the creation of a dance or the performance of said dance. For purposes of this section, a "work" does not apply to any piece or performance created or executed for industry oriented or related production.”

Jobs per Thousand Workers:
Arts, Design, Entertainment, Sports, and Media Occupations*
(Average Calendar Years: 2013-2015)



Source: U.S. Department of Labor, Bureau of Labor Statistics

*Jobs per thousand workers calculated as total employment in private sector Arts, Design, Entertainment, Sports, and Media Occupations (Occupation Code: 27-0000) divided by total employment in all private sector industries x 1,000

The bar graph shows that Rhode Island has a concentration of Arts, Design, Entertainment, Sports, and Media jobs that is slightly higher than the national average but lower than the neighboring states of Massachusetts and Connecticut⁴.

With respect to the quality of Arts, Design, Entertainment, Sports, and Media jobs, ORA examined hourly wage and location quotient for these occupations in the Rhode Island, comparison states, and nationwide. The following table presents this information using a three-year average for calendar years 2013 through 2015:

⁴ It should be noted that this data provides slightly different information when compared to the data presented in the previous table. The data in the bar graph shows that arts, design, entertainment, sports and media occupations employment in Rhode Island outpaces the nation by only one percent, while the previous table indicates that Rhode Island arts related occupations employment outpaced the nation by 28 percent. This discrepancy is due to the fact that the “Arts, Design, Entertainment, Sports, and Media Occupations” is a broader category containing more jobs than the seven categories representing arts related occupations. The other states included in this chart did not have the same level of detail as Rhode Island in their occupational data available to allow for a comparison of arts related occupations as presented in the table.

Location Quotient & Hourly Wage:
Arts, Design, Entertainment, Sports, and Media Occupations

(Average Calendar Years: 2013-2015)

	RI	CT	MA	US
Location Quotient	1.01	1.11	1.07	1.00
Hourly Wage	\$25.10	\$27.50	\$28.08	\$26.98

Source: U.S. Department of Labor, Bureau of Labor Statistics

The table shows that the Arts, Design, Entertainment, Sports, and Media jobs pay less in Rhode Island when compared to Connecticut, Massachusetts and nationwide. In addition, the location quotient represents the ratio of the Arts, Design, Entertainment, Sports and Media occupations' share of employment in a Rhode Island to those same occupations' share of employment in the U.S. Rhode Island is found to have the lowest location quotient in the three-state region.⁵

⁵ The location quotient for “Arts, Design, Entertainment, Sports, and Media Occupations” is 1.01, which is lower than the location quotient for the seven selected arts occupations presented previously. The discrepancy between these two location quotients can be explained by the fact that the seven arts related occupations represents a narrow subset of occupations for which occupation-level data were available for all states and the “Arts, Design, Entertainment, Sports, and Media Occupations” is a broader category of employment. For example, Connecticut is the home state of ESPN, a sports broadcast network, and likely, as a result, has a significant level of employment in the Media category of the Arts, Design, Entertainment, Sports and Media occupations. Similarly, Massachusetts is the home state of the region’s five major professional sports teams (the Boston Bruins, the Boston Celtics, the Boston Red Sox, the New England Patriots, and the New England Revolution) and likely, as a result, has a substantive level of employment in the Sports category of the Arts, Design, Entertainment, Sports, and Media occupations.

Part III: Report Data Description

The analysis of the “Exemption from Tax for Writers, Composers and Artists” in this report required an analysis of micro-level taxpayer data. ORA encountered significant challenges related to data access. In order to gain sufficient access to data while respecting confidentiality concerns, ORA entered into Memoranda of Understanding (MOU) with the Rhode Island Department of Revenue, Division of Taxation (Division of Taxation), Rhode Island Department of Labor and Training (DLT), and Rhode Island Commerce Corporation (CommerceRI). These MOUs sought to preserve the confidentiality of individually identifiable taxpayers consistent with the statutory mandates regarding secrecy and confidentiality of taxpayer information. In this context, ORA relied on data provided by the Division of Taxation for tax years 2013, 2014, and 2015, to the extent such information were provided, as required by R.I. Gen. Laws § 44-48.2-5(b). The data provided by the Division of Taxation consist of the following:

- Withholding tax payment records on file provided by the Division of Taxation’s Employer Tax Section;
- Modification amounts in each tax year subject to the current analysis;
- ORA Personal Income Tax Simulation Model (ORA PIT Model). The ORA PIT Model is constructed using the most recent personal income tax return data made available by the Division of Taxation. At the time of analysis, the most recent personal income tax return data made available to ORA was for tax year 2015.
- Cost of tax credit administration.

ORA made no attempt to verify the accuracy of the data provided and made minimal corrections to the data in order to be able to execute specific calculations for the report. The data included in this report are unaudited and reported as compiled.

1. Number of Taxpayers Granted Tax Benefit

According to the Division of Taxation a total of 273 individuals received the “Exemption from Tax for Writers, Composers and Artists” over tax years 2013 through 2015, with a total of \$2.91 million being deducted from federal AGI prior to the computation of Rhode Island personal income tax liability. Effectively, this means that in the tax year 2013 through tax year 2015 period, \$2.91 million of income received from the production or execution of “an original and creative work” was received free from the burden of the state personal income tax. The following table provides a breakdown of the program recipients and the corresponding modification amounts received by tax year and by residency status:

“Exemption from Tax for Writers, Composers and Artists”:
Modification Amounts and Number of Recipients

(Tax Years 2013 – 2015)

