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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2012

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A N A C T

RELATING TO TAXATION - PERSONAL INCOME TAX

Introduced By: Representatives Valencia, Blazejewski, Walsh, O'Neill, and Tanzi

Date Introduced: February 09, 2012

Referred To: House Finance

It is enacted by the General Assembly as follows:

1           SECTION 1. Section 44-30-2.6 of the General Laws in Chapter 44-30 entitled "Personal  
2 Income Tax" is hereby amended to read as follows:

3           **44-30-2.6. Rhode Island taxable income -- Rate of tax. [Effective January 1, 2011.] --**

4           (a) "Rhode Island taxable income" means federal taxable income as determined under the  
5 Internal Revenue Code, 26 U.S.C. section 1 et seq., not including the increase in the basic  
6 standard deduction amount for married couples filing joint returns as provided in the Jobs and  
7 Growth Tax Relief Reconciliation Act of 2003 and the Economic Growth and Tax Relief  
8 Reconciliation Act of 2001 (EGTRRA), and as modified by the modifications in section 44-30-  
9 12.

10           (b) Notwithstanding the provisions of sections 44-30-1 and 44-30-2, for tax years  
11 beginning on or after January 1, 2001, a Rhode Island personal income tax is imposed upon the  
12 Rhode Island taxable income of residents and nonresidents, including estates and trusts, at the rate  
13 of twenty-five and one-half percent (25.5%) for tax year 2001, and twenty-five percent (25%) for  
14 tax year 2002 and thereafter of the federal income tax rates, including capital gains rates and any  
15 other special rates for other types of income, except as provided in section 44-30-2.7, which were  
16 in effect immediately prior to enactment of the Economic Growth and Tax Relief Reconciliation  
17 Act of 2001 (EGTRRA); provided, rate schedules shall be adjusted for inflation by the tax  
18 administrator beginning in taxable year 2002 and thereafter in the manner prescribed for  
19 adjustment by the commissioner of Internal Revenue in 26 U.S.C. section 1(f). However, for tax

1 years beginning on or after January 1, 2006, a taxpayer may elect to use the alternative flat tax  
2 rate provided in section 44-30-2.10 to calculate his or her personal income tax liability.

3 (c) For tax years beginning on or after January 1, 2001, if a taxpayer has an alternative  
4 minimum tax for federal tax purposes, the taxpayer shall determine if he or she has a Rhode  
5 Island alternative minimum tax. The Rhode Island alternative minimum tax shall be computed by  
6 multiplying the federal tentative minimum tax without allowing for the increased exemptions  
7 under the Jobs and Growth Tax Relief Reconciliation Act of 2003 (as redetermined on federal  
8 form 6251 Alternative Minimum Tax-Individuals) by twenty-five and one-half percent (25.5%)  
9 for tax year 2001, and twenty-five percent (25%) for tax year 2002 and thereafter, and comparing  
10 the product to the Rhode Island tax as computed otherwise under this section. The excess shall be  
11 the taxpayer's Rhode Island alternative minimum tax.

12 (1) For tax years beginning on or after January 1, 2005 and thereafter the exemption  
13 amount for alternative minimum tax, for Rhode Island purposes, shall be adjusted for inflation by  
14 the tax administrator in the manner prescribed for adjustment by the commissioner of Internal  
15 Revenue in 26 U.S.C. section 1(f).

16 (2) For the period January 1, 2007 through December 31, 2007, and thereafter, Rhode  
17 Island taxable income shall be determined by deducting from federal adjusted gross income as  
18 defined in 26 U.S.C. section 62 as modified by the modifications in section 44-30-12 the Rhode  
19 Island itemized deduction amount and the Rhode Island exemption amount as determined in this  
20 section.

21 (A) Tax imposed.

22 (1) There is hereby imposed on the taxable income of married individuals filing joint  
23 returns and surviving spouses a tax determined in accordance with the following table:

24 If taxable income is:	The tax is:
25 Not over \$53,150	3.75% of taxable income
26 Over \$53,150 but not over \$128,500	\$1,993.13 plus 7.00% of the 27 excess over \$53,150
28 Over \$128,500 but not over \$195,850	\$7,267.63 plus 7.75% of the 29 excess over \$128,500
30 Over \$195,850 but not over \$349,700	\$12,487.25 plus 9.00% of the 31 excess over \$195,850
32 Over \$349,700	\$26,333.75 plus 9.90% of the 33 excess over \$349,700

