STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Governor Gina M. Raimondo

Fiscal Year 2013

Unified Economic Development Report

Office of Revenue Analysis

Issue Date: October 12, 2016

List of Companies That Did Not Comply with Rhode Island General Law

The following companies that received tax incentives or benefits as reported by the Division of Taxation in the *Tax Credit and Incentive Report – Fiscal Year 2013* did not comply with Rhode Island General Law as it pertains to the submission to the Tax Administrator of "each full-time equivalent, part-time or seasonal employee's name, social security number, date of hire, and hourly wage as of the immediately preceding July 1" by September 1 of the year immediately following the fiscal year contained in the report. The lack of reporting of this required data may prevent the Office of Revenue Analysis from conducting a complete cost-benefit analysis of the tax incentives or benefits listed below.

Project Status Sales and Use Tax Exemption:

Statutory Reference: Rhode Island General Law Section 42-64-10(k)

1. Immunex Rhode Island Corp.
   1 Amgen Center Drive
   Thousand Oaks, CA 91320
2. Parmatech Proform Corporation
   55 Service Avenue
   Warwick, RI 02886

Jobs Development Act Business Corporations Tax Rate Reduction:

Statutory Reference: Rhode Island General Law Section 42-64.5-8

1. AAA Southern New England and Subsidiaries
   110 Royal Little Drive
   Providence, RI 02904
2. AAA Southern New England Bank
   110 Royal Little Drive
   Providence, RI 02904

Enterprise Zone Wage Tax Credit:

Statutory Reference: Rhode Island General Law Section 42-64.3-6.1(h)

1. Child Care Connection, Inc. dba The Children's Workshop
   45 Industrial Road, Suite 100
   Cumberland, RI 02864

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Introduction

Rhode Island General Law § 42-142-6, titled *Annual Unified Economic Development Report*, requires the Director of the Department of Revenue to "compile and publish…an annual unified economic development report which shall provide…comprehensive information regarding the tax credits or other tax benefits conferred pursuant to §§ 42-64-10, 44-63-3, 42-64.5-5, 42-64.3-1, and 44-31.2-6.1 during the preceding fiscal year". The Director of Revenue tasked the Chief of the Office of Revenue Analysis with executing this requirement.

Part I of the report includes the required comprehensive information as follows:

1. The name of each tax credit / tax benefit recipient and the dollar amount of each tax credit or other tax benefit received;
2. Summaries of the full-time and part-time jobs created or retained for each tax credit / tax benefit recipient;
3. The employee benefits offered by each tax credit / tax benefit recipient;
4. The degree to which each tax credit / tax benefit recipient met the job creation and retention and wage and benefit goals and requirements of the tax credit / tax benefit, if any such goals and requirements exist for the recipient of the tax credit / tax benefit;
5. Aggregate dollar amounts for each tax credit or other tax benefit;
6. The total number of jobs created or retained for each tax credit or other tax benefit;
7. An overview of the employee benefits offered for each tax credit or other tax benefit;
8. The degree to which each tax credit or other tax benefit has met the job creation and retention and wage and benefit goals and requirements, if any such goals and requirements exist for the tax credit / tax benefit;
9. The cost to the State and the approving agency for each tax credit or other tax benefit conferred;
10. To the extent possible, the amounts of tax credits or other tax benefits by geographical area within the state; and
11. The extent to which any employees and/or recipients of the tax credits or other tax benefits have received RIte Care or RIte Share benefits or assistance.

In addition to the comprehensive information noted above, beginning January 15, 2014, the *Annual Unified Economic Development Report* is to include a cost-benefit analysis, prepared by the Office of Revenue Analysis, based upon the data collected for the report, to the extent that appropriate data exists for such an analysis to be conducted. The *FY 2013 Unified Economic*

Development Report is the first report that is subject to this requirement. The cost-benefit analysis for each of the tax incentives noted above "may include, but shall not be limited to,"

1. The cost to the state for the foregone revenue attributable to the tax credit or tax benefit;
2. The cost to administer the tax credit or tax benefit (this information is already captured in 9. above);
3. The projected revenues gained from the tax credit or tax benefit;
4. Other metrics that can be measured for the tax credit or tax benefit along with a baseline assessment of the original intent of the legislation;
5. The stated purpose of the tax credit or tax benefit to the extent that it is provided in the enabling legislation; and
6. Any measurable goals established by the granting authority of the tax credit or tax benefit.

If possible, the cost-benefit analysis shall cover a five-year period projecting the cost and benefits over this period. The cost-benefit analysis of the tax credits or tax benefits cited above are in Part II of this report.

It should be noted that the statute[1] governing the Annual Unified Economic Development Report does not require the Director of Revenue to opine on or make recommendations concerning the tax credits or other tax benefits contained in the report. The statute simply requires the Director of Revenue to report on the tax credits or other tax benefits based on the data provided to the Division of Taxation.

Tax Credits / Tax Benefits Included in the Report

The tax credits / tax benefits covered by this report are:

- **Rhode Island General Law § 42-64-10**. This tax benefit, commonly referred to as *Project Status*, provides a sales and use tax exemption to lessees or sub-lessees of the Rhode Island Economic Development Corporation[2] (RIEDC) for "materials used in the construction, reconstruction, or rehabilitation" of a project approved by the Rhode Island Economic Development Corporation "and to the acquisition of fixtures, furniture, and equipment except automobiles, trucks and other motor vehicles, or materials that otherwise are depreciable and have a useful life of one (1) year or more" provided that said items are used in the project. The sales and use tax exemption cannot exceed "an amount equal to the income tax revenue received by the state from the new full-time jobs with benefits…generated by the project within a

[1] The complete statute covering the Annual Unified Economic Development Report is contained in Appendix A.

[2] Rhode Island General Law Chapter 42-64 entitled "Rhode Island Commerce Corporation" transferred the duties and powers of the Rhode Island Economic Development Corporation to the Rhode Island Commerce Corporation. Passage of the act making this transfer occurred during the 2013 Session of the General Assembly effective January 1, 2014. This report covers FY 2013 which transpired prior to passage of this act and thus the Rhode Island Economic Development Corporation name is used throughout this report.

period of three (3) years from after the receipt of a certificate of occupancy for any given phase of the project".

In exchange for this sales and use tax exemption, RIEDC establishes the number of new jobs that must be added and maintained by the lessee or sub-lessee. In addition, the statute requires that the lessee or sub-lessee pay the new employees one hundred and five percent (105%) of the annual median wage for full-time jobs within the qualifying company's industry. The new jobs must also come with a health insurance and retirement benefit package that is typical for the qualifying company's industry. The sales tax benefits granted a lessee or sub-lessee is effective only for projects approved prior to July 1, 2011.

Recipients of the Project Status sales and use tax exemption generally enter into agreements with RIEDC that cover the amount of money that must be invested in the project, the Project Status lessee's base employment, the number of new jobs the Project Status lessee must add as a result of the grant of project status, the wage that the Project Status lessee must pay its employees, the benefits package that the Project Status lessee must offer its employees, the time frame under which the Project Status lessee must meet its employment and wage and benefit goals, and the length of time for which the Project Status agreement is in effect. Conditions contained in these agreements, particularly those entered into in the 1990s may contain employment and wage goals that differ from those specified in statute. The Office of Revenue Analysis, upon the advice of Department of Revenue legal counsel, measured the achievement of Project Status objectives by a lessee as these objectives were outlined in the lessee's Project Status agreement rather than as they are indicated in state law.

- **Rhode Island General Law § 44-63-3**. Titled *Incentives for Innovation and Growth*, Rhode Island General Law § 44-63-3 provides for a credit against the business corporation tax (Rhode Island General Law Chapter 44-11), the franchise tax (Rhode Island General Law Chapter 44-12)[3], and the personal income tax (Rhode Island General Law Chapter 44-30)[4] "in an amount equal to fifty percent (50%) of any investment made" in a company that operates in an "innovation industry". For an investment in an "innovation industry" company to be eligible for this credit, the company must have had gross revenues of less than $1,000,000 in each of the preceding two calendar years.

  The maximum amount of an individual credit is $100,000. Determination of company eligibility for the receipt of such an investment is made by the Rhode Island Economic Development Corporation in conjunction with the Rhode Island Science and Technology Advisory Council (RISTAC). The aggregate amount of tax credits that can be issued in any two year period is $1,000,000.

[3] The franchise tax was repealed during the 2014 legislative session effective for tax years beginning on or after January 1, 2015. See Rhode Island Public Law Chapter 145, Article 12, Section 20.

[4] The Incentives for Innovation and Growth tax credit was allowed against the personal income tax for tax years ending on or before December 31, 2010.

No employment or wage criteria need to be met by the qualifying company in order to receive the credit. The Rhode Island Economic Development Corporation (RIEDC) is required, however, to produce an impact analysis which, among other things, requires RIEDC to identify "[T]he approximate number of full-time, part-time, temporary, seasonal, and/or permanent jobs projected to be created, construction and non-construction", "[T]he approximate wage rates for each category of the identified jobs" and "[T]he types of fringe benefits to be provided with the identified jobs, including health care insurance and any retirement benefits". Finally, the Incentives for Innovation and Growth tax credit sunsets on December 31, 2016.

- **Rhode Island General Law § 42-64.5-5**. Titled *Jobs Development Act*, Rhode Island General Law § 42-64.5-5 provides for a reduction in the business corporation tax rate for each new unit of employment that is added to a company's previously established base employment. A unit of employment consists of ten (10) new full-time equivalent employees for companies with base employment levels of one hundred (100) or less full-time employees or fifty (50) new full-time equivalent employees for companies with base employment of more than one hundred (100) full-time employees. For each unit of employment added the qualifying company receives a one-quarter of one percent (0.25%) reduction in the business corporation tax rate up to a maximum reduction of six percent (6%) for all companies other than telecommunications companies which receive a maximum reduction of one percent (1%).[5] Failure to maintain employment levels above the base employment results in the permanent expiration of the rate reduction.

  Prior to July 1, 2009, a full-time equivalent active employee was any employee who worked at least 30 hours per week or two or more part-time employees whose combined weekly hours totaled at least 30 hours per week. In addition to hiring new employees, companies that qualified for the rate reduction prior to July 1, 2009 had to pay each new employee one hundred and fifty percent (150%) of the hourly minimum wage as prescribed by Rhode Island law at the time the employee was first treated as a full-time equivalent active employee. For companies that qualified for the rate reduction prior to July 1, 2009, there were no requirements as to the provision of health and retirement benefits.

  For companies that qualify for the Jobs Development Act rate reduction on or after July 1, 2009, new full-time equivalent active employees are employees that work at least 30 hours per week and are paid two hundred and fifty percent (250%) of the hourly minimum wage as prescribed by Rhode Island law at the time the employee

[5] Passage of Article 12 of 14-H-7133 Substitute A as amended, titled "Relating to Making Appropriations for the Support of the State for the Fiscal Year Ending June 30, 2015" changed the rate reduction allowed for each unit of new employment and the maximum rate reduction allowed under Rhode Island General Law § 42-64.5-5 effective for tax years beginning on or after January 1, 2015. For tax years beginning on or after January 1, 2015, the tax rate imposed under Rhode Island General Law § 44-11-2 on the apportioned net income of C-corporations is reduced to 7.0 percent (from the current law tax rate of 9.0 percent). For all tax years in which the 7.0 percent business corporation tax rate applies (i.e., January 1, 2015 and thereafter), the rate reduction for each new unit of employment allowed under Rhode Island General Law § 42-64.5-5 is reduced to one-fifth of one percent (0.20%) and the maximum rate reduction allowed is reduced to four percent (4%).

was first treated as a full-time equivalent active employee. Companies that qualify for the rate reduction on or after July 1, 2009 must also provide to each full-time equivalent active employee "healthcare insurance benefits, and retirement benefits".

- **Rhode Island General Law § 42-64.3-1**. Titled *Distressed Areas Economic Revitalization Act*, Rhode Island General Law § 42-64.3-1 is commonly referred to as the Enterprise Zone Wage Credit. The Enterprise Zone Wage Credit provides for a tax credit against the business corporation tax (Rhode Island General Law Chapter 44-11), the public service corporation tax (Rhode Island General Law Chapter 44-13 except for § 44-13-13), the taxation of banks (Rhode Island General Law Chapter 44-14), the taxation of insurance companies (Rhode Island General Law Chapter 44-17), or the personal income tax (Rhode Island General Law Chapter 44-30).[6] Only companies located in a designated enterprise zone, as determined by the Rhode Island Enterprise Zone Council (RIEZC), are eligible for the credit.

  The allowable tax credit is equal to fifty percent (50%) of the wages paid to a newly hired employee, up to a maximum of $2,500, if the employee does not reside in a designated enterprise zone, or seventy-five percent (75%) of wages paid, up to a maximum of $5,000, if the employee is domiciled in a designated enterprise zone. In order to qualify for the credit, the qualifying company must increase total employment by at least five percent (5%) from the previous calendar year and have its total Rhode Island payroll exceed the prior year's total Rhode Island payroll. There are no benefit criteria to receive this tax credit. Unused amounts of the tax credit can be carried forward for up to three years provided that when the carry forward amount is used, the tax credit recipient has not lowered its employment below the levels that were required for the recipient to earn the tax credit in the first place.[7]

- **Rhode Island General Law § 44-31.2-6.1**. Titled *Motion Picture Production Tax Credits*, Rhode Island General Law § 44-31.2-6.1 provides a motion picture production company a tax credit against the business corporation tax (Rhode Island General Law Chapter 44-11), the taxation of banks (Rhode Island General Law Chapter 44-14), the taxation of insurance companies (Rhode Island General Law Chapter 44-17), or the personal income tax (Rhode Island General Law Chapter 44-30) in an amount of "twenty-five percent (25%) of the state certified production costs incurred directly attributable to activity within the state, provided that the primary locations are within the state of Rhode Island." For motion picture productions that were certified prior to July 1, 2012, primary locations are locations at which at least fifty-one percent (51%) of the principal photography days were filmed in Rhode Island. In addition, the minimum amount of state certified production costs incurred is $300,000 for those motion picture productions that were certified prior to July 1, 2012.

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[6] The Enterprise Zone Wage Credit was allowed against the personal income tax for tax years ending on or before December 31, 2010.

[7] No new Enterprise Zone tax credits will be issued on or after July 1, 2015 unless the business has received certification prior to this date.

For motion picture productions that are certified on or after July 1, 2012, the minimum amount of state certified production costs incurred is $100,000 and primary locations are defined as locations (1) at which at least fifty-one percent (51%) of the principal photography days were filmed in Rhode Island; or (2) at which at least fifty-one percent (51%) of the motion picture's final production budget is spent and at which at least five (5) individuals are employed in Rhode Island; or (3) for documentary productions, at which at least fifty-one percent (51%) of the total production costs, including both pre- and post-production costs, are incurred in Rhode Island. Finally, the amount of credit allowed any single production is capped at $5,000,000.

Effective July 1, 2012, qualified musical and theatrical productions are allowed a tax credit equal to twenty-five percent (25%) of the total production and performance expenditures and transportation expenditures against the business corporation tax (Rhode Island General Law Chapter 44-11), the taxation of banks (Rhode Island General Law Chapter 44-14), the taxation of insurance companies (Rhode Island General Law Chapter 44-17), or the personal income tax (Rhode Island General Law Chapter 44-30). The total production budget for these productions must be at least $100,000 and the total amount of credit earned is capped at $5,000,000 per production.