	TY 2013	TY 2014	TY 2015	Average	Total
<i>RI Residents</i>					
Count of Taxpayers	61	71	93	75	225
Modification Amount	\$754,986	\$771,419	\$885,882	\$804,096	\$2,412,287
<i>RI Non-Residents and Part-Year Residents*</i>					
Count of Taxpayers	10	23	15	16	48
Modification Amount	\$34,319	\$430,309	\$30,710	\$165,113	\$495,338
<i>Total</i>					
Count of Taxpayers	71	94	108	91	273
Modification Amount	\$789,305	\$1,201,728	\$916,592	\$969,208	\$2,907,625

Source: ORA PIT model simulation using data provided by the Division of Taxation

Note:

* “RI Non-Residents” includes both non-residents, who did not reside in the state for any portion of the year, as well as part-year residents, who resided in the state for a portion of the year. In tax year 2013, ORA was unable to obtain data describing the breakdown of tax filings by non-resident vs. part-year resident status. In tax years 2014 and 2015, ORA was able to obtain such data but it cannot be disclosed due to taxpayer confidentiality concerns. ORA is able to release aggregated data describing tax years 2014 and 2015 combined. Of the 38 non-resident and part-year resident tax filings in which a modification was claimed in tax years 2014 and 2015, there were a total of 22 non-resident tax filings for which a modification amount of \$238,561 was claimed and a total of 16 part-year resident tax filings for which a total of \$222,458 in modification was claimed.

It should be noted that the “Exemption from Tax for Writers, Composers and Artists” is available for Rhode Island residents and part-year residents only. Individuals who did not live in the state for the entire tax year are eligible to take the modification reducing their federal AGI when filing a non-resident tax return, provided they met the eligibility criteria defined under R.I. Gen Laws § 44-30-1.1 during the time they lived in the state. ORA assumes that non-residents, who did not live in the state for any portion of the tax year, would be ineligible to take the modification.⁶ ORA is unable to provide any documentation as to the extent of the possible usage of the modification by non-residents.

In addition, ORA calculated the Rhode Island tax liability for each taxpayer under TY 2013, TY 2014 and TY 2015 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years. The results for both calculations were summed across all taxpayers. Revenue forgone is determined by taking the difference between the two tax liability calculations. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal Adjusted Gross Income (AGI).

⁶ One possible explanation for this outcome is that full-year or part-year Rhode Island income tax filers who were bona fide residents of eligible designated economic development zones in Providence, Pawtucket, Woonsocket, Warwick, Westerly, Newport, Tiverton, Little Compton, and Warren submitted their Rhode Island income tax returns from business addresses located outside of the state or used paid preparers who filed these tax filers tax returns from a business office outside of the state.

The following table provides a description of the number of taxpayers receiving the tax incentive and the corresponding forgone revenue amounts in each tax year:

“Exemption from Tax for Writers, Composers and Artists”:
Revenue Forgone and Number of Recipients

(Tax Years 2013 – 2015)

	TY 2013	TY 2014	TY 2015	Average	Total
<u>RI Residents</u>					
Count of Taxpayers	61	71	93	75	225
Revenue Forgone	\$24,481	\$26,835	\$24,315	\$25,210	\$75,630
Avg. Tax Savings	\$401.33	\$377.96	\$261.45	\$336.13	
<u>RI Non-Residents and Part-Year Residents*</u>					
Count of Taxpayers	10	23	15	16	48
Revenue Forgone	\$196	\$5,218	\$416	\$1,943	\$5,831
Avg. Tax Savings	\$19.60	\$226.87	\$27.73	\$121.44	
<u>Total</u>					
Count of Taxpayers	71	94	108	91	273
Revenue Forgone	\$24,677	\$32,053	\$24,731	\$27,154	\$81,461
Avg. Tax Savings	\$347.56	\$340.99	\$228.99	\$298.40	

Source: ORA PIT model simulation using data provided by the Division of Taxation

Note:

* As noted previously, ORA was unable to obtain data describing the breakdown of tax filings by non-resident vs. part-year resident status in tax year 2013. In tax years 2014 and 2015, ORA was able to obtain such data but it cannot be disclosed due to taxpayer confidentiality concerns. ORA is able to release aggregated data describing tax years 2014 and 2015 in total. Of the 38 non-resident and part-year resident tax filings in which a modification was claimed in tax years 2014 and 2015, there were a total of 22 non-resident tax filings resulting in \$447 in personal income tax revenue forgone and a total of 16 part-year resident tax filings resulting in a total of \$5,187 in personal income tax revenue forgone.

2. Direct Taxes Paid by Recipients

The Division of Taxation provided ORA with data on personal income tax (PIT) paid by the “Exemption from Tax for Writers, Composers and Artists” recipients for tax years 2013 through 2015. The following table describes the breakdown of this information by taxpayer’s residency status.

Recipients of the Exemption from Tax for Writers, Composers and Artists:
Personal Income Taxes Paid by Recipients
(Tax Years 2013 – 2015)

	TY 2013	TY 2014	TY 2015	Average	Total
<u>RI Residents</u>					
Count of Taxpayers	61	71	93	75	225
Taxes Paid	\$69,991	\$119,374	\$146,685	\$112,017	\$336,051
Avg. Taxes Paid	\$1,147.39	\$1,681.32	\$1,577.26	\$1,493.56	
<u>RI Non-Residents and Part-Year Residents</u>					
Count of Taxpayers	10	23	15	16	48
Taxes Paid	\$3,479	\$45,104	\$5,165	\$17,916	\$53,749
Avg. Taxes Paid	\$347.90	\$1,961.04	\$344.33	\$1,119.75	
<u>Total</u>					
Count of Taxpayers	71	94	108	91	273
Taxes Paid	\$73,470	\$164,478	\$151,851	\$129,933	\$389,799
Avg. Taxes Paid	\$1,034.79	\$1,749.77	\$1,406.03	\$1,427.84	

Source: ORA PIT model simulation using data provided by the Division of Taxation

Note:

* As noted previously, ORA was unable to obtain data describing the breakdown of tax filings by non-resident vs. part-year resident status in tax year 2013. In tax years 2014 and 2015, ORA was able to obtain such data but it cannot be disclosed due to taxpayer confidentiality concerns. ORA is able to release aggregated data describing tax years 2014 and 2015 in total. Of the 38 non-resident and part-year resident tax filings in which a modification was claimed in tax years 2014 and 2015, there were a total of 22 non-resident tax filings resulting in \$45,409 in total personal income taxes paid and a total of 16 part-year resident tax filings resulting in a total of \$4,860 in personal income taxes paid.

