

The Providence Journal

Businesses get \$33 million in R.I. tax breaks

Sunday, September 13, 2009

By NEIL DOWNING

PROVIDENCE — CVS Caremark Corp. and Fidelity Investments are among a group of businesses that used special state tax breaks to save themselves millions of dollars in Rhode Island taxes for the year that ended June 30, a new state report shows.

The tax breaks – all of them authorized by state law – are intended to encourage economic development in Rhode Island, including job creation and business expansion.

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Overall, 88 businesses saved more than \$33 million in Rhode Island taxes by claiming the breaks, according to the report.

The tax savings to those businesses came in a year in which Rhode Island cut some health and welfare programs, froze state workers' salaries, raised taxes on cigarettes and took other steps to close massive budget deficits.

The businesses that claimed the tax breaks, and the amount each claimed, are listed in a new report issued by the state Department of Revenue's Division of Taxation.

The list includes the following:

- Nearly \$12.7 million in tax breaks to pharmacy giant CVS Caremark Corp. and its affiliates. The company has its headquarters in Woonsocket and more than 50 retail stores throughout Rhode Island.
- A combined total of more than \$10 million in tax breaks to eight companies involved in the production of movies and TV shows in Rhode Island.
- More the \$5 million in tax breaks to FMR Rhode Island, an affiliate of Fidelity Investments of Boston, the big mutual fund and financial services firm. Its campus in Smithfield, near Bryant University, includes three office buildings.

As a result of legislation approved by the [General Assembly](#) and signed into law by [Governor Carcieri](#) last year, the state tax agency is required to compile the data and publicly disclose it each year, said Gary S. Sasse, director of the Department of Revenue.

“These [tax breaks were] created to serve a public purpose” by providing incentives to create jobs and foster business growth and expansion, Sasse said.

Acknowledging that the tax breaks came at a time of significant state budget cuts, Sasse said, “One could argue that government has a role to play in creating an environment where jobs will be retained and grown in this state, and this is a higher priority than spending.”

Of the tax breaks for CVS Caremark and Fidelity, State Tax Administrator David M. Sullivan said, “These are extremely large and important employers in Rhode Island, and the [tax] credits are given for the jobs they’ve created in the state.”

Former Rhode Island Senate Fiscal Advisor Russell Dannecker said that the tax breaks represent, in effect, a \$33-million revenue loss to the state.

“I don’t know what we’re getting in return,” said Dannecker, now fiscal policy analyst for the Poverty Institute at the Rhode Island College School of Social Work, which analyzes tax and budget policies on behalf of low-income people.

“The Institute is very concerned that, if we’re spending this kind of money, that we’re getting a good return on the dollar,” he said. “We’d like to know that [the tax credits and other incentives] are working and can be verified.”

State Rep. Steven M. Costantino (D-Providence), chairman of the House Finance Committee, the panel that writes state tax laws, said, “On the one hand, you have a loss of state revenue, but on the other hand, you want people to have jobs.” That is especially true at a time when Rhode Island’s unemployment rate is at 12.7 percent, he said.

The report “is the first tool in getting to an analysis of whether the credits [and other tax incentives] are effective or not,” Costantino said. The next step is analyzing the tax credits and other incentives.

“You’ve got some very good corporate partners in this state . . . and you don’t want to threaten that,” Costantino said. “But at the same time, you want to make sure the credits [and other incentives] are generating jobs” and income tax revenue, he said.

Gregory A. Porcaro, who teaches business tax planning at Bryant University’s graduate school, said that many other states offer tax breaks for businesses, “so you can’t really fault” Rhode Island for offering them, too.

But he said that some of Rhode Island’s tax breaks are too narrowly focused, applying to a comparatively small number of big businesses.

If the state is to provide tax breaks for business, better to “lower the [tax] rate for everyone,” including the state’s many small, closely held, family-owned businesses, said Porcaro, principal at Otrando Porcaro & Associates Ltd., a CPA firm in Warwick.

CVS Caremark, the single largest beneficiary of the special state tax breaks, employs a total of 5,800 people in Rhode Island, making it one of the state's largest employers, said company spokesman Michael J. DeAngelis.

“CVS Caremark also expects to continue adding good jobs to its Rhode Island employment base,” he said. For example, the company is building two new facilities at its Highland Corporate Park headquarters in Woonsocket that are expected to bring more than 200 new jobs to the state over the next few years, he said.

Fidelity, another big beneficiary of the tax breaks, employs 2,300 people in Rhode Island (as of Aug. 31), and recently announced plans to add more than 500 jobs to its workforce in Rhode Island starting early next year, said company spokesman Vincent Loporchio.

The company invested more than \$300 million to build three office buildings and its campus in Smithfield, and more than \$1.6 million to upgrade a section of nearby Route 7, he said. Fidelity also pays more than \$1.7 million a year in property taxes to Smithfield, he said.

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