

**Rhode Island Commerce Corporation**  
**Qualified Jobs Incentive Tax Credits – Economic Impact Analysis**  
***Advertising Ventures, Inc. Application***

**Introduction**

The Rhode Island Commerce Corporation (the “Corporation”) may issue Qualified Jobs Incentive tax credits to Advertising Ventures, Inc. doing business as (add)ventures (“the Company), a provider of advertising and communications services. The credits would be issued in connection with the Company’s decision to expand in Rhode Island. In conjunction with this move, the Company would by January 2019 increase the number of people it employs in Rhode Island from 55 to 65.

The Company is requesting Qualified Jobs Incentive tax credits with an estimated value of \$260,000.

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

**Jobs Analysis**

***Capital spending***

The Company is not seeking any state tax benefits in connection with any costs it might incur in preparing, or relocating to, its proposed new offices in Rhode Island.

***Annual operations***

As noted above, the Company intends to hire 10 additional workers (managers and supporting staff) at its new location by January 2019. The median annual salary for these employees would be approximately \$60,000.

Based on data provided by the Company, and using the IMPLAN input-output modeling system, Appleseed estimates that in 2019, ongoing operations associated with these 10 additional full-time jobs the Company would be committed to relocating or creating and maintaining in Rhode Island would directly and indirectly support:

- 17 full-time-equivalent (FTE) jobs in Rhode Island;
- Nearly \$1.1 million in annual earnings (in 2019 dollars);
- More than \$3.3 million in statewide economic output<sup>1</sup>; and

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<sup>1</sup> Output is a measure of the total sales by Rhode Island companies (including the “sale” of labor by Rhode Island households) directly and indirectly generated by the expansion of the Company’s Rhode Island operations.

- An increase of \$1.7 million in Rhode Island’s annual GDP.

These impacts are summarized below in Table 1. The *direct impact* of the Company’s operations reflects the company’s direct employment, its direct spending on wages and salaries, the value its operations add to Rhode Island’s GDP, and the total value of the goods and services it produces. Its *indirect impact* is the effect of the Company’s spending on purchases of goods and services from other Rhode Island businesses.

**Table 1: Direct, indirect and total annual impact of ongoing operations (employment in FTE; income, value-added and output in millions of 2019 dollars)**

	Jobs	Earnings	Value added	Output
<b>Direct Effect</b>	10	\$0.7	\$1.1	\$2.3
<b>Indirect Effect</b>	7	0.4	0.6	1.0
<b>Total Effect</b>	<b>17</b>	<b>\$1.1</b>	<b>\$1.7</b>	<b>\$3.3</b>

In addition to the impacts on employment, earnings, output and state GDP cited above, the Company’s operations in Rhode Island would generate a projected increase of approximately \$62,000 in annual state tax revenues, including:

- \$40,000 in state personal income taxes paid by workers newly employed by the Company at its new location in Rhode Island, or by Rhode Island workers whose jobs are indirectly attributable to the Company’s new Rhode Island operations;
- \$17,000 in state sales taxes paid on those workers’ taxable household spending; and
- \$5,000 in state business taxes.

## Benefits

All full-time Company employees are eligible for a comprehensive package of benefits, including health insurance (with 75 percent of premiums paid by the Company), optional dental and AFLAC plans, life and disability insurance, a 401(k) plan with a 3 percent Company match after six months, Flexible Spending Accounts and an Employee Assistance Program., 15 vacation days and 9 paid holidays. The Company also offers Section 125 plans, which allow employees to pay employee benefit premiums with pre-tax dollars.

## Hiring

The Company typically posts available jobs on its website and on social media, and on job sites such as Indeed.com and Glassdoor. Candidates are typically screened by phone, followed by two in-person interviews. After hiring and initial orientation, new employees also undergo three-month, six-month and (subsequently) regular annual reviews.

## **Impact**

The state fiscal impact of the requested tax credits is estimated to be approximately \$260,000 in foregone state revenue. Direct and indirect economic and fiscal benefits of the proposed project include the estimated increase in annual state GDP of \$1.7 million, the estimated associated job creation, and a gross increase of approximately \$744,000 in personal income, sales and business tax revenues during the twelve-year commitment period beginning in 2019. These benefits are detailed in the foregoing analysis.

In addition to the economic and tax revenue impacts cited above, the Company's expansion would highlight Rhode Island's attractiveness as a location for professional, technical and creative services companies.

Beyond the fiscal impact noted above, there is no anticipated financial exposure to the state. Various features of the Qualified Jobs Incentive program mitigate risk to the state. The value of Qualified Jobs Incentive tax credits would be determined on the basis of the number of people actually employed and the wages actually paid by the Company.