34 (2) There is hereby imposed on the taxable income of every head of household a tax

1 determined in accordance with the following table:

2	If taxable income is:	The tax is:
3	Not over \$42,650	3.75% of taxable income
4	Over \$42,650 but not over \$110,100	\$1,599.38 plus 7.00% of the
5		excess over \$42,650
6	Over \$110,100 but not over \$178,350	\$6,320.88 plus 7.75% of the
7		excess over \$110,100
8	Over \$178,350 but not over \$349,700	\$11,610.25 plus 9.00% of the
9		excess over \$178,350
10	Over \$349,700	\$27,031.75 plus 9.90% of the
11		excess over \$349,700

12 (3) There is hereby imposed on the taxable income of unmarried individuals (other than  
13 surviving spouses and heads of households) a tax determined in accordance with the following  
14 table:

15	If taxable income is:	The tax is:
16	Not over \$31,850	3.75% of taxable income
17	Over \$31,850 but not over \$77,100	\$1,194.38 plus 7.00% of the
18		excess over \$31,850
19	Over \$77,100 but not over \$160,850	\$4,361.88 plus 7.75% of the
20		excess over \$77,100
21	Over \$160,850 but not over \$349,700	\$10,852.50 plus 9.00% of the
22		excess over \$160,850
23	Over \$349,700	\$27,849.00 plus 9.90% of the
24		excess over \$349,700

25 (4) There is hereby imposed on the taxable income of married individuals filing separate  
26 returns and bankruptcy estates a tax determined in accordance with the following table:

27	If taxable income is:	The tax is:
28	Not over \$26,575	3.75% of taxable income
29	Over \$26,575 but not over \$64,250	\$996.56 plus 7.00% of the
30		excess over \$26,575
31	Over \$64,250 but not over \$97,925	\$3,633.81 plus 7.75% of the
32		excess over \$64,250
33	Over \$97,925 but not over \$174,850	\$6,243.63 plus 9.00% of the
34		excess over \$97,925

1 Over \$174,850 \$13,166.88 plus 9.90% of the  
2 excess over \$174,850

3 (5) There is hereby imposed a taxable income of an estate or trust a tax determined in  
4 accordance with the following table:

5 If taxable income is:	6 The tax is:
7 Not over \$2,150	8 3.75% of taxable income
9 Over \$2,150 but not over \$5,000	10 \$80.63 plus 7.00% of the excess 11 over \$2,150
12 Over \$5,000 but not over \$7,650	13 \$280.13 plus 7.75% of the 14 excess over \$5,000
15 Over \$7,650 but not over \$10,450	16 \$485.50 plus 9.00% of the 17 excess over \$7,650
18 Over \$10,450	19 \$737.50 plus 9.90% of the 20 excess over \$10,450

21 (6) Adjustments for inflation.

22 The dollars amount contained in paragraph (A) shall be increased by an amount equal to:

23 (a) Such dollar amount contained in paragraph (A) in the year 1993, multiplied by;

24 (b) The cost-of-living adjustment determined under section (J) with a base year of 1993;

25 (c) The cost-of-living adjustment referred to in subparagraph (a) and (b) used in making  
26 adjustments to the nine percent (9%) and nine and nine tenths percent (9.9%) dollar amounts shall  
27 be determined under section (J) by substituting "1994" for "1993."

28 (B) Maximum capital gains rates

29 (1) In general

30 If a taxpayer has a net capital gain for tax years ending prior to January 1, 2010, the tax  
31 imposed by this section for such taxable year shall not exceed the sum of:

32 (a) 2.5 % of the net capital gain as reported for federal income tax purposes under section  
33 26 U.S.C. 1(h)(1)(a) and 26 U.S.C. 1(h)(1)(b).

34 (b) 5% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.  
35 1(h)(1)(c).

36 (c) 6.25% of the net capital gain as reported for federal income tax purposes under 26  
37 U.S.C. 1(h)(1)(d).

38 (d) 7% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.  
39 1(h)(1)(e).

40 (2) For tax years beginning on or after January 1, 2010 the tax imposed on net capital

1 gain shall be determined under subdivision 44-30-2.6(c)(2)(A).

2 (C) Itemized deductions.

3 (1) In general

4 For the purposes of section (2) "itemized deductions" means the amount of federal  
5 itemized deductions as modified by the modifications in section 44-30-12.