The previous two tables provide some insight into the scope of the taxes saved and the taxes paid by users of the “Exemption from Tax for Writers, Composers and Artists”. What is interesting to note is the ratio of the tax savings a user receives to the user’s final tax liability. For TY 2013, the ratio of average tax savings to average taxes paid by all filers is 0.3359 meaning that the average tax savings from the tax incentive was a third of the average taxes paid by recipients of the incentive. For TY 2014 the comparable ratio is 0.1945 while for TY 2015 it is 0.1629. On average over the TY 2013 through TY 2015 period, the ratio of average tax savings to average taxes paid is 0.2090 indicating that the tax savings from the tax incentive was approximately 20 percent of the average taxes paid by recipients of the incentive.

3. Cost of Administration

ORA surveyed the Division of Taxation to ascertain the cost for the administration of the “Exemption from Tax for Writers, Composers and Artists.” The table below provides information on the direct cost incurred by the Division of Taxation during tax years 2013 through 2015 to administer this tax incentive.

“Exemption from Tax for Writers, Composers and Artists”:
Cost of Administration
 (Tax Years 2013 – 2015)

Cost-Incurring Entity	TY13	TY14	TY15	Total	Average
Division of Taxation	\$3,274	\$4,659	\$4,575	\$12,508	\$4,169

Source: Division of Taxation

4. Measuring the extent to which benefits remained in the state

R.I. Gen. Laws § 44-48.2-5(a)(8) requires that this analysis report on the extent to which benefits associated with the tax incentive remained in the state, if such information is available. In consideration of this requirement, ORA has presented tables on taxes paid by recipients by resident vs. non-resident status throughout this report.

5. Additional Data Analysis

- *“Exemption from Tax for Writers, Composers and Artist” by Geographical Areas*

Under R.I. Gen Laws § 44-30-1.1, the “Exemption from Tax for Writers, Composers and Artists” is available only for individuals that reside within designated economic development zones in Providence, Pawtucket, Woonsocket, Warwick, Westerly, Newport, Tiverton, Little Compton, and Warren.⁷ Using data provided by the Division of Taxation on recipients of the “Exemption from Tax for Writers, Composers and Artists,” ORA matched each tax modification recipient’s zip code to the corresponding city/town name.⁸ ORA assumed that any taxpayer living in a town that contained a designated economic development zone met modification eligibility criteria with respect to residency.⁹ Additionally, some of the zip codes provided were not valid and therefore no match for city or town was found. The following table presents a detailed description of the tax modification amount, the personal income taxes (PIT) paid by recipients, and the count of taxpayers by geographical areas for tax years 2013 through 2015:

⁷ In addition to the requirement that taxpayers must reside in a designated economic development zone, the amount of the modification is limited to income derived from sources within the zone. ORA did not have access to data and therefore was unable to verify the extent to which taxpayers claiming the modification had income derived from sources within designated economic development zones.

⁸ The ORA Personal Income Tax Simulation Model is anonymized and includes only selected fields from each tax return; therefore, while ZIP Code is insufficient for determining whether a taxpayer resided within a qualified Economic Development Zone, it is the most precise determination of taxpayer address available to ORA.

⁹ It should be noted that Economic Development Zones generally only comprise a portion of each municipality, so it is possible that ORA assumed that some taxpayers were residents of the Economic Development Zone when in fact that they lived inside the municipality containing the zone but not within the boundaries of the zone. In the absence of more precise address data, ORA chose to liberally assume taxpayer compliance. Furthermore, it is possible that a taxpayer could have listed some non-eligible ZIP Code on their tax return but have been eligible for the credit nonetheless (*e.g.*, a taxpayer moved between two locations within Rhode Island, a head of household filing on behalf of dependents, a taxpayer providing the address of a business or tax preparer, *et al.*)

“Exemption from Tax for Writers, Composers and Artists”
Breakdown of Data by Geographical Areas
(Total Tax Years 2013 – 2015)

	Identified Taxpayers Potentially Residing in Designated Areas ^a	Identified Taxpayers Potentially Residing Outside Designated Areas	Non- Identified Taxpayers	Total
Modification Amount				
Amount in (\$)	\$1,777,384	\$340,929	\$789,312	\$2,907,625
Percent of the Total	61.1%	11.7%	27.0%	100.0%
PIT Paid				
Amount in (\$)	\$175,693	\$155,904	\$58,202	\$389,799
Percent of the Total	45.1%	40.0%	14.9%	100.0%
Forgone Revenue				
Amount in (\$)	\$49,597	\$14,369	\$17,495	\$81,461
Percent of the Total	60.9%	17.6%	21.5%	100%
Count of Taxpayers				
Total Number	160	57	56	273
Percent of the Total	58.6%	20.9%	20.5%	100.0%

Source: ORA calculations using data provided by the Division of Taxation

Note:

^a A taxpayer is considered “potentially residing in designated areas” if they provided a ZIP Code on their tax return located in a municipality containing a designated economic development zone as outlined in R.I. Gen. Laws § 44-30-1.1. In cases in which the designated economic development zone included only a portion of a municipality, ORA was unable to verify whether the taxpayer resided in the portion of the municipality that was within the designated economic development zone.

