

Application Guidelines for the Innovation Tax Credit

Creating a culture of entrepreneurship and a stronger platform for new company creation is essential to creating an innovation economy. The purpose of the Innovation Tax Credit is to provide an immediate tax incentive to attract and retain successful serial entrepreneurs in the state and to catalyze economic growth in innovation industries through incentives to investors and/or executive employees.

Eligible Rhode Island entrepreneurial enterprises engaged in innovation-focused activities may apply for a tax incentive that amounts to 50 percent of an investment in a qualified business with a maximum amount not to exceed \$100,000. Credits may be carried forward for a period not to exceed three (3) years and may be assigned to the eligible company, an executive employee or employees of the company, an investor in the company or a combination thereof not to exceed a maximum of ten (10) executive employees. All approvals are subject to availability of funds and the EDC may approve no more than \$1 million dollars in credits in any two calendar year period.

Approval of applications for the Innovation Tax Credit must be formally granted by the EDC Board of Directors prior to the investment being made. This approval is subject to an analysis and review by EDC staff. Applications are accepted on a rolling basis. Staff will review applications once each quarter and forward recommended applications to the Board for approval at the next scheduled board meeting.

Applicants will be recommended for an innovation tax credit based on 1) a review of required financial and business documents supplied by the applicant to certify that the company is a qualified business under the requirements of the act and 2) an analysis of the economic development merits and broader impacts of the proposed capital investment.

Once the applicant is granted preliminary approval, the applicant will have six months to raise the capital and provide documentation to the EDC Board verifying that the new capital investment has been made. Once this documentation has been satisfactorily received, a tax credit will be issued by the EDC Board and the R.I. Division of Taxation will be notified.

Applications will be evaluated based on the following standards:

Eligibility as stipulated by the act:

- A qualified business meeting the specifications in the regulations of business formation, investment and gross revenues.
- Producing traded goods or services within one of the following innovation industries: Information Technology and Digital Media; Health Care and Life Science Technologies; Marine Trades and Defense Technologies; Financial, Professional and Educational Services; Consumer Products and Design Services; Industrial Products

In addition to the above, the application will be evaluated according to the following four criteria:

- Is the proposed business plan catalytic in nature and does it contribute to advancing a state-wide innovation economy in Rhode Island?
- How well qualified is the applicant to accomplish the projected business plan?
- Does the application support the purpose of the Innovation Tax Credit to incent new capital investment in Rhode Island and create a culture of entrepreneurship?
- Will the proposed business plan create high wage, knowledge jobs?

To apply for the Innovation Tax Credit please send an application with all supporting materials to:

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