Motion picture and musical and theatrical productions must be certified as eligible for a tax credit by the Rhode Island Film and TV Office (RIFTVO). In each case, the tax credit is assignable and transferable and effective January 1, 2008 the total amount of credits issued for both motion picture and musical and theatrical productions are capped at $15,000,000 in total for both sets of credits. Finally, no motion picture or musical and theatrical production tax credits can be issued on or after July 1, 2019.[8]

No employment or wage criteria need to be met by the motion picture or musical and theatrical production company in order to qualify for the credit. RIFTVO is required, however, to produce an impact analysis which, among other things, requires RIFTVO to identify "[T]he approximate number of full-time, part-time, temporary, seasonal, and/or permanent jobs projected to be created, construction and non-construction", "[T]he approximate wage rates for each category of the identified jobs" and "[T]he types of fringe benefits to be provided with the identified jobs, including health care insurance and any retirement benefits".

Data Collected for the Report

In the 2011 session[9], the General Assembly amended Rhode Island General Law §§ 42-64-10, 42-64.3-6.1, 42-64.5-8, 44-31.2-6.1 and 44-63-3 to require that "[O]n or before September 1 2011, and every September 1 thereafter" the recipients of tax credits / tax benefits under the

[8] Article 13, Section 17 of 16-H-7454 Substitute A as amended extended the date after which no motion picture or musical and theatrical production tax credits can be issued to July 1, 2021.

[9] See Rhode Island Public Laws 2011, Chapter 151, Article 19, §§ 5 – 8.

Rhode Island Economic Development Corporation's Project Status designation, Distressed Areas Economic Revitalization Act, Jobs Development Act,[10] Motion Picture Production Tax Credits, and Incentives for Innovation and Growth provide the tax administrator with an annual report containing "each full-time equivalent, part-time or seasonal employee's name, social security number, date of hire, and hourly wage as of the immediately preceding July 1 and such other information deemed necessary by the tax administrator." The annual reports filed by the recipients of the tax benefits received under these various statutes are the source of the data provided in this report. Calculations included in the report were done by the Office of Revenue Analysis based on this data. The accuracy of the data is the sole responsibility of the recipients of the tax credits / tax benefits and not the Office of Revenue Analysis.

The Office of Revenue Analysis (ORA) obtained tax credit / tax benefit amounts from the Rhode Island Division of Taxation's *Tax Credit and Incentive Report — Fiscal Year 2013.* Detailed data on "each full-time equivalent, part-time, or seasonal employee's name, social security number, date of hire, and hourly wage as of the immediately preceding July 1" for each tax benefit recipient was also provided to ORA by the Division of Taxation. Any errors of fact or interpretation of the data provided by the Division of Taxation are the sole responsibility of the Office of Revenue Analysis. ORA provided the Rhode Island Executive Office of Health and Human Services (EOHHS) with social security numbers of all employees, by employer, so that EOHHS could determine the extent to which a given tax credit / tax benefit recipient's employees utilized the state's RIte Care and RIte Share health insurance programs.

Office of Revenue Analysis' Approach to the Report

The Department of Revenue's Office of Revenue Analysis (ORA) was tasked by the Director to produce Part I of the report required by Rhode Island General Law § 42-142-6. The Office of Revenue Analysis relied on the data provided to the Division of Taxation, to the extent such data was provided, as required by Rhode Island General Law §§ 42-64-10(k), 42-64.3-6.1(h), 42-64.5-8, 44-31.2-6.1(h) and 44-63-3(i). 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 is unaudited and reported as compiled.

[10] In the case of the Jobs Development Act the effective dates of the reporting requirement are "[O]n or before September 1, 2009 and every September 1 thereafter.

Part I

Required Comprehensive Information

Summary of Part I Findings

The table below lists, by tax credit / tax benefit, the aggregate dollar amounts and the number of recipients of each tax credit or other tax benefit for FY 2013:

Name of Tax Credit / Tax Benefit	Aggregate Dollar Amounts	Number of Recipients^
RI Economic Development Corporation – Project Status	$ 2,164,797	6
Incentives for Innovation and Growth	0	0
Jobs Development Act	15,283,897	6
Distressed Areas Economic Revitalization Act	383,503	7
Motion Picture Production Tax Credit	70,723	1
^ Figures in column do not represent the unique number of recipients of a tax credit / tax benefit as recipients may qualify for more than one tax credit / tax benefit. Subsidiaries of parent companies that qualified for a tax credit / tax benefit are reported with the parent company and count as one recipient.		

The table below lists, by tax credit / tax benefit and to the extent possible, the amounts of tax credits and other tax benefits by geographical area in FY 2013:

Geographical Area (in alphabetical order)	Amount of Tax Credit / Tax Benefit
Cumberland	$194,818
East Providence	90,962
Johnston	350,000
Middletown	9,851
North Kingstown	582,894
Portsmouth	2,500
Providence	300,776
Smithfield	244,327
Warren	40,294
West Greenwich	258,315
Woonsocket	15,588,862
It should be noted that $239,322 of tax incentives could not be tied to a single geographic area.	

The table below lists, by tax credit / tax benefit, an overview of the employee benefits offered and the number of tax credit / tax benefit recipients that offered employee benefits in FY 2013:

Name of Tax Credit / Tax Benefit	**Number of Recipients Offering Health Insurance**	**Number of Recipients Offering Retirement**
RI Economic Development Corporation – Project Status ^	3	2
Incentives for Innovation and Growth	n/a	n/a
Jobs Development Act*	5	5
Distressed Areas Economic Revitalization Act †	6	4
Motion Picture Production Tax Credit	1	0

^ Figure reflects those tax credit / tax benefit recipients that provided data to the Division of Taxation as required by Rhode Island General Law § 42-64-10. Two tax credit / tax benefit recipients failed to provide the required data to the Division of Taxation.

* Figure reflects those tax credit / tax benefit recipients that provided data to the Division of Taxation as required by Rhode Island General Law § 42-64.5-8. One tax credit / tax benefit recipient failed to provide the required data to the Division of Taxation.

† Figure reflects those tax credit / tax benefit recipients that provided data to the Division of Taxation as required by Rhode Island General Law § 42-64.3-6.1. One tax credit / tax benefit recipient failed to provide the required data to the Division of Taxation.

The table below lists, by tax credit / tax benefit, the degree to which tax credit / tax benefit recipients met job creation and retention goals in FY 2013:

Name of Tax Credit / Tax Benefit	Percentage of Recipients That Met Job Creation/Retention Goals
RI Economic Development Corporation – Project Status ^	100.0
Incentives for Innovation and Growth	No Job Creation / Retention Goals Specified
Jobs Development Act *	80.0
Distressed Areas Economic Revitalization Act †	100.0
Motion Picture Production Tax Credit	No Job Creation / Retention Goals Specified

^ Figure reflects those tax credit / tax benefit recipients that provided data to the Division of Taxation as required by Rhode Island General Law § 42-64-10. Two tax credit / tax benefit recipients failed to provide the required data to the Division of Taxation. One tax credit / tax benefit recipient provided the required data to the Division of Taxation, but the Office of Revenue Analysis was unable to determine whether the job creation/retention goals were met from the data provided. These three tax credit / tax benefit recipients are not included in the percentage calculation.

* Figure reflects those tax credit / tax benefit recipients that provided data to the Division of Taxation as required by Rhode Island General Law § 42-64.5-8. One tax credit / tax benefit recipient failed to provide the required data to the Division of Taxation

† Figure reflects data as provided by the Rhode Island Economic Development Corporation's Enterprise Zone Council. No attempt was made to verify the figures provided by the Enterprise Zone Council.

The table below lists, by tax credit / tax benefit, the degree to which tax credit / tax benefit recipients met wage and benefit goals in FY 2013:

Name of Tax Credit / Tax Benefit	**Percentage of Recipients That Met Wage and Benefit Goals**
RI Economic Development Corporation – Project Status ^	100.0
Incentives for Innovation and Growth	No Wage or Benefit Goals Specified
Jobs Development Act *	100.0
Distressed Areas Economic Revitalization Act †	100.0 / No Benefit Goal Specified
Motion Picture Production Tax Credit	No Wage or Benefit Goals Specified

^ Figure reflects those tax credit / tax benefit recipients that provided data to the Division of Taxation as required by Rhode Island General Law § 42-64-10. Two tax credit / tax benefit recipients failed to provide the required data to the Division of Taxation. One tax credit / tax benefit recipient provided the required data to the Division of Taxation, but the Office of Revenue Analysis determined that this tax credit / tax benefit recipient did not have mandated wage and benefit goals that had to be met. These three tax credit / tax benefit recipients are not included in the percentage calculation.

* Figure reflects those tax credit / tax benefit recipients that provided data to the Division of Taxation as required by Rhode Island General Law § 42-64.5-8. One tax credit / tax benefit recipient failed to provide the required data to the Division of Taxation.

† Figure reflects data as provided by the Rhode Island Economic Development Corporation's Enterprise Zone Council. No attempt was made to verify the figures provided by the Enterprise Zone Council.

The table below lists, by tax credit / tax benefit, the extent to which any employees of and/or recipients of tax credits / tax benefits received RIte Care or RIte Share benefits or assistance in FY 2013:

Name of Tax Credit / Tax Benefit ^	**Number of Employees Receiving RIte Care or RIte Share**	**Cost to State of the Employees Receiving RIte Care or RIte Share**
RI Economic Development Corporation – Project Status *	17	$ 111,596
Incentives for Innovation and Growth	n/a	n/a
Jobs Development Act †	125	$ 809,977
Distressed Areas Economic Revitalization Act ‡	61	$ 602,564
Motion Picture Production Tax Credit **	0	$ 0
Multiple Tax Credits / Tax Benefits Received	105	$ 615,547

^ Figure reflects only those tax credit / tax benefit recipients that received the Projects Status Sales Tax Exemption, the Jobs Development Act (JDA) rate reduction or the Enterprise Zone Wage Credit as their only tax credit / tax benefit. Data for the two (2) recipients that received multiple tax credits / tax benefits are listed under the Multiple Tax Credits / Tax Benefits Received line.

* Figure reflects those tax credit / tax benefit recipients that provided data to the Division of Taxation as required by Rhode Island General Law § 42-64-10. Two tax credit / tax benefit recipients failed to provide the required data to the Division of Taxation.

† Figure reflects those tax credit / tax benefit recipients that provided data to the Division of Taxation as required by Rhode Island General Law § 42-64.5-8. One tax credit / tax benefit recipient failed to provide the required data to the Division of Taxation

‡ Figure reflects those tax credit / tax benefit recipients that provided data to the Division of Taxation as required by Rhode Island General Law § 42-64.3-6.1. One tax credit / tax benefit recipient failed to provide the required data to the Division of Taxation.

The table below lists, by tax credit / tax benefit, the cost to the state and the approving agency for the administration of each tax credit or other tax benefit in FY 2013:

Name of Tax Credit / Tax Benefit	Approving Agency	Cost to Administer Tax Credit / Tax Benefit *
RI Economic Development Corporation – Project Status	RIEDC	$ 22,811
Incentives for Innovation and Growth	RIEDC	$ 48
Jobs Development Act	Division of Taxation	$ 11,429
Distressed Areas Economic Revitalization Act	RIEDC	$ 31,004
Motion Picture Production Tax Credit	RI Film & TV Office	$ 21,667
* The cost to administer the tax credit / tax benefit program include both the direct costs incurred by the approving agency and the indirect costs of awarding and auditing the tax credits / tax benefits that are incurred by the Division of Taxation to the extent that such indirect costs could be determined.		

<u>Detailed Results of Part I by Tax Credit / Tax Benefit</u>

A written description of the detailed results of Part I of the report by tax credit / tax benefit program follows. These written descriptions include references to tables that show the information required in the report by tax credit / tax benefit recipient.

<u>Project Status</u>

Total FY 2013 sales and use tax exemptions granted under Rhode Island Economic Development Corporation (RIEDC) Project Status designation were $2,164,797. Six (6) recipients received this tax benefit, with three (3) recipients under a long-term agreement with RIEDC for the Project Status sales and use tax exemption. One (1) recipient did not have a Project Status sales and use tax agreement with RIEDC and was included as a Project Status tax benefit recipient as an error. Of the 6 companies that received a tax credit for FY 2013, two (2) did not provide the Division of Taxation with the data required by Rhode Island General Law subsection 42-64-10(k). The geographic locations of the tax benefit recipients are directly related to the location of the projects that were built under the Project Status agreement. The five projects with Project Status agreements with RIEDC were located in East Providence, Johnston, Smithfield, West Greenwich and Woonsocket. Detailed results by tax credit / tax benefit recipient are contained in Table I.

Based on data submitted by three (3) Project Status sales and use tax exemption recipients, a total of 1,103 part-time jobs, no temporary jobs, and 9,493 full-time jobs were reported for FY 2013. All three recipients of Project Status sales and use tax exemptions met or exceeded the job creation and retention goals contained in the respective Project Status agreements. With respect to new job creation during the investment time period as specified in the agreements, the Office of Revenue Analysis was able to determine that two Project Status sales and use tax exemption recipients met these goals as outlined in their respective Project Status agreements.[11] With respect to the wage and benefit criteria, only four of the five Project Status sales and use tax exemption recipients had wage and benefit goals specified in their Project Status agreements. Both Project Status sales and use tax exemption recipients who submitted data and had specified goals, met the wage goals specified in their respective Project Status agreements. Three of the Project Status sales and use tax exemption recipients offered health insurance and two offered retirement benefit packages, however, ORA was unable to determine whether the benefit packages that were offered were "typical for the qualifying company's industry".

The Rhode Island Executive Office of Health and Human Services (EOHHS) provided ORA with information on the number of employees of Project Status sales and use tax exemption recipients that received RIte Care and/or RIte Share benefits during FY 2013.[12] EOHHS also provided ORA with the amount of benefits received. Based on the information provided by EOHHS, ORA reports that two (2) of the four (4) companies that only received tax benefits under the Project Status sales and use tax exemption had employees who received RIte Care and/or RIte Share benefits through EOHHS.[13] A total of 17 employees of the two companies had $111,596 of medical services paid for under the State's Medicaid program. Detailed results of the utilization of RIte Care and RIte Share benefits for Project Status recipients are included in Table VI.

Finally, ORA surveyed RIEDC and the Division of Taxation to ascertain the cost for the administration of the Project Status sales and use tax exemption. ORA found that the total cost to administer the tax benefit was $22,811. The direct cost incurred by RIEDC in FY 2013 to administer the Project Status sales and use tax exemption was $12,430 while the indirect costs incurred by the Division of Taxation to administer the exemption were $10,381 in FY 2013.

Incentives for Innovation and Growth

For FY 2013, no companies took the Incentives for Innovation and Growth tax credit against business corporations, franchise, and/or personal income taxes. The Incentives for Innovation and Growth tax credit has no employment or wage criteria that must be met in order to receive the credit.

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[11] The Office of Revenue Analysis (ORA) was unable to definitively determine if one recipient of the Project Status sales and use tax exemption met the new job creation criteria set forth in the Project Status agreements. ORA's inability to make these definitive determinations was not due to noncompliance with state law by the particular recipient. Rather, ORA could not make a definitive determination as a result of the inherent limits on the data provided to the Division of Taxation by the Project Status recipients. See footnotes 3 and 8 in Table I for a more detailed explanation.

[12] The figures reported here are for companies that received only the Project Status sales and use tax exemption as a tax credit / tax benefit in FY 2013. One company that received the Project Status sales and use tax exemption also received other tax credits/ tax benefits that are required to be reported by Rhode Island General Law Section 42-142-6. The data on the utilization of RIte Care and RIte Share benefits by their employees is reported separately after the section that covers the Motion Picture Production Tax Credit.

[13] Two companies that were reported as receiving the Project Status sales and use tax exemption did not provide data to the Division of Taxation as required by Rhode Island General Law Subsection 42-64-10(k).