^b A taxpayer is considered “potentially residing outside designated areas” if they provided a ZIP Code on their tax return located in a municipality that did *not* contain a designated economic development zone. While unusual, an ineligible ZIP does not by itself indicate that a taxpayer is violating the modification eligibility criteria (*e.g.*, a taxpayer moved between two locations within Rhode Island, a head of household filing on behalf of dependents, a taxpayer providing the address of a business or tax preparer, *et al.*)

The data in the table above show that, during tax years 2013 through 2015, 58.6 percent of the total modification recipients were identified as potentially residing in the designated economic development zones as defined in the governing statute, claiming 61.1 percent of the total modification amount and paying 45.1 percent of the total taxes paid during the three-year period. The remaining 41.4 percent of recipients, claiming 38.7 percent of the total modification amount and 54.9 percent of personal income taxes paid, are comprised of taxpayers identified as potentially living outside designated zones or for whom residence location could not be identified.

- “*Exemption from Tax for Writers, Composers and Artists*” by Modified Federal AGI

Furthermore, ORA divided the data provided by the Division of Taxation into four quartiles based on taxpayers modified federal AGI in order to draw comparisons between income groups. Each quartile contains 25 percent of the total data based on income that was ordered from lowest to highest. The following table defines the top, middle, and bottom of the income distribution and

describes taxpayers’ average modification amount received and average tax saving associated with each income quartile.

“Exemption from Tax for Writers, Composers and Artists” Recipients:
Descriptive Statistics

(Total Calendar Years 2013 – 2015)

	Modified Fed AGI Range	Average Modified Fed AGI *	Average Modification Amount	Average Tax Saving
Quartile 1	Less than \$12,000	\$(5,000)	\$21,725	\$261
Quartile 2	\$12,000 - \$44,000	\$26,000	\$3,589	\$117
Quartile 3	\$44,000 - \$77,000	\$59,000	\$6,308	\$248
Quartile 4	More than \$77,000	\$275,000	\$10,818	\$423

Source: ORA calculations using data provided by the Division of Taxation

Note:

*Amounts are rounded to the nearest \$1,000 to protect taxpayers’ confidentiality.

During tax years 2013 through 2015, the range of income levels that took a writers, composers, and artists modification reducing federal AGI was \$(140,000) to \$3,500,000. The table shows that the bottom fourth quartile of taxpayers had an average modified federal AGI of \$(5,000) and claimed a higher average modification amount when compared to the other groups. The second quartile, which represents the median taxpayer with an average modified federal AGI of \$26,000, claimed the lowest average modification amount and had the lowest average tax saving. The highest average tax saving was attained by the upper 25 percent of taxpayers with an average income level of \$275,000.

Part IV: Evaluation of the Economic Impact of the Tax Credit

This section of the report addresses two major objectives defined in R.I. Gen. Laws § 44-48.2-5: first, to provide a projection of the potential impact of the “Exemption from Tax for Writers, Composers and Artists” on state revenues from projected future use and carryforward; and, second, to produce a breakeven cost-benefit analysis that can determine the net impact on state revenues resulting from the tax incentive.

1. Assessment and Five-Year Projection of Revenue

ORA assumes that the issuance of the “Exemption from Tax for Writers, Composers and Artists” under current law will follow historical issuance patterns. Therefore, ORA assumed a three-year moving average in the total amount of the modification that would be assigned in future calendar years. The following table provides the distribution of the anticipated amount of the tax modification to be issued in each tax year.

“Exemption from Tax for Writers, Composers and Artists”: Revenue Forgone Projections

Tax Year	Amount
2016	\$27,154
2017	\$27,979
2018	\$26,621
2019	\$27,251
2020	\$27,284

Source: ORA calculations based on data provided by the Division of Taxation

Notes: Projections are constructed as a three-year moving average of the tax modification usage by tax year. Most recent three years of historical data included in moving average are tax years 2013 through 2015.

2. “Breakeven” Cost-Benefit Analysis

Pursuant to in R.I. Gen. Laws § 44-48.2-5(a)(6) (i), ORA is required to produce “An estimate of the economic impact of the tax incentive including, but not limited to a cost-benefit comparison of the revenue forgone by allowing the tax incentive compared to tax revenue generated by the taxpayer receiving the credit, including direct taxes applied to them and taxes applied to their employees.” ORA assumes negligible economic impact due to the relatively insignificant amount of modification claimed. The paucity and unreliability of data would have further complicated analysis. Therefore, no cost benefit analysis is completed for the current report.

Part V: Discussion and Recommendations

1. Statement by the CEO of the Commerce Corporation

The Secretary of Commerce, who serves as Chief Executive Officer of the Rhode Island Commerce Corporation pursuant to R.I. Gen. Laws 42-64-1.1(b), provided the following statement pursuant to R.I. Gen. Laws § 44-48.2-5(a)(6)(iii):

Statement from the CEO of the Commerce Corporation:

Artists, composers, and writers are a significant contributor to the state’s economy, and the Commerce Corporation continues to support the state’s efforts to encourage the works of these talented individuals and to cultivate a creative cultural environment in Rhode Island. Despite the absence of statutory goals, the Office of Revenue Analysis’s (ORA) report has found that the program’s realized dollar-amount usage is relatively small and, consequently, ORA assumes negligible economic impact from the program. This finding suggests a need for increased research of whether targeting the profits and gains of qualified works, among other potential options, is the optimal approach. Moreover, the Commerce Corporation recommends further study into tax and economic development strategies that support the arts and artists.