6 (2) Individuals who do not itemize their deductions

7 In the case of an individual who does not elect to itemize his deductions for the taxable  
8 year, they may elect to take a standard deduction.

9 (3) Basic standard deduction.

10 The Rhode Island standard deduction shall be allowed in accordance with the following  
11 table:

12 Filing status	Amount
13 Single	\$5,350
14 Married filing jointly or qualifying widow(er)	\$8,900
15 Married filing separately	\$4,450
16 Head of Household	\$7,850

17 (4) Additional standard deduction for the aged and blind.

18 An additional standard deduction shall be allowed for individuals age sixty-five (65) or  
19 older or blind in the amount of \$1,300 for individuals who are not married and \$1,050 for  
20 individuals who are married.

21 (5) Limitation on basic standard deduction in the case of certain dependents.

22 In the case of an individual to whom a deduction under section (E) is allowable to another  
23 taxpayer, the basic standard deduction applicable to such individual shall not exceed the greater  
24 of:

25 (a) \$850;

26 (b) The sum of \$300 and such individual's earned income;

27 (6) Certain individuals not eligible for standard deduction.

28 In the case of:

29 (a) A married individual filing a separate return where either spouse itemizes deductions;

30 (b) Nonresident alien individual;

31 (c) An estate or trust;

32 The standard deduction shall be zero.

33 (7) Adjustments for inflation.

34 Each dollars amount contained in paragraphs (3), (4) and (5) shall be increased by an

1 amount equal to:

2 (a) Such dollar amount contained in paragraphs (3), (4) and (5) in the year 1988,  
3 multiplied by

4 (b) The cost-of-living adjustment determined under section (J) with a base year of 1988.

5 (D) Overall limitation on itemized deductions

6 (1) General rule.

7 In the case of an individual whose adjusted gross income as modified by section 44-30-12  
8 exceeds the applicable amount, the amount of the itemized deductions otherwise allowable for the  
9 taxable year shall be reduced by the lesser of:

10 (a) Three percent (3%) of the excess of adjusted gross income as modified by section 44-  
11 30-12 over the applicable amount; or

12 (b) Eighty percent (80%) of the amount of the itemized deductions otherwise allowable  
13 for such taxable year.

14 (2) Applicable amount.

15 (a) In general.

16 For purposes of this section, the term "applicable amount" means \$156,400 (\$78,200 in  
17 the case of a separate return by a married individual)

18 (b) Adjustments for inflation.

19 Each dollar amount contained in paragraph (a) shall be increased by an amount equal to:

20 (i) Such dollar amount contained in paragraph (a) in the year 1991, multiplied by

21 (ii) The cost-of-living adjustment determined under section (J) with a base year of 1991.

22 (3) Phase-out of Limitation.

23 (a) In general.

24 In the case of taxable year beginning after December 31, 2005, and before January 1,  
25 2010, the reduction under section (1) shall be equal to the applicable fraction of the amount which  
26 would be the amount of such reduction.

27 (b) Applicable fraction.

28 For purposes of paragraph (a), the applicable fraction shall be determined in accordance  
29 with the following table:

30 For taxable years beginning in	The applicable fraction is
31 calendar year	
32 2006 and 2007	2/3
33 2008 and 2009	1/3

34 (E) Exemption amount

1 (1) In general.

2 Except as otherwise provided in this subsection, the term "exemption amount" mean  
3 \$3,400.

4 (2) Exemption amount disallowed in case of certain dependents. In the case of an  
5 individual with respect to whom a deduction under this section is allowable to another taxpayer  
6 for the same taxable year, the exemption amount applicable to such individual for such  
7 individual's taxable year shall be zero.

8 (3) Adjustments for inflation.

9 The dollar amount contained in paragraph (1) shall be increased by an amount equal to:

10 (a) Such dollar amount contained in paragraph (1) in the year 1989, multiplied by

11 (b) The cost-of-living adjustment determined under section (J) with a base year of 1989.

12 (4) Limitation.

13 (a) In general.

14 In the case of any taxpayer whose adjusted gross income as modified for the taxable year  
15 exceeds the threshold amount shall be reduced by the applicable percentage.

16 (b) Applicable percentage.

17 In the case of any taxpayer whose adjusted gross income for the taxable year exceeds the  
18 threshold amount, the exemption amount shall be reduced by two (2) percentage points for each  
19 \$2,500 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year  
20 exceeds the threshold amount. In the case of a married individual filing a separate return, the  
21 preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In no event shall the  
22 applicable percentage exceed one hundred percent (100%).