Jobs Development Act

For FY 2013, eight (8) companies received a business corporation tax rate reduction under the Jobs Development Act. It should be noted that two (2) of these eight (8) companies were eligible subsidiaries of an eligible company that also received the Jobs Development Act corporate income tax rate reduction. Rhode Island, as a separate entity filing state, [14] allows subsidiaries to file business corporation tax returns separately from the parent company and receive the rate reduction on that return. Of the six (6) parent companies that received a tax credit for FY 2013, one (1) did not provide the Division of Taxation with the data required by Rhode Island General Law § 42-64.5-8. The value of this tax benefit for these eight corporations was $15,283,897. Of the six (6) parent companies that received business corporation tax rate reductions, two (2) are located in Providence, and one (1) each is located in East Providence, Middletown, North Kingstown and Woonsocket. Detailed results by tax credit / tax benefit recipient are contained in Table III.

Base year employment numbers for each tax benefit recipient were deduced from information provided by the Division of Taxation. Information on the total number of employees, wages paid and benefits offered is derived from the submissions required of the tax benefit recipients. For tax benefit recipients that consisted of a parent company and one or more subsidiaries that were eligible for the Jobs Development Act rate reduction, data on employment, wages paid, and benefits offered were submitted only for the parent company. Analysis of the data for the parent company is assumed to hold by extension for any subsidiaries of the parent company.

A total of 905 part-time jobs and 10,116 full-time jobs for FY 2013 were reported by the recipients of the Jobs Development Act tax rate reduction. ORA determined that, based on the data provided by five (5) parent companies, four (4) met or exceeded the job creation and retention goals set forth in statute. With respect to the wage criteria, which requires full-time equivalent active employees to be paid 150.0 percent or more of the minimum wage in effect at the time of hire for employees hired before July 1, 2009 and 250.0 percent or more of the minimum wage in effect at the time of hire for employees hired after July 1, 2009, all five (5) parent companies exceeded the wage goals. The Jobs Development Act only requires that health insurance and retirement benefits be offered to full-time equivalent active employees hired after July 1, 2009. ORA found that all five (5) parent companies met the benefit requirements of the Jobs Development Act.

The Rhode Island Executive Office of Health and Human Service (EOHHS) provided ORA with information on the number of employees of Jobs Development Act rate reduction recipients that received RIte Care and/or RIte Share benefits during FY 2013.[15] EOHHS also provided ORA with the amount of benefits received. Based on the information provided by EOHHS, ORA reports that the three (3) parent companies that received tax benefits only under the Jobs

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[14] Rhode Island will become a unitary combined reporting filing state for all C corporations effective with tax years beginning on or after January 1, 2015.

[15] The figures reported here are for companies that received only the Jobs Development Act rate reduction as a tax credit / tax benefit in FY 2013. Two companies that received the Jobs Development Act rate reduction also received other tax credits/ tax benefits that are required to be reported by Rhode Island General Law Section 42-142-6. The data on the utilization of RIte Care and RIte Share benefits by their employees is reported separately after the section that covers the Motion Picture Production Tax Credit.

Development Act rate reduction, had employees who received RIte Care and/or RIte Share benefits through EOHHS. A total of 125 employees of the three companies had $809,977 of medical services paid for under the State's Medicaid program. Detailed results of the utilization of RIte Care and RIte Share benefits for Jobs Development Act recipients are included in Table VI.

Finally, ORA surveyed the Division of Taxation to ascertain the cost for the administration of the Jobs Development Act corporate income tax rate reduction. ORA found that the direct cost incurred by the Division of Taxation in FY 2013 to administer the Jobs Development Act corporate income tax rate reduction was $11,429.

Distressed Areas Economic Revitalization Act

Total tax credits received under the Enterprise Zone Wage Credit program were $383,503 in FY 2013. A total of seven (7) taxpayers received tax credits under the Distressed Areas Economic Revitalization Act. Of the seven companies that received a tax credit for FY 2013, one (1) did not provide the Division of Taxation with the data required by Rhode Island General Law subsection 42-64.3-6.1(h). Detailed results by tax credit / tax benefit recipient are contained in Table IV.

The geographic distribution of the 7 recipients of Enterprise Zone Wage Tax Credits was confined to five (5) communities in the state. Providence and Cumberland were each a location of the qualifying operations for two (2) of the tax credit recipients, and East Providence, Portsmouth and Warren were each a location of the qualifying operations of one (1) tax credit recipient.

Six (6) recipients of the Enterprise Zone Wage Credit reported 24 part-time jobs, 5 seasonal jobs, and 994 full-time jobs for FY 2013.[16] The Office of Revenue Analysis was able to determine the employment benchmark for all 7 recipients of the Enterprise Zone Wage Credit. To earn the credit, a recipient is required to increase employment by 5.0 percent over the recipient's benchmark employment level. Based on data provided by the Enterprise Zone Council to the Division of Taxation, ORA determined that all the recipients of the Enterprise Zone Wage Credit met the employment growth threshold to qualify for the credit. Three (3) of the seven tax credit recipients exactly met the job creation requirement. The other four (4) recipients exceeded the job creation requirement, with one (1) of these tax credit recipients doing so by tenfold.

With respect to the wage requirement for the Enterprise Zone Wage Credit, each recipient's total wage bill for the year in which the tax credit is earned must exceed the total wage bill paid in the year prior to receiving the tax credit. Based on data provided by the Enterprise Zone Council to the Division of Taxation, ORA determined that all seven recipients of the Enterprise Zone Wage Credit met the wage bill requirement for the credit. Each of these tax credit recipients exceeded the required wage bill threshold, with one (1) doing so by more than double the required amount. Since the Distressed Areas Economic Revitalization Act has no requirement for tax credit recipients to provide employee benefits, no assessment of whether the Enterprise Zone Wage

[16] One company that was reported as receiving the Enterprise Zone Wage Credit did not provide data to the Division of Taxation as required by Rhode Island General Law Subsection 42-64.3-6.1(h).

Credit recipients met the benefit goals of the act were made. Table IV lists the benefits offered for the six tax credit recipients that provided the information required under Rhode Island General Law section 42-64.3-6.1(h) to the Division of Taxation.

The Rhode Island Executive Office of Health and Human Services (EOHHS) provided ORA with information on the number of employees of the five Enterprise Zone Wage Credit recipients that provided the required data to the Division of Taxation that received RIte Care and/or RIte Share benefits during FY 2013.[17] EOHHS also provided ORA with the amount of benefits received. ORA reports that, based on the information received from EOHHS on these five companies, four (4) of the five companies that received only the Enterprise Zone Wage Credit had employees who received RIte Care and/or RIte Share benefits.[18] A total of 61 employees of the four companies had $602,564 of medical services paid for under the State's Medicaid program. Detailed results of the utilization of RIte Care and RIte Share benefits for Enterprise Zone Wage Credit recipients are included in Table VI.

Finally, ORA surveyed RIEDC and the Division of Taxation to ascertain the cost for the administration of the Enterprise Zone Wage Credit. ORA found that the total cost to administer the tax credit was $31,004. The direct cost incurred by RIEDC in FY 2013 to administer the Enterprise Zone Wage Credit was $28,623 while the indirect costs incurred by the Division of Taxation to administer the tax credit were $2,381 in FY 2013.

Motion Picture Production Tax Credit

Total tax credits received under the Motion Picture Production Tax Credit program were $70,723 in FY 2013. One (1) production company was awarded tax credits. According to information provided by the Rhode Island Film & TV Office, motion picture production activity for FY 2013 took place in Newport, Providence, and Tiverton. Detailed results by tax credit / tax benefit recipient are contained in Table V.

The recipient of the Motion Picture Production Tax Credit created 2 full time jobs. The Motion Picture Production Tax Credit has no employment or wage criteria that must be met in order to receive the credit and thus no assessment of the extent to which recipients of the tax credit attained job creation and retention and wage and benefit goals was conducted. Based on information provided to the Rhode Island Film & TV Office by the motion picture production company at the time of their initial application for the motion picture production tax credit, a total of 21 full and part-time jobs were expected to be created by the tax credit recipient. Based on the same information, a total of $322,502 of Rhode Island wages or salaries were expected to be paid. Thus, for this production, average Rhode Island wages or salaries paid were expected to be $15,357.

[17] The figures reported here are for companies that received only the Enterprise Zone wage credit as a tax credit / tax benefit in FY 2013 and provided required data to the Division of Taxation as required under Rhode Island General Law Subsection 42-64.3-6.1(h). One (1) company that received the Enterprise Zone wage tax credit also received other tax credits/ tax benefits that are required to be reported by Rhode Island General Law Section 42-142-6. The data on the utilization of RIte Care and RIte Share benefits by its employees is reported separately after the section that covers the Motion Picture Production Tax Credit. One (1) company did not provide the required data to the Division of Taxation. These two companies are not included in the calculations.

[18] The remaining company did not have any employees that utilized RIte Care/Rite Share benefits in FY 2013.

The Rhode Island Executive Office of Health and Human Services (EOHHS) provided ORA with information on the number of employees of Motion Picture Production Tax Credit recipients that received RIte Care and/or RIte Share benefits during FY 2013.[19] EOHHS also provided ORA with the amount of benefits received. Based on the information provided by EOHHS, ORA reports that zero (0) of the one (1) company that only received tax benefits under the Motion Picture Production Tax Credit had employees who received RIte Care and/or RIte Share benefits through EOHHS.[20] Detailed results of the utilization of RIte Care and RIte Share benefits for Motion Picture Production Tax Credit recipients are included in Table VI.

Finally, ORA surveyed the Rhode Island Film & TV Office and the Division of Taxation to ascertain the cost for the administration of the Motion Picture Production Tax Credit. ORA found that the total cost to administer the tax credit was $21,667 in FY 2013. The direct cost incurred by the RI Film & TV Office in FY 2013 to administer the Motion Picture Production Tax Credit was $15,000 while the indirect costs incurred by the Division of Taxation to administer the tax credit were $6,667 in FY 2013.

RIte Care and RIte Share Use by Companies Receiving Multiple Tax Incentives

Two companies received more than one of the tax credits / tax benefits that are required to be reported on under Rhode Island General Law § 42-142-6. These two companies received two (2) tax credits / tax benefits[21] covered in this report. Unlike jobs created or retained or wage and benefit goals, it is not possible to allocate the utilization of RIte Care / RIte Share benefits by employees of a company to one tax credit / tax benefit versus another tax credit / tax benefit. As a result, the Office of Revenue Analysis (ORA) has decided to add a new section to the report that covers the utilization of RIte Care / RIte Share benefits by employees of companies that receive more than one tax credit / tax benefit that is required to be included in this report.[22]

The Rhode Island Executive Office of Health and Human Services (EOHHS) provided ORA with information on the number of employees of the two (2) companies that received multiple tax credits / tax benefits that are covered in this report and had employees that received RIte Care and/or RIte Share benefits during FY 2013. Both of these companies had provided to the Division of Taxation the data on their employees that is required by state law. EOHHS also provided ORA with the amount of benefits received. ORA reports that based on the information from EOHHS, both companies had employees who received RIte Care and/or RIte Share benefits

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[19] The figures reported here are for companies that received only the Project Status sales and use tax exemption as a tax credit / tax benefit in FY 2013. One company that received the Project Status sales and use tax exemption also received other tax credits/ tax benefits that are required to be reported by Rhode Island General Law Section 42-142-6. The data on the utilization of RIte Care and RIte Share benefits by their employees is reported separately after the section that covers the Motion Picture Production Tax Credit.

[20] Two companies that were reported as receiving the Project Status sales and use tax exemption did not provide data to the Division of Taxation as required by Rhode Island General Law Subsection 42-64-10(k).

[21] One company received tax credits / tax benefits from the Project Status sales and use tax exemption and the Jobs Development Act rate reduction, and the other company received tax credits / tax benefits from the Jobs Development Act rate reduction and the Enterprise Zone Wage Credit.

[22] In the *FY 2011 Unified Economic Development Report*, ORA included the information on RIte Care / RIte Share utilization by the employees of companies that received multiple tax credits / tax benefits that were covered by the report under the first tax credit / tax benefit that was reported on and excluded the same information for subsequent tax credits / tax benefits.

through EOHHS. A total of 105 employees of the two companies had $615,547 of medical services paid for under the State's Medicaid program. Detailed results of the utilization of RIte Care and RIte Share benefits for recipients of multiple tax credits / tax benefits covered by this report are included in Table VI.

Definitions of Table Column Headers

Tables I through VI show the individual tax credit / tax benefit recipients by the specific tax credit or tax benefit. Essentially, these tables provide the detail underlying the narrative descriptions for each tax credit / tax benefit above. The following are the definitions of the column headers that appear in the tables that follow. The column header definitions are broken down by table.

Table I through Table V

"Name of Recipient" (All Tables, Column 1) is the name of the company that received the tax credit and/or tax benefit as provided by the tax credit and/or tax benefit recipient.

"Amount" (All Tables, Column 2) is the amount of tax credit and/or tax benefit received by the named recipient as provided by the Division of Taxation in its *Tax Credit and Incentive Report – Fiscal Year 2013.*

"Reported Total Part-Time Jobs" (All Tables, Column 3) is the number of part-time jobs either reported by the tax credit and/or tax benefit recipient or estimated by the Office of Revenue Analysis (ORA). ORA determined whether an employee worked part-time as follows: (1) ORA determined the most frequently occurring value for the hours worked per week supplied by the tax credit and/or tax benefit recipient; (2) The most frequently occurring value for hours worked per week was deemed to constitute the standard work week; (3) If the tax credit and/or tax benefit recipient reported hours worked per week for an employee that were less than the most frequently occurring value of hours worked per week, then that employee was labeled as part-time.

"Reported Total Seasonal / Temporary Jobs" (Tables IV and V, Column 4) is the number of seasonal / temporary jobs either reported by the tax credit and/or tax benefit recipient or estimated by the Office of Revenue Analysis (ORA). ORA determined whether an employee was a seasonal / temporary job as follows: (1) ORA considered the term of employment for each employee based on the information provided by the tax credit and/or tax benefit recipient; (2) If an employee's term of employment was for less than 52 weeks, then the employee was deemed to be a seasonal/temporary employee; (3) If an employee's term of employment was for 52 weeks, then the employee was deemed to be a regular employee; (4) If an employee was deemed to be a regular employee, ORA applied the methodology described under "Reported Total Part-Time Jobs Created or Retained" and "Reported Full-Time Jobs Created or Retained" to determine whether the regular employee was a full- or part-time employee.

"Reported Total Full-Time Jobs" (Tables I, II, and III, Column 4; Tables IV and V, column 5) is the number of full-time jobs either reported by the tax credit and/or tax benefit recipient or estimated by the Office of Revenue Analysis (ORA). ORA determined whether an employee worked full-time as follows: (1) ORA determined the most frequently occurring value for the hours worked per week supplied by the tax credit and/or tax benefit recipient; (2) The most frequently occurring value for hours worked per week was deemed to constitute the standard work week; (3) If the tax credit and/or tax benefit recipient reported hours worked per week for an employee that were greater than or equal to the most frequently occurring value of hours worked per week, then that employee was labeled as full-time.

"Reported Total Full-Time Equivalent Jobs Created or Retained" (Table I, Column 5) is the number of full-time equivalent jobs as calculated by the Office of Revenue Analysis (ORA) based on the employee information provided by the tax credit and/or tax benefit recipient. The actual determination of the number of full-time equivalent jobs was dependent upon the terms of the individual Project Status agreements entered into by each company. In general, ORA summed the reported hours worked per week for each employee across all employees and then divided this sum by the hours worked per week criteria in the definition of full-time equivalent employee contained in the individual Project Status agreements.

"Estimated Full-Time and Part-Time Jobs Created or Retained per EDC Analysis" (Table II, Column 5) is the number of full-time and part-time jobs that the Rhode Island Economic Development Corporation estimated a recipient of the Incentive for Innovation and Growth Tax Credit would create or retain at the time the recipient applied for the Incentive for Innovation and Growth Tax Credit with the Rhode Island Science and Technology Advisory Council.