2. ORA Recommendations

Finding #1: The statutory goals of the “Exemption from Tax for Writers, Composers and Artists” are NOT defined in R. I. Gen. Laws § 44-30-1.1. Therefore, it is not possible to measure performance against statutory objectives.

Related Recommendations:

- Policymakers should determine goals and objective of the tax incentive program in order to provide guidance to evaluators.

Discussion Supporting Finding #1:

R.I. Gen. Laws § 44-48.2-5(a)(10) requires the Office of Revenue Analysis to offer recommendations “as to whether the effectiveness of the tax incentive could be determined more definitively if the general assembly were to clarify or modify the tax incentive’s goals and intended purpose.” Such analysis is not possible with respect to the “Exemption from Tax for Writers, Composers and Artists” because no statutory goals exist.

The success of a tax incentive program is usually related to how much of its goals and objectives was achieved. In this context, the lack of statutory goals makes it very difficult to evaluate the “Exemption from Tax for Writers, Composers and Artists” given that the behavior the program is trying to incentivize is not defined under the program’s governing statute.

Confidentiality concerns prevented the disclosure of certain metrics required by R.I. Gen. Laws § 44-48.2. Defining statutory goals could also inform what if any statutory data reporting

requirements for the modification beneficiaries could be implemented to improve transparency and accountability.

Finding #2: The cost of administration represents a significant portion of the benefits delivered to taxpayers.

Related Recommendations:

- ORA recommends modifying or repealing the tax incentive, considering that the relatively high cost of administration directs a large portion of the cost to the state from benefiting taxpayers.

Discussion Supporting Finding #2:

The average annual revenue forgone as a result of the “Exemption from Tax for Writers, Composers and Artists” was \$27,154. The average annual cost of administration reported by the Division of Taxation over this same time period was \$4,169. Therefore, the cost to administer the credit represents 13.3 percent of the total cost to the state of \$31,323. This high cost may not be due to the fact that the credit program is particularly demanding to administer, but rather that there is such little usage that even modest fixed administration expenses represent a significant portion of the total program cost.

Finding #3: R.I. Gen Laws § 44-30-1.1 states that the “Exemption from Tax for Writers, Composers and Artists” is available only for individuals that reside within designated economic development zones. However, data suggest that the modification may have been utilized by individuals living outside of these designated areas.

Related Recommendations:

- Administrators should implement additional procedures to verify that the tax incentive is only claimed by eligible taxpayers.

Discussion Supporting Finding #3:

R.I. Gen Laws § 44-30-1.1 clearly defines the eligibility standards related to the place of residence for individuals claiming the “Exemption from Tax for Writers, Composers and Artists.” However, taking a closer look at taxpayers’ data provided by the Division of Taxation, specifically when looking at the zip codes associated with each taxpayer, ORA found that 20.9 percent of taxpayers had ZIP Codes within municipalities that did not contain any economic development zones in tax years 2013 through 2015. The modifications claimed by this group of potentially ineligible taxpayers resulted in \$14,369 of foregone personal income tax revenue over the three-year period. Additionally, ORA was unable to verify the ZIP Code of the residential address for an additional 20.5 percent of taxpayers. The modifications claimed by this group of unidentified taxpayers resulted in \$17,495 of foregone personal income tax revenue over the three-year period.

The Division of Taxation is the most appropriate state agency to receive data related to the “Exemption from Tax for Writers, Composers and Artists.” For data to be reliable and verifiable,

it may need to contain personally identifiable information. The Division of Taxation is equipped to safeguard such data appropriately. Furthermore, the enabling statute of the “Exemption from Tax for Writers, Composers and Artists” provides the tax administrator with significant flexibility to define and structure data requests and modify existing forms’ content as appropriate.

Finding #4: RI 1040 Instructions Form requires that the taxpayers claiming the “Exemption from Tax for Writers, Composers and Artists” submit a schedule showing the source and amount of income claimed to be exempt. However, no standardized schedule is designed for this tax incentive.

Related Recommendations:

- Policy makers should consider designing a standardized schedule for taxpayers claiming the “Exemption from Tax for Writers, Composers and Artists.”

Discussion Supporting Finding #4:

One option for policymakers to consider is the design of a standardized schedule for the “Exemption from Tax for Writers, Composers and Artists” that highlights the eligibility requirements of the program as defined in the enabling statute and requires taxpayers to provide information to verify their compliance with eligibility criteria in a standardized format. Currently the tax incentive recipients are required to attach supporting documentation to their personal income tax return submission in the form a non-standardized, taxpayer prepared “schedule.” This may leave some flexibility to taxpayers as to what and how much information to provide. A non-standardized schedule also presents a burden to evaluators as they have to manually enter data into a analyzable format and make subjective judgments when categorizing taxpayer-provided data.

A standardized form will ensure the tax incentive rules are easily understood and consistently followed. It will also help eliminate any ambiguity that a taxpayer may have regarding the eligibility requirements of the tax incentive and avoid making mistakes. For example, an important feature that could be captured in a standardized schedule is the place of residency and business of the taxpayers claiming this modification. In fact, ORA was not able to define economic development zones for 20.5 percent of the recipients because they provided invalid zip codes on their tax return forms. A standardized schedule would also streamline any necessary auditing or other compliance actions when enforcing modification eligibility requirements.

Therefore, the standardization of this schedule will be beneficial both for taxpayers, in terms of reducing compliance costs and exposure to documentation-related penalties, and for tax administrations due to enhanced transparency and consistency.