23 (c) Threshold Amount.

24 For the purposes of this paragraph, the term "threshold amount" shall be determined with  
25 the following table:

26 Filing status	Amount
27 Single	\$156,400
28 Married filing jointly of qualifying widow(er)	\$234,600
29 Married filing separately	\$117,300
30 Head of Household	\$195,500

31 (d) Adjustments for inflation.

32 Each dollars amount contain in paragraph (b) shall be increased by an amount equal to:

33 (i) Such dollar amount contained in paragraph (b) in the year 1991, multiplied by

34 (ii) The cost-of-living adjustment determined under section (J) with a base year of 1991.

1 (5) Phase-out of Limitation.

2 (a) In general.

3 In the case of taxable years beginning after December 31, 2005, and before January 1,  
4 2010, the reduction under section 4 shall be equal to the applicable fraction of the amount which  
5 would be the amount of such reduction.

6 (b) Applicable fraction.

7 For the purposes of paragraph (a), the applicable fraction shall be determined in  
8 accordance with the following table:

9 For taxable years beginning in	The applicable fraction is
10 calendar year	
11 2006 and 2007	2/3
12 2008 and 2009	1/3

13 (F) Alternative minimum tax

14 (1) General rule. - There is hereby imposed (in addition to any other tax imposed by this  
15 subtitle) a tax equal to the excess (if any) of:

16 (a) The tentative minimum tax for the taxable year, over

17 (b) The regular tax for the taxable year.

18 (2) The tentative minimum tax for the taxable year is the sum of:

19 (a) 6.5 percent of so much of the taxable excess as does not exceed \$175,000, plus

20 (b) 7.0 percent of so much of the taxable excess above \$175,000.

21 (3) The amount determined under the preceding sentence shall be reduced by the  
22 alternative minimum tax foreign tax credit for the taxable year.

23 (4) Taxable excess. - For the purposes of this subsection the term "taxable excess" means  
24 so much of the federal alternative minimum taxable income as modified by the modifications in  
25 section 44-30-12 as exceeds the exemption amount.

26 (5) In the case of a married individual filing a separate return, subparagraph (2) shall be  
27 applied by substituting "\$87,500" for \$175,000 each place it appears.

28 (6) Exemption amount.

29 For purposes of this section "exemption amount" means:

30 Filing status	Amount
31 Single	\$39,150
32 Married filing jointly or qualifying widow(er)	\$53,700
33 Married filing separately	\$26,850
34 Head of Household	\$39,150



1 Estate or trust \$24,650

2 (7) Treatment of unearned income of minor children

3 (a) In general.

4 In the case of a minor child, the exemption amount for purposes of section (6) shall not  
5 exceed the sum of:

6 (i) Such child's earned income, plus

7 (ii) \$6,000.

8 (8) Adjustments for inflation.

9 The dollar amount contained in paragraphs (6) and (7) shall be increased by an amount  
10 equal to:

11 (a) Such dollar amount contained in paragraphs (6) and (7) in the year 2004, multiplied  
12 by

13 (b) The cost-of-living adjustment determined under section (J) with a base year of 2004.

14 (9) Phase-out.

15 (a) In general.

16 The exemption amount of any taxpayer shall be reduced (but not below zero) by an  
17 amount equal to twenty-five percent (25%) of the amount by which alternative minimum taxable  
18 income of the taxpayer exceeds the threshold amount.

19 (b) Threshold amount.

20 For purposes of this paragraph, the term "threshold amount" shall be determined with the  
21 following table:

Filing status	Amount
Single	\$123,250
Married filing jointly or qualifying widow(er)	\$164,350
Married filing separately	\$82,175
Head of Household	\$123,250

27 (c) Adjustments for inflation

28 Each dollar amount contained in paragraph (9) shall be increased by an amount equal to:

29 (i) Such dollar amount contained in paragraph (9) in the year 2004, multiplied by

30 (ii) The cost-of-living adjustment determined under section (J) with a base year of 2004.

31 (G) Other Rhode Island taxes

32 (1) General rule. - There is hereby imposed (in addition to any other tax imposed by this  
33 subtitle) a tax equal to twenty-five percent (25%) of:

34 (a) The Federal income tax on lump-sum distributions.

1 (b) The Federal income tax on parents' election to report child's interest and dividends.

2 (c) The recapture of Federal tax credits that were previously claimed on Rhode Island  
3 return.