"Reported Total Full-Time Equivalent Active Jobs Created or Retained" (Table III, Column 5) is the number of full-time equivalent active jobs as calculated by the Office of Revenue Analysis (ORA) based on the definition of a full-time equivalent active employee contained in Rhode Island General Law subsection 42-64.5-2(7). For employees hired prior to July 1, 2009, ORA determined whether an individual employee worked 30 or more hours per week and was paid more than 150.0 percent of the minimum wage or two or more part-time employees worked 30 or more hours per week and were paid more than 150.0 percent of the minimum wage. If these conditions were met, then ORA counted these employees as full-time equivalent active employees. For employees hired after June 30, 2009, ORA determined whether an individual employee worked 30 or more hours per week and was paid 250.0 percent of the minimum wage. If these conditions were met, then ORA counted these employees as full-time equivalent active employees.

"Required Minimum Number of Full-Time Equivalent Jobs Created or Retained" (Table I, Column 6) is the minimum number of full-time equivalent jobs created or retained that a Project Status tax benefit recipient was mandated to have at the end of the Investment Period in exchange for receiving the Project Status sales tax exemption. The mandated total of full-time equivalent jobs created or retained was determined from the Project Status agreement between the recipient and the Rhode Island Economic Development Corporation.

"Required Number of Full-Time Equivalent Active Jobs Created or Retained" (Table III, Column 6) is the total number of full-time equivalent active jobs as defined in Rhode Island General Law subsection 42-64.5-2(7) created or retained that a recipient of the Jobs Development Act rate reduction must achieve in order to receive the tax benefit.

"Employment Benchmark" (Table IV, Column 6) is the base employment level that an Enterprise Zone Wage Credit recipient had in the year prior to receiving the tax credit as recorded by the Enterprise Zone Council of the Rhode Island Economic Development Corporation.

"Estimated Full-Time and Part-Time Jobs Created or Retained" (Table V, Column 6) is the number of full-time and part-time jobs that a Motion Picture Production Tax Credit recipient reported would be created at the time of application for a Motion Picture Production Tax Credit with the Rhode Island Film & Television Office.

"New Enterprise Jobs Required" (Table IV, Column 7) is the number of full-time employees required to receive the Enterprise Zone Wage Credit as determined by the Enterprise Zone Council. The definition of an "Enterprise Job Employee" is contained in Rhode Island General Law subsection 42-64.3-3(6).

"Required Number of Full-Time and Part-Time Jobs Created or Retained" (Table V, Column 7) is the number of full-time and part-time jobs created or retained that are required to receive the Motion Picture Production Tax Credit.

"New Enterprise Jobs Created" (Table IV, Column 8) is the number of full-time employees added in order to receive the Enterprise Zone Wage Credit as determined by the Enterprise Zone Council. The definition of an "Enterprise Job Employee" is contained in Rhode Island General Law subsection 42-64.3-3(6).

"Degree to Which [Full-Time Equivalent / Full-Time Equivalent Active] Job Creation or Retention Goals Were Met" (Tables I and III, Column 7; Table II, Column 6,; Table IV, Column 9; Table V, Column 8) is a measure of the extent to which the recipient of the tax credit and/or tax benefit achieved the job creation or retention goals specified for the tax credit and/or tax benefit. The measure is a percentage of the job creation and retention goal for the tax credit and/or tax benefit that was achieved by the tax credit and/or tax benefit recipient. A value of 100.0 percent means that the specified jobs goal was met exactly by the recipient of the tax credit and/or tax benefit. A value greater than 100.0 percent means the specified jobs goal was exceeded by the recipient of the tax credit and/or tax benefit. A value less than 100.0 percent means the specified jobs goal was not met by the recipient of the tax credit and/or tax benefit.

"Reported Number of New Full-Time Equivalent Jobs Created" (Table I, Column 8) is the number of new full-time equivalent jobs as calculated by the Office of Revenue Analysis (ORA) based on the employee information provided by the Project Status tax benefit recipient. The actual determination of the number of new full-time equivalent jobs was dependent upon the terms of the individual Project Status agreements entered into by each company. In general, ORA summed the reported hours worked per week for each new employee hired during the Investment Period across all new employees hired during the Investment Period and then divided this sum by the hours worked per week criteria in the definition of full-time equivalent employee contained in the individual Project Status agreements.

“Required Number of New Full-Time Equivalent Jobs Created” (Table I, Column 9) is the required number of new full-time equivalent jobs created that a Project Status tax benefit recipient was mandated to create by the end of the Investment Period in exchange for receiving the Project Status sales tax exemption. The mandated number of new full-time equivalent jobs created was determined from the Project Status agreement between the recipient and the Rhode Island Economic Development Corporation.

“Degree to Which New Full-Time Equivalent Job Creation Goals Were Met” (Table I, Column 10) is a measure of the extent to which the recipient of the Project Status sales tax exemption achieved the new full-time equivalent job creation goals specified in the recipient’s Project Status agreement. The measure is a percentage of the new full-time equivalent job creation goal for the Project Status tax benefit that was achieved by the Project Status recipient. A value of 100.0 percent means that the new full-time equivalent jobs created goal was met exactly by the Project Status recipient. A value greater than 100.0 percent means the new full-time equivalent jobs created goal was exceeded by the Project Status recipient. A value less than 100.0 percent means the new full-time equivalent jobs created goal was not met by the Project Status recipient.

“Benefits Offered” (Table I, Column 11; Table II, Column 7; Table III, Column 8; Table IV, Column 10; Table V, Column 9) is the type of benefits offered to the employees of the recipient of the tax credit and/or tax benefit.

“Degree to Which Wage and Benefit Goals Were Met” (Tables I, Column 12; Table II, Column 8; Table IV, Column 11 and Table V, Column 10) is a measure of the extent to which the recipient of the tax credit and/or tax benefit achieved the wage and benefit goals specified for the tax credit and/or tax benefit. The measure is a percentage of the wage and benefit goal for the tax credit and/or tax benefit that was achieved by the tax credit and/or tax benefit recipient. A value of 100.0 percent means that the specified wage and benefit goal was met exactly by the recipient of the tax credit and/or tax benefit. A value greater than 100.0 percent means the specified wage and benefit goal was exceeded by the recipient of the tax credit and/or tax benefit. A value less than 100.0 percent means the specified wage and benefit goal was not met by the recipient of the tax credit and/or tax benefit.

“Degree to Which Wage and Benefit Goals Were Met Prior to July 1, 2009” (Table III, Column 8) is a measure of the extent to which the recipient of the Jobs Development Act rate reduction achieved the wage and benefit goals that were in place for the Act for employees hired prior to July 1, 2009 as defined in Rhode Island General Law subsection 42-64.5-2(7). The measure is a percentage of the wage and benefit goal for the Jobs Development Act rate reduction that was achieved by the Jobs Development Act recipient. A value of 100.0 percent means that the specified wage and benefit goal was met exactly by the Jobs Development Act recipient. A value greater than 100.0 percent means the specified wage and benefit goal was exceeded by the Jobs Development Act recipient of the tax credit and/or tax benefit. A value less than 100.0 percent means the specified wage and benefit goal was not met by the Jobs Development Act recipient.

“Degree to Which Wage and Benefit Goals Were Met Prior after June 30, 2009” (Table III, Column 9) is a measure of the extent to which the recipient of the Jobs Development Act rate reduction achieved the wage and benefit goals that were in place for the Act for employees hired after June 30, 2009 as defined in Rhode Island General Law subsection 42-64.5-2(7). The measure is a percentage of the wage and benefit goal for the Jobs Development Act rate reduction that was achieved by the Jobs Development Act recipient. A value of 100.0 percent means that the specified wage and benefit goal was met exactly by the Jobs Development Act recipient. A value greater than 100.0 percent means the specified wage and benefit goal was exceeded by the Jobs Development Act recipient of the tax credit and/or tax benefit. A value less than 100.0 percent means the specified wage and benefit goal was not met by the Jobs Development Act recipient.

"Geographic Location [of Project / of Business / of Corporate Headquarters and/or Qualifying Facility / of Company or Enterprise Zone / Used by Production]" (Table I, Column 13; Table II, Column 9; Tables III and V, Column 11; Table IV, Column 12) indicates either where in Rhode Island the economic activity occurred that qualified the recipient of the tax credit and/or tax benefit to receive the tax credit and/or tax benefit or the corporate headquarters of the parent company of a subsidiary located in Rhode Island where the economic activity occurred that qualified the recipient of the tax credit and/or tax benefit to receive the tax credit and/or tax benefit.

Table VI

"Name of Recipient" (Column 1) is the name of the company that received the tax credit and/or tax benefit as provided by the tax credit and/or tax benefit recipient.

"Tax Credit / Tax Benefit Program" (Column 2) identifies the tax credit / tax benefit program for which the recipient of the tax credit and/or tax benefit was eligible.

"Number of Employees Receiving RIte Care or RIte Share Benefits" (Column 3) is the number of employees, including employees' dependents, of a tax credit and/or tax benefit recipient that received fee-for service payments, RIte Care capitation payments, RIte Share premium payments and RIte Smiles capitation payments made by the State on their behalf during the period of employment with the tax credit and/or tax benefit recipient.

"Total Amount of RIte Care or RIte Share Benefits Received" is the amount of fee-for-service payments, RIte Care capitation payments, RIte Share premium payments and RIte Smiles capitation payments made by the State on behalf of employees, including employees' dependents, of a tax credit and/or tax benefit recipient during the employee's period of employment with the tax credit and/or tax benefit recipient.

TABLE I:
PROJECT STATUS SALES AND USE TAX EXEMPTION
Rhode Island General Law Section 42-64-10
(Administrator: Rhode Island Economic Development Corporation)

Name of Recipient	Amount	Reported Total Part-Time Jobs	Reported Total Temporary Jobs	Reported Total Full-Time Jobs	Reported Total Full-Time Equivalent Jobs Created or Retained	Required Minimum Number of Full-Time Equivalent Jobs Created or Retained	Degree to Which Full-Time Equivalent Job Creation or Retention Goals Were Met	Reported Number of New Full-Time Equivalent Jobs Created	Required Number of New Full-Time Equivalent Jobs Created	Degree to Which New Full-Time Equivalent Job Creation Goals Were Met	Benefits Offered	Degree to Which Wage and Benefit Goals Were Met	Geographic Location of Project
Chapel Associates LLC	$ 168,600	†	†	†	†	†	†	†	†	†	†	†	†
CVS Pharmacy Inc.[1]	$ 1,138,860	787	0	4,127	4,756	3,973	119.7%	990.1	744	133.1%	Health; Pension	185.5%	Woonsocket
Factory Mutual Ins Co.[2,3]	$ 350,000	271	0	834	1,050	500	210.0%	Can't Be Determined from Data Provided	325	Can't Be Determined from Data Provided	Health; Pension	262.2%	Johnston
FMR LLC [4]	$ 244,327	45	0	4,532	4,277	1,000	427.7%	1,193	1,000	119.3%	Health	No Goals Specified	Smithfield
Immunex Rhode Island Corporation [5]	$ 258,315	*	*	*	*	600	Can't Be Determined as No Data Provided	*	350	Can't Be Determined as No Data Provided	*	Can't Be Determined as No Data Provided	West Greenwich
Parmatech Proform Corporation [6]	$ 4,696	*	*	*	*	15	Can't Be Determined as No Data Provided	*	15	Can't Be Determined as No Data Provided	*	Can't Be Determined as No Data Provided	East Providence
Totals	**$ 2,164,797**	**1,103**	**0**	**9,493**	**10,083**	**6,088**	**165.6%**	**2,183**	**2,434**	**89.7%**	**n/a**	**220.3%**	**n/a**

† Chapel Associates, LLC qualified for a sales and use tax rebate under Rhode Island General Law Chapter 45-37.1 titled Industrial Facilities Corporation. The Division of Taxation's inclusion of Chapel Associates LLC as the recipient of the Project Status sales and use tax exemption in the *Tax Credit and Incentive Report - FY 2013* is an error.

* Company did not respond to notification from the Division of Taxation and thus did not provide the information required by Rhode Island General Law subsection 42-64-10(k).

[1] CVS Pharmacy Inc.'s Project Status agreement commenced on December 16, 1997 and has a 30 year term. EDC administratively recorded CVS' base employment as 3,623 FTEs. The Project Status agreement requires CVS to invest $50.0 million in the project governed by the agreement, employ its new hires for 2,080 hours per year, and pay its new hires an average of no less than $40,000 per year. CVS was required to meet its employment and wage and benefit mandates by December 16, 2004.

[2] Factory Mutual Insurance Company's (FM Global) Project Status agreement commenced on November 5, 1998 and has a 20 year term. The agreement specifies FM Global's base employment at 175 FTEs. The Project Status agreement requires FM Global to invest $70.0 million in the project governed by the agreement, employ its new hires for 2,080 hours per year, and pay its new hires an average of no less than $35,000 per year. FM Global was required to meet its employment and wage and benefit mandates by November 5, 2004.

TABLE I:
PROJECT STATUS SALES AND USE TAX EXEMPTION
Rhode Island General Law Section 42-64-10
(Administrator: Rhode Island Economic Development Corporation)

[3] FM Global provided data on over 1,100 employees. These employees had "Last Start" dates that ranged from the 1960s to June of 2013. The period in which FM Global was required to meet its "New Full-Time Equivalent Jobs Created" threshold was between November 5, 1998 and November 5, 2004. In the data provided by FM Global, the Office of Revenue Analysis (ORA) determined that 216 full time equivalent employees with "Last Start" dates between these two periods were employed in FY 2013. What ORA could not determine, however, is the number of employees hired after November 5, 2004 that were replacements for employees originally hired between November 5, 1998 and November 5, 2004 that left FM Global. As a result, ORA was unable to determine definitively the "Reported Number of Full-Time Equivalent Jobs Created" during the November 5, 1998 to November 5, 2004 period. The determination of the "Degree to Which Wage and Benefit Goals Were Met" is based on these 216 full time equivalent employees.

[4] FMR LLC's (Fidelity) Project Status agreement commenced on May 28, 1996 and has a 30 year term. The agreement specifies Fidelity's base employment at zero FTEs. The Project Status agreement requires Fidelity to invest at least $30.0 million in the project governed by the agreement and employ its new hires for 2,080 hours per year. There is no minimum compensation requirement for new hires under the agreement. Fidelity was required to meet its employment mandate by December 1, 2003 at the latest.

[5] Immunex Rhode Island Corporation's (Immunex RI) Project Status agreement commneced on January 28, 2002 and has a 10 year term. The agreement specifies that Immunex RI will "employ…a number of jobs sufficient to have the total payroll…include at least two hundred and fifty (250) FTE jobs in addition to at least 350 jobs…for a total of at least 600 jobs at the Project Site". The Project Status agreement requires Immunex RI to invest at least $470,506,477 in the project governed by the agreement, employ its employees for 2,080 hours per year and generate an annual gross payroll averaging $30,000 per employee. Immunex RI was required to meet its employment mandate by January 28, 2007. Sales tax rebates made to Immunex RI cannot exceed $5.0 million per tax year. If eligible sales tax rebates do not exceed $5.0 million per tax year the difference between the amount taken and $5.0 million may be carried forward to subsequent tax years.

[6] Parmatech Proform Corporation's (Parmatech) Project Status agreement commenced on December 21, 2009 and has a three year term. The agreement specifies that Parmatech will create and maintain 15 new FTE jobs in Rhode Island. At the time of the agreement, Parmatech had zero FTE jobs in Rhode Island. The Project Status agreement requires Parmatech to invest $5.25 million in the project governed by the agreement and employ its employees for 1,560 hours per year with a median annual salary of no less than $41,605 plus benefits. Sales tax rebates received by Parmatech shall not exceed $49,035 in total..