Finding #5: While historically interrelated, over time the legislative history of the “Sales Tax Exemption for Sales by Writers, Composers and Artists” per R.I. Gen. Laws § 44-18-30B and the “Exemption from Tax for Writers, Composers and Artists” per R.I. Gen. Laws § 44-30-1.1 diverged when the sales tax exemption was expanded statewide in 2013.

The “Exemption from Sales Tax for Writers, Composers and Artists” persisted in a more limited form but has received relatively little attention and usage as evidenced by the fact that it lacks several key statutory elements that are present in the sales tax exemption statute that would improve the administration and evaluation of the program.

Related Recommendations:

- Policymakers should consider the role of the “Exemption from Tax for Writers, Composers and Artists” in the context of a statewide strategic goals for arts expenditures.
- At a minimum, the “Exemption from Tax for Writers, Composers and Artists” should be included in the annual report conducted by the Tax Administrator in evaluation of the sales tax exemption for the arts required pursuant to R.I. Gen. Laws § 44-18-30B(h)(5)

Discussion Supporting Finding #5:

The “Exemption from Tax for Writers, Composers and Artists” is a small piece of total statewide spending on the arts. During tax years 2013 through 2015 this modification cost the state \$31,323 in terms of forgone tax revenue and cost of administration on an average annual basis. To put this in context, this represents 1.2 percent of the average annual budget for the Rhode Island State Arts Council of \$2,587,626 for the period of fiscal years 2013 through 2015. The modification represented 2.0 percent of the average annual forgone revenue from the “Exemption from Sales Tax for Sales by Writers, Composers and Artists” of \$1,541,462 for the period of fiscal years 2013 through 2015 as published in the Rhode Island Department of Revenue, Office of Revenue Analysis, 2016 Tax Expenditures Report.

With the relatively small scale of the modification in mind, it is not practical to administer or evaluate the program in isolation. Instead, ORA recommends that this program be administered and evaluated in the alongside other statewide arts initiatives. For example, R.I. Gen. Laws § 44-18-30B(h)(4) required the coordination of multiple stakeholders when originally implementing the statewide sales tax exemption. These interested parties included the Rhode Island Council on the Arts, state tourism agencies, local chambers of commerce, advertising/marketing agencies, as well as city and town governments. In general, the statute defining the sales tax exemption contains greater description of the requirements imposed on taxpayers to maintain compliance with the exemption and ascribes broad powers of enforcement to the tax administrator.

R.I. Gen. Laws § 44-18-30B(h)(5) further requires an annual report evaluating the effectiveness of the program:

“(5) The tax administrator, in cooperation with the Rhode Island council on the arts, will gather data to assess the overall impact of the statewide arts district

program, and issue an annual report, including, but not be limited to, the impact of the tax exemption on employment, tourism, sales, and spending within the arts sector and adjacent businesses, and any other factors that describe the impact of the program.”¹⁰

While it is not practical to conduct this type of analysis on a program as small as this modification, it may be more efficient and meaningful to evaluate the sales tax exemption and personal income tax modification together.

Finding #6: “Exemption from Tax for Writers, Composers and Artists” does not contain a sunset provision, representing a best practice of tax incentive design.

Related Recommendations:

- Add a sunset provision

Discussion Supporting Finding #6:

It is generally advisable to determine a specific timeline for the tax incentive program as a part of the original legislation. This will minimize the potential revenue losses suffered by the state that may occur in case the program fails to accomplish its targeted objectives and goals. A sunset provision provides a date certain at which lawmakers must reconsider whether the tax benefit program continues to meet statutory goals.

3. ORA Conclusions and Overall Recommendation

R.I. Gen. Laws § 44-48.2-5(a) (11) requires the Office of Revenue analysis to make a recommendation “as to whether the tax incentive should be continued, modified, or terminated.” The Office of Revenue Analysis recommends that the “Exemption from Tax for Writers, Composers and Artists” be reconsidered according to the recommendations described in the previous section.

¹⁰ 2015 annual report on “Impact of Sales Tax Exemption for Artistic Works” can be accessed at: <http://www.tax.ri.gov/Tax%20Website/TAX/reports/Sales%20Tax%20Exemption%20on%20Artistic%20Works/2015%20art%20report.pdf>

Appendix

Exhibit A: An Extract of RI Form 1040 Instructions

Column A: For each W-2 or 1099 being entered, leave blank if the W-2 or 1099 is for you. Enter an "S" if the W-2 or 1099 belongs to your spouse.

Column B: For each W-2 or 1099 being entered, leave blank if the information being entered is from a W-2. For all 1099s being entered, refer to the chart on Schedule W and enter the applicable letter code.

Column C: For each W-2 or 1099 being entered, enter the name of the employer or payer.

Column D: For each W-2, enter the employer's state identification number from box 15 of the W-2. Note: The state identification number may be different than the employer's federal identification number. Be sure to enter the identification number from box 15, rather than box b of the W-2. For each 1099, enter the payer's federal identification number.

DO NOT ENTER MORE THAN 9 DIGITS FOR THE ID NUMBER. IF "00" FOLLOWS THE 9 DIGIT ID NUMBER, DO NOT ENTER THE "00".

Column E: For each W-2 or 1099, enter the amount of Rhode Island withholding as shown on each form. See chart on Schedule W for box reference.

Line 16 - Total Rhode Island Income Tax Withheld. Add the amounts from Column E, lines 1 through 15. Enter the total here and on RI-1040, line 14a.

Line 17 - Enter the number of W-2s and 1099s entered on lines 1-15 showing Rhode Island income tax withheld.

