

# Rhode Island Commerce Corporation

## Qualified Jobs Incentive Tax Credits – Economic Impact Analysis

### *Trade Area Systems Inc. Application*

#### **Introduction**

The Rhode Island Commerce Corporation (the “Corporation”) may issue Qualified Job Incentive tax credits to Trade Area Systems Inc. (the “Company”). The credits would be issued in connection with the Company’s proposed relocation from Attleboro, Massachusetts to leased space in Providence. The Company expects the proposed relocation to create 28 jobs in Rhode Island within the next two years, with 20 jobs relocated from Massachusetts and 8 new hires. The median annual salary for all of the proposed jobs is \$74,000. None of the jobs would pay less than \$45,000.

The Company is requesting a Qualified Jobs Incentive tax credit tax credit with an estimated total value of approximately \$527,000 over five years.<sup>1</sup>

This analysis was prepared by Appleseed, a consulting firm with more than twenty years of experience in economic impact analysis.

#### **Jobs Analysis**

##### ***Construction***

The Company estimates that it will spend approximately \$260,000 to build, equip and furnish out its leased space in providence. Appleseed estimates that this spending will directly and indirectly generate:

- 1.5 person-years<sup>2</sup> of work in Rhode Island;
- Nearly \$84,000 in earnings;
- Nearly \$241,000 in State-wide economic output<sup>3</sup>;
- A projected one-time increase of more than \$3,100 in personal income taxes paid to the State during construction; and
- A one-time increase of more than \$134,000 in Rhode Island’s GDP.

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<sup>1</sup> This ultimate value of the credits could vary depending on the actual wages paid and tax rates applied.

<sup>2</sup> A person-year is equivalent to the time worked by one person who is employed full-time for a year. It could for example represent the work of two people who are each employed full-time for six months; or the work of one person who is employed half-time for two years.

<sup>3</sup> Output is a measure of the total sales by Rhode Island companies (including the “sale” of labor by Rhode Island households) generated by the project.

## **Annual operations**

The Company states that within two years of its relocation it will employ 28 workers in Providence, with an estimated payroll of \$2.6 million.

Based on these estimates, Appleseed projects (as shown below in Table 1), that in its third year in Rhode Island the Company will directly and indirectly account for:

- 43 full-time equivalent jobs in Rhode Island;
- Nearly \$3.6 million in annual earnings (in 2016 dollars);
- Nearly \$11.0 million in annual statewide economic output;
- A projected net increase of nearly \$135,000 in personal income taxes paid annually to the State<sup>4</sup>; (in addition to the nearly \$3,100 in personal income tax revenues cited above that would be generated by spending on construction); and
- An increase of more than \$7.9 million in Rhode Island's annual GDP.

**Table 1: Direct and indirect impact of annual operations (employment in FTE; income, value-added and output in millions of 2018 dollars)**

	<b>Employment</b>	<b>Earnings</b>	<b>Value added</b>	<b>Output</b>
Direct Effect	28	\$2.6	\$6.3	\$8.5
Indirect Effect	15	\$1.0	\$1.6	\$2.5
<b>Total Effect</b>	<b>43</b>	<b>\$3.6</b>	<b>\$7.9</b>	<b>\$11.0</b>

## **Benefits**

In addition to salaries and commissions, the Company covers 80 percent of the cost of health insurance for employees and their families, and 50 percent of the cost of dental and vision coverage; and provides disability insurance, life insurance and a 401k plan.

## **Hiring**

The Company will initially contract for new workers in Providence through a temporary service agency; decisions on directly hiring these workers directly will typically be made after they have completed 160 hours of work.

## **Impact**

Based upon the foregoing analysis, the Corporation anticipates that the issuance of the tax credits will have a positive impact on the State's revenues, as indicated in the estimate of net income tax revenues provided above. As the tax credit amounts are limited to reasonably expected W-2 withholdings for the new, directly-created, jobs, any potential exposure for State taxpayers, or any other foreseeable negative contingencies, is limited.

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<sup>4</sup> This does not include the value of the income taxes generated over 5 years by the 28 new jobs created by Trade Area Systems, as those income taxes will be offset by the tax credit paid to Trade Area Systems under the Qualified Jobs program.

Beyond fiscal impact, direct and indirect economic benefits of the proposed project include:

- An estimated increase of \$11.0 million in Rhode Island's GDP;
- Continue the growth of one of the State's targeted industries, technology; and
- Highlight Rhode Island's ability to attract growing technology firms from other state.