TABLE II:
INCENTIVES FOR INNOVATION AND GROWTH TAX CREDIT
Rhode Island General Law Section 44-63-3
(Administrator: Rhode Island Economic Development Corporation)

Name of Recipient	Amount	Reported Total Part-Time Jobs	Reported Total Full-Time Jobs	Estimated Full-Time and Part-Time Jobs Created or Retained per EDC Analysis	Degree to Which Job Creation or Retention Goals Were Met	Benefits Offered	Degree to Which Wage and Benefit Goals Were Met	Geographic Location of Business
No Recipients in FY 2013								
Totals	**$ -**	**0.0**	**0.0**	**0.0**	**n/a**	**n/a**	**n/a**	**n/a**

TABLE III.
JOBS DEVELOPMENT ACT BUSINESS CORPORATION TAX RATE REDUCTION
Rhode Island General Law Section 442-64.5-5
(Administrator: Rhode Island Division of Taxation)

Name of Recipient [1]	Amount	Reported Total Part-Time Jobs [2]	Reported Total Full-Time Jobs [2]	Reported Total Full-Time Equivalent Active Jobs Created or Retained	Required Number of Full-Time Equivalent Active Jobs Created or Retained	Degree to Which Full-Time Equivalent Active Job Creation or Retention Goals Were Met	Benefits Offered	Degree to Which Wage and Benefit Goals Were Met Prior to July 1, 2009	Degree to Which Wage and Benefit Goals Were Met After June 30, 2009	Geographic Location of Corporate Headquarters and/or Qualifying Facility [3]
AAA Southern New England AAA Southern New England Bank	$ 20,696 $ 3,839	*	*	*	725.0	*	*	*	*	Providence
CCO Investment Services Corp. Servco, Inc	$ 82,372 $ 2,937	56.0	3,241.0	3,297.0	2,337.0	141.1%	Health; Pension	347.3%	226.7%	East Providence
CVS Pharmacy Inc.	$ 14,450,002	787.0	4,127.0	4,829.0	3,430.0	140.8%	Health; Pension	320.6%	238.3%	Woonsocket
Electric Boat Corporation	$ 582,894	0.0	2,349.0	2,349.0	1,501.0	156.5%	Health; Pension	280.8%	131.0%	North Kingstown
RITE Solutions, Inc.	$ 9,851	60.0	48.0	74.1	104.0	71.3%	Health; Pension	491.5%	202.2%	Middletown
United Natural Foods, Inc.	$ 131,306	2.0	351.0	322.0	200.0	161.0%	Health; Pension	Qualified for JDA after 7/1/2009	275.3%	Providence
Totals	**$ 15,283,897**	**905**	**10,116**	**10,871**	**8,297**	**131.0%**	**n/a**	**295.9%**	**196.8%**	**n/a**

[1] Rhode Island, as a separate entity filing state, allows subsidiaries to file business corporation tax returns separately from the parent company and receive the rate reduction on that return.

[2] To determine the standard workweek for an employer, the Office of Revenue Analysis determined the most frequently occuring value for the hours worked per week supplied by the tax credit and/or tax benefit recipient. This value was then used to determine whether a particular employee was a full-time or part-time employee. Employees whose hours worked per week were equal to or greater than the most frequently occuring value for a tax credit and/or tax benefit recipient were classified as full-time. All other employees were classified as part-time.

[3] Rhode Island General Law § 42-64.5-2 defines an "eligible company" as including an "eligible subsidiary" where an "eligible subsidiary means each corporation eighty percent (80%) or more of the common stock of which is owned by an eligible company." Thus, a corporation can be eligible for the Jobs Development Act rate reduction, even though it is located outside of the state, via its ownership of an "eligible subsidiary".

* Company did not respond to notification from the Division of Taxation and thus did not provide the information required by Rhode Island General Law subsection 42-64.5-8.

TABLE IV.
DISTRESSED AREAS ECONOMIC REVITALIZATION ACT WAGE TAX CREDIT
Rhode Island General Law Section 42-64.3-1
(Administrator: Rhode Island Economic Development Corporation)

Name of Recipient	Amount Taken	Reported Total Part-Time Jobs	Reported Total Seasonal Jobs	Reported Total Full-Time Jobs	Employment Benchmark	New Enterprise Jobs Required	New Enterprise Jobs Created	Degree to Which Job Creation or Retention Goals Were Met	Benefits Offered	Degree to Which Wage and Benefit Goals Were Met	Geographic Location of Company or Enterprise Zone
Child Care Connection, Inc dba The Children's Workshop	$ 10,381	*	*	*	25	2	2	100.0%	*	112.8%	Cumberland
Ronstan International, Inc	$ 2,500	1	0	13	8	1	1	100.0%	Health; Pension	105.0%	Portsmouth
TD Bank, N. A	$ 39,935	13	0	76	16	1	13	1300.0%	Health; Pension	562.5%	Providence
Tiffany and Company	$ 184,437	6	4	487	398	20	54	270.0%	Health; Pension	101.9%	Cumberland
Trinkle Design Associates	$ 956	1	0	2	2	1	1	100.0%	Health	128.3%	East Providence
United Natural Foods, Inc	$ 105,000	2	0	351	284	15	25	166.7%	Health; Pension	149.2%	Providence
WaterRower, Inc	$ 40,294	1	1	65	46	3	11	366.7%	Health	129.5%	Warren
Totals	**$ 383,503**	**24**	**5**	**994**	**779**	**43**	**107**	**274.4%**	**n/a**	**128.8%**	**n/a**

* Company did not respond to notification from the Division of Taxation and thus did not provide the information required by Rhode Island General Law subsection 42-64.3-6.1(h).

TABLE V.
MOTION PICTURE PRODUCTION TAX CREDITS
Rhode Island General Law Section 44-31.2-6.1
(Administrator: Rhode Island Film and TV Office)

Name of Recipient	Amount	Reported Total Part-Time Jobs	Reported Total Temporary Jobs	Reported Total Full-Time Jobs	Estimated Full-Time and Part-Time Jobs Created or Retained [1]	Required Number of Full-Time and Part-Time Jobs Created or Retained	Degree to Which Job Creation or Retention Goals Were Met	Benefits Offered [1]	Degree to Which Wage and Benefit Goals Were Met	Reported Geographic Locations Used by Production [1]
Ginkgo Leaf Productions, Inc.	$ 70,723	0	0	2	21	None	No Goals Specified	Health, 50 percent coverage for full-time employees only	No Goals Specified	Newport, Providence, Tiverton
Totals	**$ 70,723**	**0**	**0**	**2**	**21**	**n/a**	**n/a**	**n/a**	**n/a**	**Various**

[1] Data is from page 1 of the Motion Picture Production Tax Credit Information Request Form as provided by the Rhode Island Film & Television Office.

TABLE VI.
UTILIZATION OF RIte CARE AND RIte SHARE BENEFITS BY TAX BENEFIT RECIPIENTS
Rhode Island General Law Section 42-142-6(a)(4)
(Executive Office of Health and Human Services)

Name of Recipient	Tax Credit / Tax Benefit Program	Number of Employees Receiving RIte Care or RIte Share Benefits^	Total Amount of RIte Care or RIte Share Benefits^ Received
Chapel Associates LLC	Project Status Sales Tax Exemption	†	†
Factory Mutual Insurance Co.	Project Status Sales Tax Exemption	8	$ 33,210
FMR LLC and Affiliates	Project Status Sales Tax Exemption	9	78,386
Immunex Rhode Island Corp	Project Status Sales Tax Exemption	*	*
Parmatech Proform Corporation	Project Status Sales Tax Exemption	*	*
Sub-Total	**Project Status Sales Tax Exemption**	**17**	**$ 111,596**
AAA Southern New England and Subsidiaries	Jobs Development Act Rate Reduction	*	*
Citizens Bank	Jobs Development Act Rate Reduction	56	$ 315,518
Electric Boat Corporation	Jobs Development Act Rate Reduction	66	486,334
Rite-Solutions, Inc.	Jobs Development Act Rate Reduction	3	8,125
Sub-Total	**Jobs Development Act Rate Reduction**	**125**	**$ 809,977**
Child Care Connection, Inc dba The Children's Workshop	Enterprise Zone Wage Credit	*	*
Ronstan International, Inc	Enterprise Zone Wage Credit	1	$ 2,999
TD Bank, N. A	Enterprise Zone Wage Credit	16	86,130
Tiffany and Company	Enterprise Zone Wage Credit	34	363,710
Trinkle Design Associates	Enterprise Zone Wage Credit	0	-
WaterRower, Inc.	Enterprise Zone Wage Credit	10	149,724
Sub-Total	**Enterprise Zone Wage Credit**	**61**	**$ 602,564**

TABLE VI.
UTILIZATION OF RIte CARE AND RIte SHARE BENEFITS BY TAX BENEFIT RECIPIENTS
Rhode Island General Law Section 42-142-6(a)(4)

(Executive Office of Health and Human Services)

Name of Recipient	Tax Credit / Tax Benefit Program	Number of Employees Receiving RIte Care or RIte Share Benefits^	Total Amount of RIte Care or RIte Share Benefits^ Received
Ginkgo Leaf Productions, Inc.	Motion Picture Production Tax Credit	*	*
Sub-Total	**Motion Picture Production Tax Credit**	**0**	**$ -**
CVS Pharmacy, Inc.	Project Status Sales Tax Exemption / Jobs Development Act Rate Reduction	102	$ 607,028
United Natural Foods, Inc.	Jobs Development Act Rate Reduction / Enterprise Zone Wage Credit	3	8,519
Sub-Total	**Multiple Tax Incentives / Tax Benefits**	**105**	**$ 615,547**
Grand Total	**n/a**	**308**	**$ 2,139,683**

^ Benefits include Fee-for-service payments, RIte Care capitation payments, RIte Share premium payments and RIte Smiles capitation payments made by the State on behalf of an employee. Payments are for any member in the same Medicaid case as the employee. Employees are assumed to have been employed by the tax credit / tax benefit recipient from the date of the employee's hire through June 30, 2013.

* Company did not respond to notification from the Division of Taxation and thus did not provide the information required by Rhode Island General Law subsection 42-64-10(k) or 42-64.3-6.1(h) as applicable.

† Company earned the sales tax exemption under another statute and was included under Project Status by error.

Part II

Cost – Benefit Analysis of the Tax Credits / Tax Benefits

Introduction

Rhode Island General Law § 42-142-6(a)(5) requires the Office of Revenue Analysis (ORA) to conduct an analysis of the economic costs and benefits to the state for the incentives included in the *Annual Unified Economic Development Report* beginning January, 15, 2014.[1] The statute specifies that ORA shall work in conjunction with the Rhode Island Economic Development Corporation (RIEDC) in the preparation of the cost-benefit analysis section of the report.

ORA prepared a cost benefit analysis for four tax incentives that were covered in the first part of this report — the Project Status sales and use tax exemption, the Jobs Development Act business corporations tax rate reduction, the Enterprise Zone wage tax credit, and the Motion Picture Production Company tax credit.

Cost-Benefit Analysis Methodology

ORA analyzed the self-reported firm-level data on employment, wages, and benefits for tax incentive recipients in FY 2013 as detailed in Part I of this report. Using this data, as well as data from the Division of Taxation, RIEDC, and publicly available historical data on the regional and national economies, the cost-benefit analysis herein seeks to evaluate the net economic and fiscal impacts of the covered incentives. Metrics include employment, state gross domestic product (GDP), and state revenue impacts.

To execute the cost-benefit analysis, ORA utilized Regional Economic Models, Incorporated's (REMI) 70-sector model of the Rhode Island economy via the REMI PI+ software platform to produce estimates of the total economic effects of the incentives issued in FY 2013.[2] The dynamic capabilities of the REMI PI+ model allows one to estimate the impacts of exogenous shocks to the state's economy, including changes to public policy, shifts in consumer preferences and demand, and developments in industry.

The retrospective timing of the FY 2013 cost-benefit analysis necessitated a unique modeling approach. The modeling procedure had to overcome complications created by the fact that historical economic data for the Rhode Island economy includes the economic impact that may have resulted from the tax incentives being analyzed. In consultation with REMI, ORA developed a "counterfactual" approach that analyzes the impact on the state's economy if the tax incentive in question had not been in effect in FY 2013. The resulting deviations in economic indicators from historic figures represent the estimated economic impact of each incentive.

The retrospective timing also necessitated modifications to the standard REMI PI+ model. The REMI PI+ model is typically used to model the impact of future shocks to the economy. The version of the REMI PI+ model employed by ORA for this cost-benefit analysis is not programmed

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[1] The FY 2013 Unified Economic Development Report is the first report for which the cost-benefit analysis specified in Rhode Island General Law § 42-142-6(a)(5) was required.

[2] The REMI model consists of four economic impact methodologies: input-output analysis, computable general equilibrium dynamics, econometric estimation techniques, and economic geography and migration flows. Detailed documentation on the REMI PI+ v1.7.2 model employed in this analysis is available at: http://www.remi.com/resources/documentation

to allow the introduction of changes in policy variables earlier than calendar year 2014. The incentives modeled in this report, however, include changes in economic activity correlated to the tax incentives that occurred as early as calendar year 2010. In consultation with REMI, ORA developed a procedure for time-shifting the REMI model. This approach allowed ORA to overcome the limitations imposed by the PI+ software while still using the most recent, reliable, and accurate economic data and modeling software.

Identifying the Scope of Benefits

A fundamental challenge in evaluating economic development incentives is determining the extent to which an incentive actually stimulated or attracted new economic activity rather than subsidized economic activity that would have been largely present even in the absence of the incentive. On one hand, the availability of a tax incentive might have a decisive influence on a firm's production decisions. In this case it might be appropriate for an evaluator to attribute all of the firm's economic activity to the incentive. On the other hand, an incentive program may simply reward or subsidize behavior that likely would have occurred anyway. In this case the tax credit might have an impact on a firm's marginal productivity, but it would be inappropriate to attribute the full economic activity of the firm solely to the availability of the tax incentive. Real world conditions often make it difficult or impossible for an evaluator to assess where on this spectrum the impact of any given tax incentive falls – whether on either end or somewhere in between.

An issue complicating an analyst's ability to neatly define the scope of benefits resulting from incentive program is the fact that not all enabling legislation for tax incentive programs contain provisions requiring that qualifying economic activity would not have occurred without the availability of the incentive. Some incentive programs are broadly available to all qualifying firms and projects regardless of whether the incentive was an instrumental factor in making the investment, employment, or project possible. For example, the Motion Picture Production Company tax credit is available to all motion picture productions meeting statutory requirements regardless of whether the production company had considered competitive out-of-state alternative locations or would have been unable to engage in production without the credit. Additionally, the Enterprise Zone wage tax credit is intended to stimulate development within an Enterprise Zone, but could potentially be awarded to firms locating in a qualifying zone rather than somewhere else in Rhode Island – resulting in benefits to the Enterprise Zone community but little or no net benefit to the state. The Jobs Development Act provides a valuable rate reduction of sufficient magnitude that it is plausible that it could influence a firm's production decision, but there is not an explicit requirement that additional employment would not have occurred in the absence of the rate reduction. Finally, Project Status recipients are governed by individual agreements that may or may not contain any assurances that economic activity associated with the exemption would not have occurred without the credit.

Finally, the interaction of credits awarded over multiple years and firms receiving multiple credits simultaneously complicates the process of performing a cost-benefit analysis of a single credit in a single year. Consider the Jobs Development Act business corporations tax rate reduction. A firm may retain the rate reduction benefit established during the initial expansion period indefinitely as long as it maintains a minimum employment level. When a firm makes a long-term commitment to locate a corporate headquarters in Rhode Island – along with all of the associated capital investment and employment – it likely considered all of the available incentives and the long-term benefits associated with them. It would be inappropriate to claim that all of the investment and employment associated with a particular firm would vanish if the tax incentive were removed for a single year when a firm makes a long-term investment decision while considering a package of available incentives over a timeline spanning many years. Note that the Jobs Development Act rate reduction, Project Status exemption, and Enterprise Zone wage credit can provide benefits to firms over multiple years. The Motion Picture Production Company Credit is granted on a project-by-project basis, but may be awarded to the same firm engaged in successive projects.