Schedule W plus all W-2s and 1099s with Rhode Island withholding must be attached to your Rhode Island return in order to receive credit for your Rhode Island withholding tax amount.

RI SCHEDULE M RI MODIFICATIONS TO FEDERAL ADJUSTED GROSS INCOME

A complete list of modifications is available on RI Schedule M.

Modification amounts must be entered on the appropriate modification line.

You must attach all supporting schedules to any modification claimed.

If modification amounts are not listed properly on this schedule and/or supporting documents are not attached, the processing of your return will be delayed.

Modifications Decreasing Federal AGI:

Line 1a - Income from obligations of the United States Government to the extent included in adjusted gross income for federal tax purposes but exempt for state purposes. However, this amount shall be reduced by any investment interest incurred or continued on the obligation which has been taken as a federal itemized deduction. Example - US Government Series E bond interest. Taxpayers claiming these modifications must submit a schedule showing the source and amount of income claimed to be exempt. RIGL §44-30-12(c)(1)

Line 1b - Rhode Island fiduciary adjustment under RIGL §44-30-17. A fiduciary adjustment is allowed for a beneficiary for income that maintains its character as it flows from the fiduciary. For example, if the estate or trust has tax exempt interest, the beneficiary would be allowed an adjustment for the tax exempt interest and would list that fiduciary adjustment on this line.

Line 1c - Elective deduction for new research and development facilities under RIGL §44-32-1.

Line 1d - Under the Federal 1974 Railroad Retirement Act, the entire amount of Railroad Retirement benefits included in gross income for federal income tax purposes are exempt from state income taxes.

Line 1e - Qualifying investment in a certified venture capital partnership under RIGL §44-43-2.

Line 1f - Family Education Accounts under RIGL §44-30-25(f).

Line 1g - Tuition Saving Program (section 529 accounts) RIGL §44-30-12(c)(4) - A modification decreasing federal adjusted gross income may be

claimed for any contributions made to a Rhode Island account under the tuition savings program. The maximum modification shall not exceed \$500, \$1,000 if a joint return. (See General Instructions on page I-3 for more details).

Line 1h - Exemptions from tax on profit or gain for writers, composers and artists residing within a section of the defined Economic Development Zone as defined in RIGL §44-30-1.1 within the cities of Newport, Providence, Pawtucket, Woonsocket or Warwick, or the Towns of Little Compton, Tiverton, Warren or Westerly and creating artistic works while a resident of the Zone. Taxpayers claiming these modifications must submit a schedule showing the source and amount of income claimed to be exempt.

Line 1i - Depreciation that has not been taken for federal purposes because of the bonus depreciation that must be subtracted from Rhode Island income - RIGL §44-61-1. (See General Instructions on page I-2 for more details)

Line 1j - Depreciation that has not been taken for federal purposes because of the increased section 179 depreciation was not taken originally - RIGL §44-61-1.1. (See General Instructions on page I-3 for more details).

Line 1k - Allowable modification for performance based compensation realized by an eligible employee under the Rhode Island Jobs Growth Act under RIGL §42-64.11-4.

Line 1l - Modification for exclusion for qualifying option under RIGL §44-39.3 AND modification for exclusion for qualifying securities or investments under RIGL §44-43-8.

Line 1m - Modification for Tax Incentives for Employers under RIGL §44-55-4.1. Attach Form RI-107.

Line 1n - Tax credit income claimed on Federal return exempt for Rhode Island purposes: Historic Structures - Tax Credit income under RIGL §44-33.2-3(e)(2), Historic Preservation Tax Credits 2013 income under RIGL §44-31.2-9(c), Motion Picture Production Company Tax Credit income or Musical and Theatrical Production Tax Credit income under RIGL §44-31.3-2(b)(6),

Line 1o - Active duty military pay of Nonresidents stationed in Rhode Island, as well as the income of their nonresident spouses for services performed in Rhode Island. Income for services performed by the servicemember's spouse in Rhode Island would be exempt from Rhode Island income tax only if the servicemember's spouse moves to Rhode Island solely to be with the servicemember complying with military orders sending him/her to Rhode Island. The servicemember and the servicemember's spouse must also share the same non-Rhode Island domicile.

Not all income earned by the servicemember or his/her spouse is exempt from Rhode Island income tax. Non-military pay of the servicemember, as well as business income, gambling winnings or income from the ownership or disposition of real or tangible property earned from Rhode Island by either the servicemember or his/her spouse is still subject to Rhode Island income tax.

Note: The military servicemember and/or his/her spouse may be asked to submit proof of residency to support taking this modification.

Line 1p - Contributions to a Scituate Medical Savings Account deemed taxable under the Internal Revenue Code, but tax exempt under RIGL §44-30-25.1(d)(1).

Line 1q - Amounts of insurance benefits for dependents and domestic partners included in Federal adjusted gross income pursuant to chapter 12 under title 36 under §44-30-12(c)(6).

Line 1r - Rhode Island full-year residents only. Up to \$10,000 in unreimbursed expenses for travel, lodging and lost wages incurred by an individual as a result of the individual donating one or more of his/her organs to another human being for organ transplantation under RIGL §44-30-12(c)(7). Modification can only be taken once during the lifetime of the individual and is taken in the year that the human organ transplantation occurs.

Line 1s - Under RIGL §42-64.3-7 a domiciliary of an enterprise zone who owns and operates a qualified business facility in that zone may, for the first three years after certification, reduce federal AGI by \$50,000 per year and may, for the fourth and fifth years, reduce federal AGI by \$25,000 per year.

