

An Update from the State House

Governor's Budget Released

Governor Raimondo released her vision of the State's 2018 budget on Thursday evening. H.5175 (link provided below) details the \$9.3 billion revenue and spending plan that includes two years of free tuition for Rhode Island high school students as well as a continuation of many of the economic development programs that were created last year.

In a first blush, brief overview of the budget, the revenues seem to rely on current sources of revenue, an increase in sales tax due to the extension of the tax to on-line purchases, an increase in a few fees, and a fifty cent (\$.50) increase in tax on the sale of cigarettes – the new tax rate would be \$4.25 per pack giving Rhode Island the second highest tax in the country (New York is the highest).

In the coming weeks, the Chamber will be highlighting budget Articles of interest to the business community.

Article 2 – Manufacturers

Article 2 seeks to assist manufacturers in order to grow the economy. It expands the purpose of the current *Innovation Voucher* program by allowing up to \$1 million of the fund to be used for research and development by and for small manufacturers. “Research and development” would include: research, technological development, product development, commercialization, market development, technology exploration, and improved business practices that implement strategies to grow business and create operational efficiencies. This voucher can NOT be used in conjunction with R&D tax credits available under current law.

This Article also establishes a *Refundable Tax Credit*. A manufacturer could submit an application for up to \$200,000. The Commerce Corporation must review the application – prior to the manufacturer actually making the investment. The Commerce Corporation would determine how much the manufacturer would be entitled to receive based on: “the nature and amount of the business’s investment; the necessity of the investment and/or credit; whether the business is engaged in a targeted industry; the number of jobs created by the business’s investment; whether the investment took place in a Hope community as defined in general law 42-64.20-3 and the regulations promulgated thereunder; and such other factors as the commerce corporation deems relevant.”

The *Refundable Jobs Training Tax Credit* can be found in Article 2. Similar to the Refundable Tax Credit program, an applicant for the Job Training Tax Credit must submit an application to the Commerce Corporation PRIOR to expending funds on job training efforts. Again, the maximum amount a manufacturer can apply for is \$200,000, and the credit must be used in the tax year in which the training funds were expended. Lastly, the Commerce Corporation is required to supply the names and addresses of any qualified employer that enters into an

incentive agreement with the State. That list will be given to the Tax Division and will be available on a public website.

Article 4 – Vehicle Surcharge

Under the Raimondo budget, the Department of Motor Vehicles (DMV) will add a \$1.50 surcharge to every transaction. The fees collected are to be deposited into a DMV Technology restricted receipt account to be used for debt service, projects and maintenance of the DMV computer system. The Article states that the fee will sunset on June 30, 2022.

Article 4 pushes back the requirement to purchase a new license plate to 2018 (the current law calls for drivers to get a new plate by April 1, 2017).

Article 4 diverts 0.5% of the monies in the Highway Maintenance Account to the DMV for operation expenditures and continues this practice on an annual basis

The following bills were filed last week:

House Bill No. [5132](#), AN ACT RELATING TO PUBLIC UTILITIES AND CARRIERS - TAXICAB'S FINANCIAL RESPONSIBILITIES (Cuts in half the amount of property and personal injury motor vehicle mandatory insurance coverage that taxicab companies are required to maintain on their vehicles.)

House Bill No. [5140](#), AN ACT RELATING TO LABOR AND LABOR RELATIONS -- EMPLOYMENT SECURITY - BENEFITS (Increases the maximum weekly unemployment benefit rate to the higher of fifty-seven and one-half percent (57.5%) of the average weekly wages paid to workers in the prior calendar year or six hundred sixteen dollars (\$616) per week.)

House Bill No. [5141](#), AN ACT RELATING TO TAXATION (Establishes a surtax on the business corporation tax for publicly traded corporations subject to SEC disclosure and reporting requirements, if corporation's ratio of compensation for its CEO to median worker is equal to or greater than 100 to 1.)

House Bill No. [5142](#), AN ACT RELATING TO TAXATION - SALES AND USE TAXES - LIABILITY AND COMPUTATION (Eliminates assessment of sales and use tax on taxicab services effective July 1, 2017.)

House Bill No. [5175](#) (Governor), AN ACT RELATING TO MAKING APPROPRIATIONS FOR THE SUPPORT OF THE STATE FOR THE FISCAL YEAR ENDING JUNE 30, 2018

House Bill No. [5182](#), AN ACT RELATING TO MOTOR AND OTHER VEHICLES -- MOBILE TELEPHONE USE (Prohibits the use of a non-hands-free personal wireless communication device while operating a motor vehicle, except for public safety personnel or in an emergency situation, and would provide for monetary fines for violations.)

Senate Bill No. [29](#), AN ACT RELATING TO PUBLIC PROPERTY AND WORKS - STATE PURCHASES (Requires the state and municipalities to award bids for purchases of goods or services to the lowest responsive and responsible bidder whose bid is the lowest price.)

Senate Bill No. [38](#), AN ACT RELATING TO TAXATION - SALES AND USE TAXES - ENFORCEMENT AND COLLECTION (Enacts a 10 year statute of limitations on tax assessment or collection action for sales/use/estate/personal income/business corp. tax.)

Senate Bill No. [79](#), AN ACT RELATING TO LABOR AND LABOR RELATIONS -- WORKERS' COMPENSATION--MEDICAL SERVICES (Requires employers to pay the reasonable transportation costs for employees that travel round-trip to receive workers' compensation related health care services.)