ORA identified the following firms to be recipients of multiple incentive programs, including firms with multiple subsidiaries/related entities receiving that same credit:

Firms Receiving Multiple State Tax Incentives in FY 2013 (including firms with multiple subsidiaries/related entities receiving separate incentives)			
Recipient Firm	**Subsidiaries / Related Entities**	**Incentives Awarded**	**Total Credit Awarded**
CVS Pharmacy, Inc.	n/a	Project Status, JDA, Daycare Credit, Investment Tax Credit, Jobs Training Credit	$17,022,362.52
Fidelity	FMR LLC	Project Status, Jobs Rent Credit	$3,324,852.66
United Natural Foods, Inc.	n/a	JDA, Enterprise Zone, Project Status	$236,306.00
Citizens Bank	CCO Investment Services Corp., Servco Inc.	JDA	$85,309.00
AAA	AAA Southern New England and Subsidiaries, AAA Southern New England Bank	JDA	$24,535.00

Source: State of Rhode Island Division of Taxation, FY 2013 Tax Credit and Incentive Report.

Facing these and other barriers related to the identifying the appropriate scope of benefits to be included in this analysis, ORA presents here two different analyses based on contrasting assumptions of the direct impact of the incentives.

The first analysis estimates the economic and fiscal impacts of the incentives under the assumption that the tax incentives impacted economic activity at recipient firms at the margin. This assumption means that the tax incentive increased productivity at the recipient firm, but it did not leverage any additional investment beyond this immediate impact. Rather than making long-term production decisions based on the availability of an incentive in a given year, firms simply made short-term cost-structure decisions in response to the availability of an incentive. This analysis is referred to herein as the “marginal analysis.”

The second analysis assumes the opposite of the first. In this case, it is assumed that the tax incentives directly leveraged all of the economic activity required of recipient firms to receive a tax benefit. This assumption means that much of the economic activity required of recipient firms to receive a tax benefit would not have occurred in the absence of the incentives. Under this assumption, firms made long-term production decisions based on the availability of an incentive over a period of time, and removal of that incentive in a given year would undo all such decisions. This analysis is referred to herein as the “leveraged analysis”.

Though these two approaches represent two ends of the spectrum on which potential benefits might fall, it is not appropriate to assume that the average of the two approaches represent the best, unbiased estimate of the impact of an incentive. In any given case, it is possible that the actual impact may fall on one extreme or the other – dependent on the key assumption of whether or not the recipient would have engaged in the necessary employment, investment, or production in the absence of the tax incentive.

Inputting Costs and Benefits in the REMI Model

The economic benefits of a tax incentive are considered to be the direct economic effects associated with the tax incentive / benefit, as well the indirect and induced economic effects. Tax incentives / benefits also have direct, indirect, and induced costs. Tax incentives / benefits reduce the resources available to government to pursue other objectives. Rhode Island state government, as is the case in 48 other states, is required to operate under a balanced budget. As a result, this report assumes that tax incentives / benefits must be funded with either a decrease in other state expenditures or an increase in taxes. These revenue offsets, and the indirect and induced economic effects associated with them, comprise the costs of an incentive.

This general cost-benefit methodology is summarized in the following figure:

Net Benefits = Benefits – Costs

Where:

Benefits = Direct Positive Economic Effects + Positive “Multiplier” Effec**ts**

Costs = Direct Negative Economic Effects + Negative “Multiplier” Effect

In the figure above, *Direct Benefits* refer to the economic activity associated with firms that are direct recipients of tax incentives / benefits, while the *Positive “Multiplier” Effect* captures indirect economic activity resulting from increased industrial activity throughout the recipient firms' supply chains as well as induced economic activity resulting from increased household consumption attributable to increases in compensation and/or employment at recipient firms and throughout the economy.

Direct Costs refer to the reduction in economic activity associated with state expenditure cuts or tax and/or fee increases necessary to maintain a balanced budget. The *Negative “Multiplier” Effect* incorporates forgone indirect economic activity throughout the state government's or industries' supply chain as well as forgone induced economic activity resulting from a reduction in household consumption attributable to a reduction in compensation and/or employment in state government or at taxpaying firms throughout the economy.

The regional linkages in the REMI model are able to assess the extent to which costs and benefits remain within the state or leak outside the state's economy. Additionally, the dynamic capabilities of the model allow the effects of a policy shock to ripple throughout the economy, leading to further adjustments to output, labor and capital demand, population and labor supply, compensation, prices, and costs, as well as regional market shares until the economy arrives at a new equilibrium.

Direct benefits are entered into the REMI model as policy variables simulating changes in industry sales, exogenous final demand, employment, compensation or wages, and production costs. ORA assigned these benefits to a profile of sectors among the 70 sectors available in the REMI PI+ model in proportion with the amount of each incentive issued to firms in each industry. As an example, under ORA's modeling approach, a hypothetical $5,000,000 tax credit awarded to a pharmaceutical manufacturing firm would be modeled as an adjustment to production costs for the "Chemical Manufacturing" (NAICS Code: 325) industrial sector of $5,000,000.

Modeling Alternative Uses of Tax Incentive / Benefit Resources

The cost-benefit analyses contained in this report consider two options for modeling the alternative uses of resources dedicated to the tax incentives analyzed. This section refers to these two options generally as the "Government Expenditure Response" scenario and the "Tax Policy Response" scenario.

The "Government Expenditure Response" scenario assumes that the tax incentive is funded by an equivalent reduction in state government spending. These adjustments are made based on a comprehensive historical analysis of Rhode Island general fund expenditures for each of the fiscal years within the scope of this analysis. This analysis compiled all state general fund expenditures and assumed that the level of all of these expenditures could be adjusted to maintain a balanced general fund budget. Certain long-term commitments such as debt/lease payments and preexisting obligations to current retirees were held harmless. The breakdown of general fund expenditures by category for FY 2013 is shown in the table below.[3]

[3] FY 2013 is presented for illustrative purposes. REMI PI+ requires all policy variables to be entered on a calendar year basis. As a result, actual model inputs were constructed by taking the average of the two adjacent July-June state fiscal years overlapping each calendar year. For example, average government expenditure percentages for calendar year 2013 consist of the average of fiscal years 2013 and 2014.

FY 2013 Rhode Island General Fund Expenditures			
Industry Description	**NAICS Code**	**Amount**	**Percent of Total**
Ambulatory Healthcare Services [4]	621	$980.4 million	32.3%
Educational Services	61	$968.2 million	31.9%
State Wages, Salary, and other Compensation	N/A (entered as "state/local govt. compensation" and "employment")	$772.0 million	23.8%
Social Assistance	624	$126.9 million	4.2%
Local Government Spending	N/A (entered as "local government spending")	$67.9 million	2.2%
Administrative and Support Services	561	$32.8 million	1.1%
Wholesale Trade	42	$31.3 million	1.0%
Professional, Scientific, and Technical Services	54	$30.8 million	1.0%
Remaining/Other	19 additional industries and also non-residential capital investment	$73.0 million	2.4%
	Total:	**$3.033 billion**	**100.0%** [5]

The following table summarizes Rhode Island state government employment in FY 2013:

FY 2013 State Wages and Salary Detail	
Full Time Equivalent (FTE) Positions Count (all fund sources)	13,669.0
Total Compensation Cost Per FTE (all fund sources)	$96,384.69

As a large portion of government expenditures are on personnel, a significant portion of the direct cost in this scenario is entered into the REMI model as an adjustment to the number of state employees and their level of compensation. The remainder of the policy adjustment is entered into the model as changes in investment and exogenous final demand for the industries from which the state purchases goods and services.

The "Tax Policy Response" scenario assumes that the tax incentive is funded by broad-based tax increase. This broad-based tax increase is entered into the REMI model as an adjustment to

[4] Of the $980.4 million in state general fund expenses on ambulatory health care services in FY 2013, a vast majority (98.5 percent or $965.7 million) consists of the state general fund portion of Medicaid payments made via MMIS (Medicaid Management Information System). This represents the state's required contribution in order to receive matching funds according to the Federal Medical Assistance Percentage (FMAP). Although eligibility for Medicaid programs is determined through an entitlement process and the General Assembly is legally bound to appropriate the amount adopted at the annual Caseload Estimating Conference, this analysis assumes that some marginal adjustment to the Medicaid appropriation amount is possible through policy changes, especially considering changes on the relatively small order of magnitude necessary to fund an individual tax incentive program such as those included in this report.

[5] Total may not sum precisely due to rounding.

production costs and is distributed across industries in proportion with each industry's total value added to the Rhode Island economy. Value added roughly corresponds to a firm's business profits, so this approach provides an efficient method for distributing the impact of a broad-based tax increase in proportion with the taxes paid by each industry. For example, the Construction industry (NAICS Code: 23) had total value added in calendar year 2013 of $1.851 billion out of total value added for all private, non-farm Rhode Island industries of $44.0 billion. This implies that the construction industry's value added as a percentage of the total value added of all Rhode Island industries is 4.2 percent. This percentage is used to yield the adjustment to production costs for the Construction industry.

The methodology employed in this report also considers the cost to administer each tax credit as appropriate. In the "Government Expenditure Response" scenario, it is unnecessary to consider administrative costs because it is assumed that the same level of state government expenditures would occur regardless of whether the incentive program were in place. In the "Tax Policy Response" scenario, it is assumed that if a tax incentive had not been in place then the cost of tax credit administration would not have been incurred and the cost savings would be passed along to taxpayers as a tax decrease.

Calculation of Fiscal Impacts

Fiscal impact estimates were calculated outside of the REMI model as derived from the ratio of Rhode Island state general revenues to Rhode Island GDP in each year covered by this analysis. For example, in FY 2013 Rhode Island GDP, was $52.48 billion. FY 2013 total general revenues were $3.378 billion. Thus, in FY 2013, general revenues were 6.48 percent of FY 2013 Rhode Island GDP. ORA used this percentage to estimate the amount of general revenues that result from changes in Rhode Island GDP associated with each tax incentive analyzed.

Definition of Terms

The following are terms that will be used in the subsequent sections of this part of the report. Additional clarity around the meaning of these terms will be provided as needed in the sections below.

<u>Compensation</u>: The sum of wages and salary disbursements and supplements to wages and salaries including fringe benefits.

<u>Direct economic effects</u>: Economic activity associated with firms that are direct recipients of tax incentives / benefits, including but not limited to changes in employment, compensation, and output.

<u>Directly impacted industry</u>: Industries in which firms in direct receipt of a tax incentive / benefit operate, designated by the North American Industry Classification System (NAICS).

<u>Factors of production</u>: The sum of all inputs, including capital, labor, fuel, and intermediate inputs used in the production of a firm's final output.

Economic multiplier effects: The sum of indirect and induced economic effects.

Exogenous final demand: The total amount of a good or service demanded by consumers, produced by all firms regardless of firm location.

Industry Sales: The total amount of a good or service demanded by consumers that is produced by Rhode Island firms.

Indirect economic effects: Economic activity resulting from increased demand for intermediate inputs by a firm that has received a tax incentive / benefit.

Induced economic effects: Economic activity resulting from increased household consumption attributable to increases in compensation and/or demand for labor by firms that have received a tax incentive / benefit and firms in their supply chain.

Intermediate inputs: Goods and services, other than capital, labor, or fuel used by a firm in the production of its final output.

Investment: Firm and individual spending on structures, equipment, and intellectual property.

Gross Domestic Product: The sum of value added across all industries. Gross domestic product can we expressed as the sum of consumption, investment, government spending, and imports less exports.

Gross Output: The sum of all sales receipts, including those generated from goods and services sold for final consumption and as intermediate inputs, operating income, commodity taxes, and the change in inventories within the state.

Production cost: The final cost to a firm of all factors of production used in the production of final goods and services.

Tax credit: The direct dollar-for-dollar reduction of an individual’s or entity’s tax liability. The value of a tax credit is invariant to a taxpayer’s tax bracket.

Tax exemption: A taxable expenditure, income, or investment on which no tax is levied. A tax exemption may be of limited or permanent duration.

Tax rate reduction: The direct reduction of the percentage at which an individual or entity is taxed. A tax rate reduction confers monetary benefits in direct proportion to the tax base upon which it is assessed.

Value added: The gross output of all firms in an industry less the cost of intermediate inputs. Value added can also be expressed as the sum of employee compensation, production taxes, net imports, proprietor’s income, corporate profits, and the consumption of capital.

Wages: The sum of pecuniary earnings of an employee, expressed in dollar amounts, typically either by number of dollars per hour or per year.

Modeling the Tax Incentives in REMI

ORA matched each recipient firm to its corresponding industry code according to the North American Industry Classification System (NAICS) in order to accurately simulate direct shocks to the Rhode Island Economy with the REMI model. The following tables depict the amount of a given tax incentive / benefit received by firms in each industry.

FY 2013 Project Status Sales and Use Tax Exemption	
Industry (NAICS Code)	**Amount Received**
Chemical Manufacturing (325)	$ 258,315
Fabricated Metal Product Manufacturing (332)	4,696
Insurance Carriers and Related Activities (524)	350,000
Management of Companies and Enterprises (55)	1,138,860
Securities, Commodity Contracts, Investments (523)	244,327
Total	**$ 1,996,198**

FY 2013 Jobs Development Act Business Corporations Tax Rate Reduction	
Industry (NAICS Code)	**Amount Received**
Management of Companies and Enterprises (55)	$ 14,581,308
Membership Associations and Organizations (813)	20,696
Miscellaneous Manufacturing (339)	582,894
Monetary Authorities – Central Bank; Credit Intermediation and Related Activities; Funds, Trusts, and Other Financial Vehicle (52)	3,839
Professional, Scientific, and Technical Services (54)	85,309
Securities, Commodity Contracts, Investments (523)	9,851
Total	**$ 15,283,897**

FY 2013 Enterprise Zone Wage Credit	
Industry (NAICS Code)	**Amount Received**
Educational Services (61)	$ 10,381
Management of Companies and Enterprises (55)	105,000
Miscellaneous Manufacturing (339)	224,731
Monetary Authorities – Central Bank; Credit Intermediation and Related Activities; Funds, Trusts, and Other Financial Vehicle (52)	39,935
Wholesale Trade (42)	3,456
Total	**$ 383,503**

FY 2013 Motion Picture Production Tax Credit	
Industry (NAICS Code)	**Amount Received**
Motion Picture and Sound Recording (512)	$ 70,723
Total	**$ 70,723**

The Marginal Impact Analysis of the FY 2013 Tax Incentives / Benefits

Key Assumptions

The marginal impact analysis estimates the economic and fiscal impacts of the incentives under the assumption that the tax incentives directly impacted economic activity at recipient firms at the margin. This assumption means that most of the economic activity required of recipient firms to receive a tax benefit would have occurred in the absence of the incentive. Rather than making global production decisions based on the availability of an incentive in a given year, firms simply made marginal cost-structure decisions in response to the availability of an incentive.

Results

The following sections provide a brief summary of each incentive, a description of any unique considerations impacting the modeling approach, a listing and explanation of inputs to the REMI model, and a summary of costs and benefits as reported by the model output.

Project Status Exemption

The tax benefit commonly referred to as Project Status provides a sales and use tax exemption to lessees or sub-lessees of the RIEDC for construction materials as well as durable fixtures, furniture, and equipment.[6] In FY 2013, five firms in five industries received a total reduction in sales and use tax liability of $1,996,198.

Benefits

ORA modeled the $1,996,198 sales and use tax exemption for the five recipients with Project Status agreements as a commensurate adjustment to industry-specific production costs. This approach results in a direct, indirect, and induced increase of seven jobs[7]. Additionally, the sales and use tax exemption generates a direct, indirect, and induced increase in state GDP of $671,528 and an estimated $43,179 increase in state general revenues.