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Exhibit B: Definition of Economic Development Zones by R.I. Gen Laws § 44-30-1.1(a) through § 44-30-1.1(b)

“(a) This section shall only apply to writers, composers and artists residing within a section of the defined economic development zone within the city of Providence, Pawtucket, Woonsocket or Warwick, or the economic development zone within the town of Westerly as defined in § 44-18-30B(c)(1)(i), or within the city of Newport or within the town of Tiverton or the town of Little Compton, or within those areas of the town of Warren which are zoned "waterfront district," "special district," "village business district," "manufacturing district," "business district" or "Warren historic district", or a tax pass-through entity wholly owned by one or more such individuals and who create such work while residing in the zone, or in the case of Newport or the town of Little Compton, within those areas of the city or town which are zoned "general business," "waterfront business" or "limited business" or have been designated by the city of Newport as part of the arts district, or in the case of Warren, within those areas of the town which are zoned "waterfront district," "special district," "village business district," "manufacturing district," "business district" or "Warren historic district," or in the case of Tiverton with those areas of the town which are zoned "business commercial," "business waterfront" or "village commercial." For the purposes of this section, a "work" means an original and creative work, whether written, composed, created or executed for "one-of-a-kind, limited" production, before or after the passing of this section, which falls into one 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 of said film; (8) the creation of a dance or the performance of said dance. For purposes of this section, a "work" does not apply to any piece or performance created or executed for industry oriented or related production.

(b)(1) This section shall apply to any individual:

(i) Who is a resident within the section of the economic development zone designated as the arts and entertainment district in the downtown areas of the cities of Providence, Woonsocket or Pawtucket, and deriving the income exempted from within said district while a resident of said zone, or who is a resident within the section of the arts and entertainment district in the town of Westerly, as defined in § 44-18-30B(c)(1)(i) and who derives the income exempted from within said district while a resident of said zone. For the purposes of this section, the "Providence arts and entertainment district" is defined as the area bounded by Pine Street to the southeast, Dorrance Street to the northeast, Sabin Street to the northwest and Empire Street to the southwest. Said Providence arts and entertainment district also includes the area beginning at the point of intersection of Acorn Street and Harris Avenue, then turning east onto Atwells Avenue to Service Road 7, then turning southerly onto Service Road 7 to Westminster Street, then turning westerly onto Westminster Street, continuing until Bridgham, then turning south onto Bridgham to Cranston Street, then turning southwesterly onto Cranston Street, then continuing to Messer Street, then turning north onto Messer Street to Westminster Street, turning west onto Westminster Street to US Hwy 6 off ramp, then heading west on US Hwy 6 to Sheridan Street, then heading northeast on Sheridan Street to Aleppo Street, then turning southeast along Aleppo Street to Pelham Street, then heading northeast on Pelham Street to Manton Avenue, then continuing southeast on Manton Avenue until Delaine Street, then heading northeast on Delaine Street until Appleton Street, then

continuing northwesterly on Appleton Street until Bowdoin Street, then heading north on Bowdoin Street until Barstow Street, then heading east on Barstow until Valley Street, then heading northeast on Valley Street to Hemlock Street, then turning southeast on Hemlock Street until Promenade Street, then heading east on Promenade Street to Acorn Street, then heading south on Acorn Street to the intersection of Acorn Street and Harris Avenue. The abovementioned streets shall be included in the district. The "Westerly arts and entertainment district" is defined in § 44-18-30B(c)(1)(i). The "Pawtucket arts and entertainment district" shall be defined as the area beginning at the point of intersection of Dexter Street and the Central Falls line, then east along the Central Falls Line to the Blackstone River, then north along the city boundary on the Blackstone River to the Cumberland line, then west along the Pawtucket city boundary line to I-95, then south along I-95 to Pine Street, then north on Pine Street to AMTRAK Right of Way, then northwest along the AMTRAK Right of Way to Dexter Street, then north on Dexter Street to the Central Falls line. The abovementioned streets shall be included in the district. The "Woonsocket arts and entertainment district" shall be defined as the area beginning at a point of land on the southwest bank of the Blackstone River abutting the bridge for the Providence & Worcester Railroad and proceeding northerly to a point at the intersection of Worrall Street, Clinton Street and Harry S. Truman Drive, then proceeding northwesterly along Worrall Street to its intersection with Social Street, then turning westerly on Social Street proceeding to its intersection with Main Street, Blackstone Street and North Main Street, then turning northwesterly and proceeding along Blackstone Street to its intersection with River Street, then turning northerly and proceeding along River Street to its intersection with the northeast bank of Blackstone River, then following the riverbank southerly to the bridge at Bernon Street and turning easterly crossing the Blackstone River via Bernon Street and proceeding to its intersection with Front Street, then turning northeasterly on Front Street and proceeding to its intersection with Hamlet Avenue, and to include the former Courthouse on the southerly side of Front Street at its intersection with Hamlet Avenue, then turning easterly on Hamlet Avenue and proceeding to its intersection with Manville Road, then turning southeasterly on Manville Road and proceeding to its intersection with Davison Avenue, then turning northeasterly on Davison Avenue and proceeding to a point on the southwest bank of the Blackstone River, then turning northerly, following the southerly riverbank to the point of beginning. The abovementioned streets are included in the district. The Warwick arts district is defined as that area known as Pontiac Village, beginning on Route 5 at the Warwick/Cranston municipal boundary, then south to the intersection of Route 5 and the Pawtuxet River, then following the Pawtuxet River in an easterly and northerly direction to the municipal boundary in the vicinity of Knight Street, then from the intersection of Knight Street and the municipal boundary westerly along the Warwick/Cranston municipal boundary to the intersection of Route 5 and Greenwich Avenue. The above named streets are included in the district."