Testimony in SUPPORT of S-111 to Sunset the Jobs Development Act
Senate Committee on Finance
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Alan Krinsky, Director of Research & Fiscal Policy

The Economic Progress Institute **supports Senator Ujifusa's S-111**, which would **sunset the Jobs Development Act (JDA)** and end the preferential tax treatment provided by this **ineffective** tax incentive program. Enacting this legislation would **save the state close to $3 million** in revenue **each year**, according to a new fiscal note on this proposal's House companion, H-5531.[1]

The Rhode Island Department of Revenue's Office of Revenue Analysis (ORA) has reviewed this program three times (in 2018, 2022, and 2023[2]) and each time cast **doubt** on the program's effectiveness:

- According to ORA, the program "is **inconsistent with current generally accepted best practices** regarding the design of economic development tax incentives." [emphasis added]
- This program works by reducing tax rates rather than by issuing tax credits, and the ORA describes this approach as "*unconventional* and *unwieldy*." ORA further indicates that **the benefit is not aligned with the behavior intended to be incentivized**.
- The program does not actually have any goals in place in statute, making it difficult to evaluate its success.
- The program was closed to new applicants back in 2015, meaning that only the same companies that have been receiving the benefits have access to the benefits; this also results in **a competitive disadvantage** for other firms, whether ones already here or one trying to enter the RI economy.

Even the Commerce Corporation, in statements included in the ORA reports, has consistently communicated its position that the JDA is less than ideal:

- In 2018: "[T]he next generation of investment tools – including the Qualified Jobs incentive – better serve the purpose of promoting economic development in a more effective and sensible manner."
- And in 2022: "[T]he state's current suite of investment tools, including the Qualified Jobs incentive (QJ), serves the purpose of promoting economic development in a more effective and sensible manner."
- And in 2023: "In 2015, the Jobs Development Act (JDA) was closed to new applicants via legislation. The Commerce Corporation stands by that decision, considering that the state's current suite of investment tools, including the Qualified Jobs incentive (QJ), serves the purpose of promoting economic development in a more effective and sensible manner."

The program cost the state $171.7 million in the decade from 2013-2022:[3]

JDA Tax Rate Reduction Amounts by Beneficiary Firm

(Thousands of Dollars, Fiscal Years 2013 - 2022)

Beneficiary Firm	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Avg.	Total
AAA Southern New Eng. & Subs.	$24.5	$69.5	*	*	*	*	*	*	*	*	$9.4	$94.0
CVS Pharmacy, Inc.	$14,450	$6,532	$19,056	$10,489	$1,846	$1,463	$1,538	$1,406	$1,080	$1,341	$5,920.1	$59,201.3
Electric Boat Corporation	$583	$624	$679	$966	$3.1	$3.8	$2.6	*	*	*	$286.1	$2,861.1
Rite-Solutions, Inc.	$9.90	$8.0	$1.80	*	$10.1	$9.5	*	$6.08	$5.32	*	$5.1	$50.7
Citizens Bank & Subsidiaries	$85.0	$120	$3,372	$11,941	$7,074	$6,448	$9,957	$18,091	$13,310	$38,315	$10,871.5	$108,715.0
United Natural Foods, Inc.	$131	$167	$238	$136	$20.2	$21.1	$20.1	*	$14.2	$1.8	$75.0	$749.9
Count of Beneficiary Firms	**6**	**6**	**5**	**4**	**5**	**5**	**4**	**3**	**4**	**3**	**5**	**6**
Total JDA Rate Reduction	**$15,284**	**$7,520**	**$23,347**	**$23,533**	**$8,954**	**$7,946**	**$11,517**	**$19,504**	**$14,410**	**$39,658**	**$17,167**	**$171,672**

Notes:
- Asterisk (*) indicates fiscal year with no reported JDA usage.
Source: Taxation *Tax Credits & Incentives Reports* https://tax.ri.gov/guidance/reports/credit-programs/tax-credit-and-incentive-reports

We urge the committee members to review the ORA reports. As the 2022 report notes, looking back to the 2018 report, "[T]he recommendations above are the same as in the previous JDA evaluation as legislators have made no changes to the program, despite the identified deficiencies. **Tax incentive evaluations cannot be documents that simply sit on a shelf**…" [emphasis added]

The JDA is no longer a tax incentive program but rather a **tax giveaway** program. The legislation creating this program did not include a sunset date, which means the program will continue indefinitely unless the General Assembly takes an active step to close the program. We urge the members of this committee to take this step and forward the recommendation to the Senate floor.

[1] https://www.rilegislature.gov/housefiscalreport/2020/2025-H%205531.pdf.
[2] To download copies of the reports (dated May 14, 2018 and covering tax years 2013-2015, dated January 26, 2022 and covering tax years 2016-2018, dated September 28, 2023 and covering tax years 2019-2021), go to https://dor.ri.gov/revenue-analysis/reports.
[3] This table appears on page 9 of the 2023 report on tax years 2019-2021.