Alternative Scenario I: Government Expenditure Response

Assuming that the sales and use tax exemption resulted in a decrease in other government expenditures in order to maintain a balanced budget, ORA modeled a commensurate adjustment to general revenue expenditures. This approach results in a direct, indirect, and induced decrease of 24 jobs. Additionally, the reduction in government spending generates a direct, indirect, and

[6] See Section 1 for a more detailed explanation of the exemption.

[7] The wages and hours of an average job vary by industry according to US Department of Commerce, Bureau of Economic Analysis regional observations. This employment count comprises the estimates of the number of jobs, full-time plus part-time, by place of work. Full-time and part-time jobs are weighted equally.

induced decrease in state GDP of $1,679,223 and an estimated $107,975 decrease in state general revenues. Modeling the simultaneous interaction of benefits and costs, the incentive results in a net aggregate decrease of 16 jobs. Direct, indirect, and induced economic effects generate an aggregate net decrease in state GDP of $1,007,699, and an estimated $64,795 decrease in state general revenues. The following table summarizes the results of this analysis.

FY 2013 Project Status Sales and Use Tax Exemption Marginal Analysis			
Government Spending Response Scenario			
Indicator	**Benefits Only**	**Government Spending Only**	**Simultaneous**
Direct Jobs	0	-5	-5
Indirect Jobs	1	-3	-1
Induced Jobs	6	-16	-10
Total Jobs	7	-24	-16
Total GDP	$ 671,528	$ (1,679,233)	$ (1,007,699)
Total Revenue	$ 43,179	$ (107,975)	$ (64,795)

Alternative Scenario II: Tax Policy Response

Assuming that the sales and use tax exemption resulted in a broad-based tax increase in order to maintain a balanced budget, ORA modeled an adjustment to industry production costs by value added. This approach results in a direct, indirect, and induced decrease of 13 jobs. Additionally, the increase in taxes generates a direct, indirect, and induced decrease in state GDP of $999,233 and an estimated $64,251 decrease in state general revenues. Modeling the simultaneous interaction of benefits and costs, the incentive results in a net aggregate decrease of five jobs. Direct, indirect, and induced economic effects generate an aggregate net decrease in state GDP of $327,686, and an estimated $21,070 decrease in state general revenues. The following table summarizes the results of this analysis.

2013 Project Status Sales and Use Tax Exemption Marginal Analysis			
Tax Policy Response Scenario			
Indicator	**Benefits Only**	**Tax Increase Only**	**Simultaneous**
Direct Jobs	0	0	0
Indirect Jobs	1	-2	0
Induced Jobs	6	-11	-5
Total Jobs	7	-13	-5
Total GDP	$ 671,528	$ (999,233)	$ (327,686)
Total Revenue	$ 43,179	$ (64,251)	$ (21,070)

It is clear from the marginal impact analysis that the provision of the Project Status sales and use tax exemption reduced total jobs, total GDP, and total revenue relative to alternative uses of the resources expended on the incentive.

Jobs Development Act Rate Reduction

The Jobs Development Act (JDA) provides for a reduction in the business corporations tax rate for each new unit of employment that is added within an initial three-year measurement period to a company's previously established base employment.[8] In FY 2013, eight firms in five industries received a total reduction in tax liability of $15,283,897.

Benefits

ORA modeled the $15,283,897 reduction in tax liability for the eight recipients of the JDA business corporations tax rate reduction as a commensurate adjustment to industry-specific production costs. This approach results in an aggregate increase of 16 jobs. Additionally, the rate reduction generates an aggregate increase in state GDP of $5,754,128 and an estimated $369,999 increase in state general revenues.

Alternative Scenario I: Government Expenditure Response

Assuming that the JDA rate reduction resulted in a decrease in other government expenditures in order to maintain a balanced budget, ORA modeled a commensurate adjustment to general revenue expenditures. This approach results in a direct, indirect, and induced decrease of 185 jobs. Additionally, the reduction in government spending generates a direct, indirect, and induced decrease in state GDP of $13,221,353 and an estimated $850,133 decrease in state general revenues. Modeling the simultaneous interaction of benefits and costs, the incentive results in a net aggregate decrease of 125 jobs. Direct, indirect, and induced economic effects generate an aggregate net decrease in state GDP of $7,466,907, and an estimated $480,122 decrease in state general revenues. The following table summarizes the results of this analysis.

FY 2013 Jobs Development Act Rate Reduction Marginal Analysis			
Government Spending Response Scenario			
Indicator	**Benefits Only**	**Government Spending Only**	**Simultaneous**
Direct Jobs	0	-37	-37
Indirect Jobs	11	-23	-12
Induced Jobs	50	-126	-75
Total Jobs	61	-185	-125
Total GDP	$ 5,754,128	$ (13,221,353)	$ (7,466,907)
Total Revenue	$ 369,990	$ (850,133)	$ (480,122)

Alternative Scenario II: Tax Policy Response

Assuming that the JDA rate reduction resulted in a broad-based tax increase in order to maintain a balanced budget, ORA modeled an increase in industry production costs by value added. This approach results in a direct, indirect, and induced increase of 12 jobs. Additionally, the increase in taxes generates a direct, indirect, and induced decrease in state GDP of $1,133,590 and an estimated $39,747 decrease in state general revenues. Modeling the simultaneous interaction of benefits and costs, the incentive results in a net aggregate decrease of 11 jobs. Direct, indirect, and

[8] See Section 1for a more detailed explanation of the rate reduction.

induced economic effects generate an aggregate net decrease in state GDP of $1,423,710, and an estimated $49,920 decrease in state general revenues. The following table summarizes the results of this analysis.

FY 2013 Jobs Development Act Rate Reduction Marginal Analysis			
Tax Policy Response Scenario			
Indicator	**Benefits Only**	**Tax Increase Only**	**Simultaneous**
Direct Jobs	0	0	0
Indirect Jobs	11	-15	-5
Induced Jobs	50	-84	-33
Total Jobs	61	-99	-38
Total GDP	$ 5,754,128	$ (7,708,188)	$ (1,952,926)
Total Revenue	$ 369,990	$ (495,636)	$ (125,573)

It is clear from the marginal impact analysis that the provision of the Jobs Development Act rate reduction reduced total jobs, total GDP, and total revenue relative to alternative uses of the resources expended on the incentive.

Enterprise Zone Wage Credit

The Enterprise Zone Wage Credit ("EZ Credit") allows businesses located in a designated enterprise zone with newly hired employees to claim a tax credit against the business corporations tax, the public service corporation tax, the taxation of banks, or the taxation of insurance companies.[9] In FY 2013, seven firms in five industries received a total reduction in tax liability of $383,503.

Benefits

ORA modeled the $383,503 reduction in tax liability for the seven recipients of the EZ Credit as a commensurate adjustment to industry-specific production costs. This approach results in an aggregate increase of one job. Additionally, the rate reduction generates an aggregate increase in state GDP of $133,646 and an estimated $8,593 increase in state general revenues.

Alternative Scenario I: Government Expenditure Response

Assuming that the credit resulted in a decrease in other government expenditures in order to maintain a balanced budget, ORA modeled a commensurate adjustment to general revenue expenditures. This approach results in a direct, indirect, and induced decrease of 5 jobs. Additionally, the reduction in government spending generates a direct, indirect, and induced decrease in state GDP of $331,749 and an estimated $21,331 decrease in state general revenues. Modeling the simultaneous interaction of benefits and costs, the incentive results in a net aggregate decrease of three jobs. Direct, indirect, and induced economic effects generate an aggregate net decrease in state GDP of $198,103, and an estimated $12,738 decrease in state general revenues. The following table summarizes the results of this analysis.

[9] See Section 1 for a more detailed explanation of the rate reduction.

FY 2013 Enterprise Zone Wage Credit Marginal Analysis			
Government Spending Response Scenario			
Indicator	**Benefits Only**	**Government Spending Only**	**Simultaneous**
Direct Jobs	0	-1	-1
Indirect Jobs	0	-1	0
Induced Jobs	1	-3	-2
Total Jobs	1	-5	-3
Total GDP	$ 133,646	$ (331,749)	$ (198,103)
Total Revenue	$ 8,593	$ (21,331)	$ (12,738)

Alternative Scenario II: Tax Policy Response

Assuming that the credit resulted in a broad-based tax increase in order to maintain a balanced budget, ORA modeled an increase in industry production costs by value added. This approach results in a direct, indirect, and induced increase of two jobs. Additionally, the increase in taxes generates a direct, indirect, and induced decrease in state GDP of $182,346 and an estimated $11,725 decrease in state general revenues. Modeling the simultaneous interaction of benefits and costs, the incentive results in a net aggregate decrease of one job. Direct, indirect, and induced economic effects generate an aggregate net decrease in state GDP of $48,699 and an estimated $3,131 decrease in state general revenues. The following table summarizes the results of this analysis.

FY 2013 Enterprise Zone Wage Credit Marginal Analysis			
Tax Policy Response Scenario			
Indicator	**Benefits Only**	**Tax Increase Only**	**Simultaneous**
Direct Jobs	0	0	0
Indirect Jobs	0	0	0
Induced Jobs	1	-2	-1
Total Jobs	1	-2	-1
Total GDP	$ 133,646	$ (182,346)	$ (48,699)
Total Revenue	$ 8,593	$ (11,725)	$ (3,131)

It is clear from the marginal impact analysis that the provision of the Enterprise Zone wage credit reduced total jobs, total GDP, and total revenue relative to alternative uses of the resources expended on the incentive.

Motion Picture Production Tax Credit

The Motion Picture Production Tax Credit (MPPTC) provides for a transferable credit equal to 25 percent of the qualifying in-state expenditures of an eligible motion picture production.[10] The credit issued in 2013 was for production spending that occurred in 2010. The time difference between the year in which the economic activity occurred which generated the credit and the year in which the credit is issued is unique to the MPPTC. This analysis reports on the economic and

[10] See Section 1for a more detailed explanation of the rate reduction.

fiscal impacts of the credits *issued* in 2013. Restricting the sample to only productions incentivized by credits issued in 2013 allowed ORA to minimize bias introduced by excessive time-shifting of the REMI model. To include in the sample all productions still potentially redeeming tax credits in 2013 would require the inclusion of productions receiving credits in 2009, the underlying activity for which may have occurred in years as far back at 2007. To avoid unnecessarily biasing model outputs, and remain consistent in the analysis of economic changes attributable to incentives included in the FY 2013 Tax Credit and Incentives Report, only productions that were issued credits in 2013 were included in this analysis.

ORA considered several options for modeling the impact of the incentive given the unique lag between the economic activity that generated the credit and the issuance of the credit, and selected the modeling approach which introduced the least bias to the results of the analysis. The selected model simulated the benefits of the motion picture production activity in 2013, using 2013 dollars, and simulated the costs of the foregone revenue in 2013, using 2013 dollars.[11] Converting everything to 2013 dollars and simulating their simultaneous interaction in the same year allowed ORA to estimate economic indicators without introducing bias as a result of excessive shifting of the model backwards in time, or excessive forecasting forward in time. As a secondary support for this method, modeling the effects of a single year allows for comparison of results from the analysis of the MPPTC to analyses of the other incentives in this report, despite differences in structure.

Benefits

ORA modeled the reduction in tax liability for the one recipient of the credit as a commensurate adjustment to industry-specific production costs. This approach results in an aggregate increase of one job. Additionally, the rate reduction generates an aggregate increase in state GDP of $40,032 and an estimated $2,574 increase in state general revenues.

Alternative Scenario I: Government Expenditure Response

Assuming that the credit resulted in a decrease in other government expenditures in order to maintain a balanced budget, ORA modeled a commensurate adjustment to general revenue expenditures. This approach results in a direct, indirect, and induced decrease of one job. Additionally, the reduction in government spending generates a direct, indirect, and induced decrease in state GDP of $61,056 and an estimated $3,926 decrease in state general revenues. Modeling the simultaneous interaction of benefits and costs, the incentive results in no net change in jobs. Direct, indirect, and induced economic effects generate an aggregate net decrease in state GDP of $21,024, and an estimated $1,352 decrease in state general revenues. The following table summarizes the results of this analysis.

[11] To convert the benefits of motion picture production costs incurred in 2010 to 2013 dollars, ORA compounded 2010 production expenditures using consumer price index data from the U.S. Department of Labor’s Bureau of Labor Statistics. On the costs side, ORA assumed that the issuance of a credit in a given fiscal year resulted in the recognition of a liability in that same fiscal year and thus no other adjustments had to be made to the cost side of the analysis.

FY 2013 Motion Picture Production Tax Credit Marginal Analysis			
Government Spending Response Scenario			
Indicator	**Benefits Only**	**Government Spending Only**	**Simultaneous**
Direct Jobs	0	0	0
Indirect Jobs	0	0	0
Induced Jobs	1	-1	0
Total Jobs	1	-1	0
Total GDP	$ 40,032	$ (61,056)	$ (21,575)
Total Revenue	$ 2,574	$ (3,926)	$ (1,387)

Alternative Scenario II: Tax Policy Response

Assuming that the credit resulted in a broad-based tax increase in order to maintain a balanced budget, ORA modeled an increase in industry production costs by value added. This approach results in no net change in jobs. Additionally, the increase in taxes generates a direct, indirect, and induced decrease in state GDP of $18,457 and an estimated $1,187 decrease in state general revenues. Modeling the simultaneous interaction of benefits and costs, the incentive results in no net change in jobs. Direct, indirect, and induced economic effects generate an aggregate net increase in state GDP of $21,575, and an estimated $1,387 increase in state general revenues. The following table summarizes the results of this analysis.

FY 2013 Motion Picture Production Tax Credit Marginal Analysis			
Tax Policy Response Scenario			
Indicator	**Benefits Only**	**Tax Increase Only**	**Simultaneous**
Direct Jobs	0	0	0
Indirect Jobs	0	0	0
Induced Jobs	1	0	0
Total Jobs	1	0	0
Total GDP	$ 40,032	$ (18,457)	$ 21,575
Total Revenue	$ 2,574	$ (1,187)	$ 1,387

It is clear from the marginal analysis that the impact of the provision of the Motion Picture Production tax credit relative to alternative uses of the resources expended on the incentive depends on assumptions about the way in which the program was funded. Removing locally impactful government spending results in modest net negative effects on jobs, state GDP, and revenues to the state, while levying a tax on the business community to fund the credit results in modest net positive effects on state GDP, and revenues to the state.

<u>The Leveraged Impact Analysis of the FY 2013 Tax Incentives / Benefits</u>

Key Assumptions

The leveraged impact analysis assumes that the tax incentives directly leveraged the economic activity required of recipient firms to receive a tax benefit. This assumption means that most of the economic activity required of recipient firms to receive a tax benefit would not have occurred in the absence of the incentive. Under this assumption, firms made global production decisions based on the availability of an incentive in a given year.

Results

The following sections provide a brief summary of each incentive, a description of any unique considerations impacting the modeling approach, a listing and explanation of inputs to the REMI model, and a summary of costs and benefits as reported by the model output.

Project Status Exemption

Benefits

ORA modeled the $1,996,198 sales and use tax exemption for the five recipients with Project Status agreements as an adjustment to industry-specific employment and compensation. Employment and compensation inputs were calculated according to minimum employment requirements specified in each firm's Project Status agreement. Additionally, because the dollar amount of the credit is directly calculated from firm spending, ORA was also able to model the effect of this spending on the economy by using data on industry intermediate inputs from the U.S. Department of Commerce's Bureau of Economic Analysis. This approach results in a direct, indirect, and induced increase of 2,107 jobs. Additionally, the Project Status exemption generates a direct, indirect, and induced increase in state GDP of $242,340,865 and an estimated $15,582,518 increase in state general revenues.