4 (H) Tax for children under 18 with investment income

5 (1) General rule. - There is hereby imposed a tax equal to twenty-five percent (25%) of:

6 (a) The Federal tax for children under the age of 18 with investment income.

7 (I) Averaging of farm income

8 (1) General rule. - At the election of an individual engaged in a farming business or  
9 fishing business, the tax imposed in section 2 shall be equal to twenty-five percent (25%) of:

10 (a) The Federal averaging of farm income as determined in IRC section 1301.

11 (J) Cost-of-living adjustment

12 (1) In general.

13 The cost-of-living adjustment for any calendar year is the percentage (if any) by which:

14 (a) The CPI for the preceding calendar year exceeds

15 (b) The CPI for the base year.

16 (2) CPI for any calendar year. For purposes of paragraph (1), the CPI for any calendar  
17 year is the average of the Consumer Price Index as of the close of the twelve (12) month period  
18 ending on August 31 of such calendar year.

19 (3) Consumer Price Index

20 For purposes of paragraph (2), the term "consumer price index" means the last consumer  
21 price index for all urban consumers published by the department of labor. For purposes of the  
22 preceding sentence, the revision of the consumer price index which is most consistent with the  
23 consumer price index for calendar year 1986 shall be used.

24 (4) Rounding.

25 (a) In general.

26 If any increase determined under paragraph (1) is not a multiple of \$50, such increase  
27 shall be rounded to the next lowest multiple of \$50.

28 (b) In the case of a married individual filing a separate return, subparagraph (a) shall be  
29 applied by substituting "\$25" for \$50 each place it appears.

30 (K) Credits against tax. - For tax years beginning on or after January 1, 2001, a taxpayer  
31 entitled to any of the following federal credits enacted prior to January 1, 1996 shall be entitled to  
32 a credit against the Rhode Island tax imposed under this section:

33 (1) [Deleted by P.L. 2007, ch. 73, art. 7, section 5].

34 (2) Child and dependent care credit;

- 1 (3) General business credits;
- 2 (4) Credit for elderly or the disabled;
- 3 (5) Credit for prior year minimum tax;
- 4 (6) Mortgage interest credit;
- 5 (7) Empowerment zone employment credit;
- 6 (8) Qualified electric vehicle credit.

7 (L) Credit against tax for adoption. - For tax years beginning on or after January 1, 2006,  
8 a taxpayer entitled to the federal adoption credit shall be entitled to a credit against the Rhode  
9 Island tax imposed under this section if the adopted child was under the care, custody, or  
10 supervision of the Rhode Island department of children, youth and families prior to the adoption.

11 (M) The credit shall be twenty-five percent (25%) of the aforementioned federal credits  
12 provided there shall be no deduction based on any federal credits enacted after January 1, 1996,  
13 including the rate reduction credit provided by the federal Economic Growth and Tax  
14 Reconciliation Act of 2001 (EGTRRA). In no event shall the tax imposed under this section be  
15 reduced to less than zero. A taxpayer required to recapture any of the above credits for federal tax  
16 purposes shall determine the Rhode Island amount to be recaptured in the same manner as  
17 prescribed in this subsection.

18 (N) Rhode Island earned income credit

19 (1) In general.

20 A taxpayer entitled to a federal earned income credit shall be allowed a Rhode Island  
21 earned income credit equal to twenty-five percent (25%) of the federal earned income credit.  
22 Such credit shall not exceed the amount of the Rhode Island income tax.

23 (2) Refundable portion.

24 In the event the Rhode Island earned income credit allowed under section (J) exceeds the  
25 amount of Rhode Island income tax, a refundable earned income credit shall be allowed.

26 (a) For purposes of paragraph (2) refundable earned income credit means fifteen percent  
27 (15%) of the amount by which the Rhode Island earned income credit exceeds the Rhode Island  
28 income tax.

29 (O) The tax administrator shall recalculate and submit necessary revisions to paragraphs  
30 (A) through (J) to the general assembly no later than February 1, 2010 and every three (3) years  
31 thereafter for inclusion in the statute.

32 (3) For the period January 1, 2011 through December 31, 2011, and thereafter, "Rhode  
33 Island taxable income" means federal adjusted gross income as determined under the Internal  
34 Revenue Code, 26 U.S.C. 1 et seq., and as modified for Rhode Island purposes pursuant to

1 section 44-30-12 less the amount of Rhode Island Basic Standard Deduction allowed pursuant to  
 2 subparagraph 44-30-2.6(c)(3)(B), and less the amount of personal exemption allowed pursuant of  
 3 subparagraph 44-30-2.6(c)(3)(C).

