

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

Introduction

The Rhode Island Commerce Corporation (the “Corporation”) may issue Qualified Jobs Incentive tax credits to Aretec, Inc. (“the Company”), a Fairfax, Virginia-based software and data science consulting firm that serves both federal government and commercial clients. The credits would be issued in connection with the Company’s decision to open a new office in Rhode Island, to be located in the Cambridge Innovation Center’s new facility on Dyer Street in Providence. The new office would open in 2021; it would initially employ 20 people full-time, rising to 40 in 2022.

The Company is expected to request Qualified Jobs Incentive tax credits with an estimated value of approximately \$800,000.

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

Jobs Analysis

Annual operations

As noted above, the Company plans to have 20 qualifying employees working in its new Providence office facility in 2021, rising to 40 in 2022. Table 1 summarizes the categories in which these jobs will be created (as of 2022), and median earnings for each category.

Table 1: Projected employment, 2022

Job category	New positions (as of 2022)	Median salary
Business operations	23	\$68,700
Data analytics	15	\$78,000
Graphics design	1	\$58,700
Office support	1	\$69,600
Total	40	\$68,700

Based on data provided by the Company, and using the IMPLAN input-output modeling system, Appleseed estimates that when the new office is fully staffed, ongoing operations associated with the 40 full-time jobs the Company would be committed to adding and maintaining will directly and indirectly support:

- 61 jobs in Rhode Island;
- Nearly \$4.52 million in annual earnings (in 2022 dollars);

- \$10.16 million in statewide economic output; and
- An increase of \$6.35 million in Rhode Island’s annual GDP.

These impacts are summarized below in Table 2. 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 in-state businesses on employment, earnings, value-added and output in Rhode Island.

Table 2: Direct, indirect and total annual impact of ongoing operations (income, value-added and output in millions of 2022 dollars)

	Jobs	Earnings	Value added	Output
Direct	40	\$3.34	\$4.48	\$7.29
Indirect	21	1.18	1.87	2.87
Total	61	\$4.52	\$6.35	\$10.16

In addition to the impacts on employment, earnings, output and state GDP cited above, expansion of the Company’s operations in Rhode Island would generate a projected increase of approximately \$265,000 in annual state tax revenues, including:

- \$169,000 in state personal income taxes paid by workers newly employed by the Company in its new operations in Rhode Island, or by Rhode Island workers whose jobs are indirectly attributable to the Company’s new facility;
- \$74,000 in state sales taxes paid on those workers’ taxable household spending; and
- \$22,000 in state business taxes.

Hiring

The Company recruits its employees from a variety of sources, including national recruiting firms, local and regional employment agencies, universities, community colleges and the professional networks of its employees.

Benefits

Benefits available to the Company’s employees will include:

- Medical coverage through United Healthcare for employees and their dependents (including adult children up to age 26) with 50 percent paid by the Company
- Dental and vision benefits through United Humana
- Flexible health pending and day care pending account

- Basic life, accidental death and dismemberment and disability insurance
- A 401k retirement plan administered by John Hancock

Impact

The state fiscal impact of the requested tax credits is estimated to be approximately \$800,000 in foregone state revenue. Direct and indirect economic and fiscal benefits of the proposed project include the estimated increase in annual state GDP of \$6.35 million in 2022, the estimated associated job creation, and a gross increase of approximately \$3.059 million in personal income, sales and business tax revenues during the twelve-year commitment period beginning in 2021. These benefits are detailed in the foregoing analysis.

In addition to the economic and tax revenue impacts cited above, the Company's new Providence office would benefit Rhode Island in other ways, including:

- Highlighting the state's attractiveness as a location for firms in the rapidly-growing field of data science and software
- Contributing to the ongoing development of the Providence Innovation and Design District
- Increasing local personal property tax revenues

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; and 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.