Alternative Scenario I: Government Expenditure Response

Assuming that the sales and use tax exemption resulted in a decrease in other government expenditures in order to maintain a balanced budget, ORA modeled a commensurate adjustment to general revenue expenditures. This approach results in a direct, indirect, and induced decrease of 24 jobs. Additionally, the reduction in government spending generates a direct, indirect, and induced decrease in state GDP of $1,679,223 and an estimated $107,975 decrease in state general revenues. Modeling the simultaneous interaction of benefits and costs, the incentive results in a net aggregate decrease of 2,083 jobs. Direct, indirect, and induced economic effects generate an aggregate net increase in state GDP of $240,661,499, and an estimated $15,474,534 decrease in state general revenues. The following table summarizes the results of this analysis.

FY 2013 Project Status Sales and Use Tax Exemption Leveraged Analysis			
Government Spending Response Scenario			
Indicator	**Benefits Only**	**Government Spending Only**	**Simultaneous**
Direct Jobs	1,084	-5	1,079
Indirect Jobs	380	-3	377
Induced Jobs	643	-16	627
Total Jobs	2,107	-24	2,083
Total GDP	$ 242,340,865	$ (1,679,233)	$ 240,661,499
Total Revenue	$ 15,582,518	$ (107,975)	$ 15,474,534

Alternative Scenario II: Tax Policy Response

Assuming that the sales and use tax exemption resulted in a broad-based tax increase in order to maintain a balanced budget, ORA modeled an adjustment to industry production costs by value added. This approach results in a direct, indirect, and induced increase of 13 jobs. Additionally, the increase in taxes generates a direct, indirect, and induced decrease in state GDP of $999,233 and an estimated $64,251 decrease in state general revenues. Modeling the simultaneous interaction of benefits and costs, the incentive results in a net aggregate decrease of 2,094 jobs. Direct, indirect, and induced economic effects generate an aggregate net decrease in state GDP of $241,343,238, and an estimated $15,518,370 decrease in state general revenues. The following table summarizes the results of this analysis.

FY 2013 Project Status Sales and Use Tax Exemption Leveraged Analysis			
Tax Policy Response Scenario			
Indicator	**Benefits Only**	**Tax Increase Only**	**Simultaneous**
Direct Jobs	1,084	-0	1,084
Indirect Jobs	380	-2	378
Induced Jobs	643	-11	632
Total Jobs	2,107	-13	2,094
Total GDP	$ 242,340,865	$ (999,233)	$ 241,343,238
Total Revenue	$ 15,582,518	$ (64,251)	$ 15,518,370

It is clear from the leveraged impact analysis that the provision of the Project Status sales and use tax exemption increased total jobs, total GDP, and total revenue relative to alternative uses of the resources expended on the incentive.

Jobs Development Act

Benefits

ORA modeled the $15,283,897 reduction in tax liability for the eight recipients of the JDA business corporations tax rate reduction as an adjustment to industry-specific employment and compensation. Employment and compensation inputs were calculated according to minimum employment requirements specified in governing statute. This approach results in an aggregate increase of 4,475 jobs. Additionally, the rate reduction generates an aggregate increase in state GDP of $440,850,937 and an estimated $28,346,715 increase in state general revenues.

Alternative Scenario I: Government Expenditure Response

Assuming that the rate reduction resulted in a decrease in other government expenditures in order to maintain a balanced budget, ORA modeled a commensurate adjustment to general revenue expenditures. This approach results in a direct, indirect, and induced decrease of 185 jobs. Additionally, the reduction in government spending generates a direct, indirect, and induced decrease in state GDP of $13,221,353 and an estimated $850,133 decrease in state general revenues. Modeling the simultaneous interaction of benefits and costs, the incentive results in a net aggregate decrease of 4,289 jobs. Direct, indirect, and induced economic effects generate an aggregate net decrease in state GDP of $427,627,092 and an estimated $27,496,422 decrease in state general revenues. The following table summarizes the results of this analysis.

FY 2013 Jobs Development Act Rate Reduction Leveraged Analysis			
Government Spending Response Scenario			
Indicator	**Benefits Only**	**Government Spending Only**	**Simultaneous**
Direct Jobs	2,450	-37	2,413
Indirect Jobs	922	-23	899
Induced Jobs	1,103	-126	978
Total Jobs	4,475	-185	4,289
Total GDP	$ 440,850,937	$ (13,221,353)	$ 427,627,092
Total Revenue	$ 28,346,715	$ (850,133)	$ 27,496,422

Alternative Scenario II: Tax Policy Response

Assuming that the rate reduction resulted in a broad-based tax increase in order to maintain a balanced budget, ORA modeled an increase in industry production costs by value added. This approach results in a direct, indirect, and induced decrease of 99 jobs. Additionally, the increase in taxes generates a direct, indirect, and induced decrease in state GDP of $7,708,188 and an estimated $495,636 decrease in state general revenues. Modeling the simultaneous interaction of benefits and costs, the incentive results in a net aggregate decrease of 4,376 jobs. Direct, indirect, and induced economic effects generate an aggregate net decrease in state GDP of $433,166,167, and an estimated $27,852,585 decrease in state general revenues. The following table summarizes the results of this analysis.

FY 2013 Jobs Development Act Rate Reduction Leveraged Analysis			
Tax Policy Response Scenario			
Indicator	**Benefits Only**	**Tax Increase Only**	**Simultaneous**
Direct Jobs	2,450	0	2,450
Indirect Jobs	922	-15	906
Induced Jobs	1,103	-84	1,020
Total Jobs	4,475	-99	4,376
Total GDP	$ 440,850,937	$ (7,708,188)	$ 433,166,167
Total Revenue	$ 28,346,715	$ (495,636)	$ 27,852,585

It is clear from the leveraged impact analysis that the provision of the Jobs Development Act rate reduction increased total jobs, total GDP, and total revenue relative to alternative uses of the resources expended on the incentive.

Enterprise Zone Wage Credit

Benefits

ORA modeled the $383,503 reduction in tax liability for the seven recipients of the EZ Credit as an adjustment to industry-specific employment and compensation. Employment and compensation inputs were calculated according to minimum employment requirements specified in governing statute. This approach results in an aggregate increase of 189 jobs. Additionally, the rate reduction generates an aggregate increase in state GDP of $21,735,341 and an estimated $1,397,582 increase in state general revenues.

Alternative Scenario I: Government Expenditure Response

Assuming that the credit resulted in a decrease in other government expenditures in order to maintain a balanced budget, ORA modeled a commensurate adjustment to general revenue expenditures. This approach results in a direct, indirect, and induced decrease of five jobs. Additionally, the reduction in government spending generates a direct, indirect, and induced decrease in state GDP of $331,749 and an estimated $21,331 decrease in state general revenues. Modeling the simultaneous interaction of benefits and costs, the incentive results in a net aggregate decrease of 185 jobs. Direct, indirect, and induced economic effects generate an aggregate net decrease in state GDP of $21,403,590, and an estimated $1,376,251decrease in state general revenues. The following table summarizes the results of this analysis.

FY 2013 Enterprise Zone Wage Credit Leveraged Analysis			
Government Spending Response Scenario			
Indicator	**Benefits Only**	**Government Spending Only**	**Simultaneous**
Direct Jobs	107	-1	106
Indirect Jobs	39	-1	38
Induced Jobs	44	-3	40
Total Jobs	189	-5	185
Total GDP	$ 21,735,341	$ (331,749)	$ 21,403,590
Total Revenue	$ 1,397,582	$ (21,331)	$ 1,376,251

Alternative Scenario II: Tax Policy Response

Assuming that the credit resulted in a broad-based tax increase in order to maintain a balanced budget, ORA modeled an increase in industry production costs by value added. This approach results in a direct, indirect, and induced decrease of two jobs. Additionally, the increase in taxes generates a direct, indirect, and induced decrease in state GDP of $182,346 and an estimated $11,725 decrease in state general revenues. Modeling the simultaneous interaction of benefits and costs, the incentive results in a net aggregate decrease of 187 jobs. Direct, indirect, and induced economic effects generate an aggregate net decrease in state GDP of $21,553,024, and an estimated $1,385,859 decrease in state general revenues. The following table summarizes the results of this analysis.

FY 2013 Enterprise Zone Wage Credit Leveraged Analysis			
Tax Policy Response Scenario			
Indicator	**Benefits Only**	**Tax Increase Only**	**Simultaneous**
Direct Jobs	107	0	107
Indirect Jobs	39	0	38
Induced Jobs	44	-2	42
Total Jobs	189	-2	187
Total GDP	$ 21,735,341	$ (182,346)	$ 21,553,024
Total Revenue	$ 1,397,582	$ (11,725)	$ 1,385,859

It is clear from the leveraged impact analysis that the provision of the Enterprise Zone wage credit increased total jobs, total GDP, and total revenue relative to alternative uses of the resources expended on the incentive.

Motion Picture Production Tax Credit

The amount of motion picture production tax credit issued in 2013 leveraged total eligible motion picture production expenditures of $321,490.[12] Due to the fact that motion picture production

[12] The motion picture production which generated the MPPTC in FY 2013 of $70,723 also generated a MPPTC of $9,650 in FY 2014. Thus, the total credit generated by the eligible motion picture production was $80,373 implying that the total qualified production costs associated with the production was $321,490. The impact of the production costs was allocated pro rata to FY 2013 based on the amount of credit reported to the Division of Taxation.

company-level expenditure data was available for the MPPTC recipient, ORA considered directly impacted industries as the industries in which direct film industry spending occurred, allocated as follows:

Motion Picture Production Tax Credit	
Industry (NAICS Code)	**Amount Received**
Accommodation and Food Services (72)	$ 14,385
Professional, Scientific, and Technical Services (54)	7,783
Real Estate Rental and Leasing (53)	16,870
Other Services (except Public Administration) (81)	1,936
Information (51)	788
Wholesale Trade (42)	4,443
Film Industry compensation & employment (512)	275,285
Total	**$ 321,490**

Benefits

ORA modeled the production activity that generated the credit as an adjustment to industry-specific employment and compensation. Employment and compensation inputs were calculated according to minimum employment requirements specified in recipient firm filing data. Additionally, because of the availability of firm-level expenditure data, ORA was able to model the effects of motion picture production company spending on the economy. This approach results in an aggregate increase of four private nonfarm jobs. Additionally, the credit generates an aggregate increase in state GDP of $374,910 and an estimated $21,107 increase in state general revenues.

Alternative Scenario I: Government Expenditure Response

Assuming that the credit resulted in a decrease in other government expenditures in order to maintain a balanced budget, ORA modeled a commensurate adjustment to general revenue expenditures. This approach results in a direct, indirect, and induced decrease of one job. Additionally, the reduction in government spending generates a direct, indirect, and induced decrease in state GDP of $61,056 and an estimated $3,926 decrease in state general revenues. Modeling the simultaneous interaction of benefits and costs, the incentive results in a net aggregate increase of four jobs. Direct, indirect, and induced economic effects generate an aggregate net increase in state GDP of $313,854 and an estimated 20,181 increase in state general revenues. The following table summarizes the results of this analysis.

FY 2013 Motion Picture Production Tax Credit Leveraged Analysis			
Government Spending Response Scenario			
Indicator	**Benefits Only**	**Government Spending Only**	**Simultaneous**
Direct Jobs	2	0	2
Indirect Jobs	0	0	0
Induced Jobs	1	-1	1
Total Jobs	3	-1	3
Total GDP	$ 374,910	$ (61,056)	$ 313,854
Total Revenue	$ 24,107	$ (3,926)	$ 20,181

Alternative Scenario II: Tax Policy Response

Assuming that the credit resulted in a broad-based tax increase in order to maintain a balanced budget, ORA modeled a commensurate adjustment to production costs by value added. This approach results in no net change in jobs. Additionally, the increase in taxes generates a direct, indirect, and induced decrease in state GDP of $18,457 and an estimated $1,187 decrease in state general revenues. Modeling the simultaneous interaction of benefits and costs, the incentive results in a net aggregate increase of four jobs. Direct, indirect, and induced economic effects generate an aggregate net increase in state GDP of $356,454, and an estimated $22,920 increase in state general revenues. The following table summarizes the results of this analysis.

FY 2013 Motion Picture Production Tax Credit Leveraged Analysis			
Tax Policy Response Scenario			
Indicator	**Benefits Only**	**Tax Increase Only**	**Simultaneous**
Direct Jobs	2	0	2
Indirect Jobs	0	0	0
Induced Jobs	1	0	1
Total Jobs	3	0	4
Total GDP	$ 374,910	$ (18,457)	$ 356,454
Total Revenue	$ 24,107	$ (1,187)	$ 22,920

It is clear from the leveraged impact analysis that the provision of the Motion Picture Production Tax credit increased total jobs, total GDP, and total revenue relative to alternative uses of the resources expended on the incentive.

APPENDIX A

Rhode Island Statute for Unified Economic Development Report

TITLE 42

State Affairs and Government
CHAPTER 42-142

Department of Revenue

SECTION 42-142-6

§ 42-142-6. Annual unified economic development report. – (a) The director of the department of revenue shall, no later than January 15th of each state fiscal year, compile and publish, in printed and electronic form, including on the internet, an annual unified economic development report that shall provide the following comprehensive information regarding the tax credits or other tax benefits conferred pursuant to §§ 42-64-10, 44-63-3, 42-64.5-5, 42-64.3-1, and 44-31.2-6.1 during the preceding fiscal year:

(1) The name of each recipient of any such tax credit or other tax benefit; the dollar amount of each such tax credit or other tax benefit; and summaries of the number of full-time and part-time jobs created or retained; an overview of benefits offered, and the degree to which job creation and retention, wage, and benefit goals and requirements of recipient and related corporations, if any, have been met. The report shall include aggregate dollar amounts of each category of tax credit or other tax benefit; to the extent possible, the amounts of tax credits and other tax benefits by geographical area; the number of recipients within each category of tax credit or retained; overview of benefits offered; and the degree to which job creation and retention, wage and benefit rate goals and requirements have been met within each category of tax credit or other tax benefit;

(2) The cost to the state and the approving agency for each tax credit or other tax benefits conferred pursuant to §§ 42-64-10, 44-63-3, 42-64.5-5, 42-64.3-1, and 44-31.2-6.1 during the preceding fiscal year;

(3) To the extent possible, the amounts of tax credits and other tax benefits by geographical area;

(4) The extent to which any employees of and recipients of any such tax credits or other tax benefits has received RIte Care or RIte Share benefits or assistance; and

(5) To the extent the data exists, a cost-benefit analysis prepared by the office of revenue analysis based upon the collected data under §§ 42-64-10, 44-63-3, 42-64.5-5, 42-64-3.1, and 44-31.2-6.1, and required for the preparation of the unified economic development report. The cost-benefit analysis may include, but shall not be limited to, the cost to the state for the revenue reductions; cost to administer the credit; projected revenues gained from the credit; and other metrics that can be measured along with a baseline assessment of the original intent of the

legislation. The office of revenue analysis shall also indicate the purpose of the credit to the extent that it is provided in the enabling legislation, or note the absence of such information, and any measureable goals established by the granting authority of the credit. Where possible, the analysis shall cover a five-year (5) period projecting the cost and benefits over this period. The office of revenue analysis may utilize outside services or sources for development of the methodology and modeling techniques. The unified economic development report shall include the cost-benefit analysis starting January 15, 2014. The office of revenue analysis shall work in conjunction with Rhode Island commerce corporation as established by chapter 64 of this title.

(b) After the initial report, the division of taxation will perform reviews of each recipient of this tax credit or other tax benefits to ensure the accuracy of the employee data submitted. The division of taxation will include a summary of the reviews performed along with any adjustments, modifications and/or allowable recapture of tax credit amounts and data included on prior year reports.