4 (A) Tax imposed.

5 (I) There is hereby imposed on the taxable income of ~~married individuals filing joint~~  
 6 ~~returns, qualifying widow(er)~~, every head of household, unmarried individuals, married  
 7 individuals filing separate returns and bankruptcy estates, a tax determined in accordance with the  
 8 following table:

RI Taxable Income		RI Income Tax	
Over	But not over	Pay + % on Excess	on the amount
			over
\$ 0 -	\$ 55,000	\$ 0 + 3.75%	\$ 0
55,000 -	125,000	2,063 + 4.75%	55,000
125,000 -	<del>500,000</del> <u>200,000</u>	5,388 + 5.99%	125,000
<del>500,000</del> <u>200,000</u>		<del>27,851 + 7.99%</del> <u>9,881 + 10.09%</u>	<del>500,000</del> <u>200,000</u>

16 (II) There is hereby imposed on the taxable income of married individuals filing joint  
 17 returns and qualifying widow(ers), a tax determined in accordance with the following table:

<u>RI Taxable Income</u>		<u>RI Income Tax</u>	
<u>Over</u>	<u>But not over</u>	<u>Pay + % on Excess</u>	<u>on the amount</u>
			<u>over</u>
<u>\$ 0 -</u>	<u>\$ 55,000</u>	<u>\$ 0 + 3.75%</u>	<u>\$ 0</u>
<u>55,000 -</u>	<u>125,000</u>	<u>2,063 + 4.75%</u>	<u>55,000</u>
<u>125,000 -</u>	<u>250,000</u>	<u>5,388 + 5.99%</u>	<u>125,000</u>
<u>250,000</u>		<u>12,876 + 10.09%</u>	<u>250,000</u>

25 ~~(H)~~ (III) There is hereby imposed on the taxable income of an estate or trust a tax  
 26 determined in accordance with the following table:

RI Taxable Income		RI Income Tax	
Over	But not over	Pay + % Over - Excess	on the amount
			over
\$ 0 -	\$ 2,230	\$ 0 + 3.75%	\$ 0
2,230 -	7,022	84 + 4.75%	2,230
7,022 -		312 + 5.99%	7,022

33 (B) Deductions:

34 (I) Rhode Island Basic Standard Deduction. Only the Rhode Island standard deduction  
 35 shall be allowed in accordance with the following table:

1	Filing status:	Amount
2	Single	\$7,500
3	Married filing jointly or qualifying widow(er)	\$15,000
4	Married filing separately	\$7,500
5	Head of Household	\$11,250

6 (II) Nonresident alien individuals, estates and trusts are not eligible for standard  
7 deductions.

8 (III) In the case of any taxpayer whose adjusted gross income, as modified for Rhode  
9 Island purposes pursuant to section 44-30-12, for the taxable year exceeds one hundred seventy-  
10 five thousand dollars (\$175,000), the standard deduction amount shall be reduced by the  
11 applicable percentage. The term "applicable percentage" means twenty (20) percentage points for  
12 each five thousand dollars (\$5,000) (or fraction thereof) by which the taxpayer's adjusted gross  
13 income for the taxable year exceeds one hundred seventy-five thousand dollars (\$175,000).

14 (C) Exemption Amount:

15 (I) The term "exemption amount" means three thousand five hundred dollars (\$3,500)  
16 multiplied by the number of exemptions allowed for the taxable year for federal income tax  
17 purposes.

18 (II) Exemption amount disallowed in case of certain dependents. In the case of an  
19 individual with respect to whom a deduction under this section is allowable to another taxpayer  
20 for the same taxable year, the exemption amount applicable to such individual for such  
21 individual's taxable year shall be zero.

22 (D) In the case of any taxpayer whose adjusted gross income, as modified for Rhode  
23 Island purposes pursuant to section 33-30-12, for the taxable year exceeds one hundred seventy-  
24 five thousand dollars (\$175,000), the exemption amount shall be reduced by the applicable  
25 percentage. The term "applicable percentage" means twenty (20) percentage points for each five  
26 thousand dollars (\$5,000) (or fraction thereof) by which the taxpayer's adjusted gross income for  
27 the taxable year exceeds one hundred seventy-five thousand dollars (\$175,000).

