

NEW ENGLAND ECONOMIC DEVELOPMENT SERVICES, INC.

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ENTERPRISE ZONE PROGRAM

HOW DO WE BECOME A MEMBER BUSINESS?

A "member business" is simply a business operating within a Zone, which has registered with the State's Enterprise Zone manager at the Rhode Island Economic Development Corporation (RIEDC). The registration is simple and free, and NEEDS, Inc. can assist you with the process. This registration establishes the "benchmark" level of employment, above which you may receive tax credits for new job creation.

You must complete your registration **prior to adding eligible new jobs** in order to qualify for tax credits based on those jobs.

Because credits are based on job creation following the benchmark date, it is usually to your advantage to register early in the calendar year.

- The business must be a legally registered for-profit business corporation, sole proprietorship, partnership, limited partnership, or limited liability corporation.
- The business must be physically located within an Enterprise Zone.
- The business must complete a Qualified Business Application for Admission and submit it to their local Enterprise Zone Coordinator (in Cumberland, Lincoln, Pawtucket and Woonsocket, applications should be submitted to NEEDS, Inc.).

WHAT ARE THE ACTUAL TAX CREDITS AVAILABLE?

Business Tax Credit

Provided that a member business has met three tests, it may claim a credit of 50% of W-2 wages paid to new full-time (30-hours per week or more) employees who are Rhode Island residents, up to a maximum \$2,500 credit per new employee.

For new employees who reside within any Rhode Island Enterprise Zone by December 31, there is a credit of 75% of W-2 wages paid, up to a maximum \$5,000 credit per new employee.

Carry Forward of Tax Credits

Eligible businesses are permitted to carry credits forward for up to three years provided that the benchmark for the year in which the credits were earned does not decrease, and the company continues to meet the good standing requirements.

Resident Business Owner

The owner of a member business who also resides within the same Enterprise Zone may, instead of taking the Business Tax Credit, compute his or her personal Rhode Island income tax liability with a \$50,000 reduction in "federal adjusted gross income" during the first three years of Zone designation, and by \$25,000 in the fourth and fifth years of Zone designation.

HOW DO MEMBER BUSINESSES QUALIFY FOR CREDITS?

Businesses must meet three tests to qualify:

1. Full-time employment must increase by at least five percent (5%) since the date of application or December 31, whichever was last. Qualifying employees must be Rhode Island residents by December 31 of the benchmark year.
2. Total Rhode Island payroll must increase by at least \$1.00 when compared with that of the previous calendar year.
3. Letters of good standing must be obtained from the local Tax Collector, RI Division of Taxation and the RI Secretary of State.

Forms and instructions for documenting these conditions are mailed to "member businesses" early in the year following December 31 of the benchmark year. These forms **MUST** be completed and returned to the RIEDC no later than March 15 thereafter in order to claim credits. Even if you are not claiming a credit, you **MUST** return the top form in order to continue membership in the program.

To obtain an application for membership, or to ask questions about the program, call New England Economic Development Services, Inc. at (401) 658-0665.

Contact information for northern RI Enterprise Zone communities is contained in this brochure.