28 (E) Adjustment for inflation. - The dollar amount contained in subparagraphs 44-30-  
29 2.6(c)(3)(A), 44-30-2.6(c)(3)(B) and 44-30-2.6(c)(3)(C) shall be increased annually by an amount  
30 equal to:

31 (I) Such dollar amount contained in subparagraphs 44-30-2.6(c)(3)(A), 44-30-  
32 2.6(c)(3)(B) and 44-30-2.6(c)(3)(C) adjusted for inflation using a base tax year of 2000,  
33 multiplied by;

34 (II) The cost-of-living adjustment with a base year of 2000.

1 (III) For the purposes of this section the cost-of-living adjustment for any calendar year is  
2 the percentage (if any) by which the consumer price index for the preceding calendar year  
3 exceeds the consumer price index for the base year. The consumer price index for any calendar  
4 year is the average of the consumer price index as of the close of the twelve (12) month period  
5 ending on August 31, of such calendar year.

6 (IV) For the purpose of this section the term "consumer price index" means the last  
7 consumer price index for all urban consumers published by the department of labor. For the  
8 purpose of this section the revision of the consumer price index which is most consistent with the  
9 consumer price index for calendar year 1986 shall be used.

10 (V) If any increase determined under this section is not a multiple of fifty dollars  
11 (\$50.00), such increase shall be rounded to the next lower multiple of fifty dollars (\$50.00). In the  
12 case of a married individual filing separate return, if any increase determined under this section is  
13 not a multiple of twenty-five dollars (\$25.00), such increase shall be rounded to the next lower  
14 multiple of twenty-five dollars (\$25.00).

15 (E) Credits against tax.

16 (I) Notwithstanding any other provisions of Rhode Island Law, for tax years beginning on  
17 or after January 1, 2011, the only credits allowed against a tax imposed under this chapter shall be  
18 as follows:

19 (a) Rhode Island Earned Income Credit: Credit shall be allowed for earned income credit  
20 pursuant to subparagraph 44-30-2.6(c)(2)(N).

21 (b) Property Tax Relief Credit: Credit shall be allowed for property tax relief as provided  
22 in section 44-33-1 et seq.

23 (c) Lead Paint Credit: Credit shall be allowed for residential lead abatement income tax  
24 credit as provided in section 44-30.3-1 et seq.

25 (d) Credit for income taxes of other states. - Credit shall be allowed for income tax paid  
26 to other states pursuant to section 44-30-74.

27 (e) Historic Structures Tax Credit: Credit shall be allowed for historic structures tax  
28 credit as provided in section 44-33.2-1 et seq.

29 (f) Motion Picture Productions Tax Credit: Credit shall be allowed for motion picture  
30 production tax credit as provided in section 44-31.2-1 et seq.

31 (g) Child and Dependent Care: Credit shall be allowed for twenty-five percent (25%) of  
32 the federal child and dependent care credit allowable for the taxable year for federal purposes;  
33 provided, however, such credit shall not exceed the Rhode Island tax liability.

34 (h) Tax credits for contributions to Scholarship Organizations: Credit shall be allowed for

1 contributions to scholarship organizations as provided in section 44-62 et seq.

2 (i) Credit for tax withheld. - Wages upon which tax is required to be withheld shall be  
3 taxable as if no withholding were required, but any amount of Rhode Island personal income tax  
4 actually deducted and withheld in any calendar year shall be deemed to have been paid to the tax  
5 administrator on behalf of the person from whom withheld, and the person shall be credited with  
6 having paid that amount of tax for the taxable year beginning in that calendar year. For a taxable  
7 year of less than twelve (12) months, the credit shall be made under regulations of the tax  
8 administrator.

9 (2) Except as provided in section 1 above, no other state and federal tax credit shall be  
10 available to the taxpayers in computing tax liability under this chapter.

11 SECTION 2. This act shall take effect upon passage.

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LC00115  
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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
A N A C T  
RELATING TO TAXATION - PERSONAL INCOME TAX

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1           This act would add a four and one tenth percent (4.1%) additional tax on all personal  
2 income over two hundred thousand dollars (\$200,000) for heads of households, unmarried  
3 individuals, married individuals filing separate returns and bankruptcy estates and a four and one  
4 tenth percent (4.1%) over two hundred fifty-thousand dollars for married couples filing joint  
5 returns and qualifying widows(ers).

6           This act would take effect upon passage.

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LC00115  
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