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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2012

A N A C T

RELATING TO TAXATION - PERSONAL INCOME TAX - DEDUCTIONS

Introduced By: Representatives Guthrie, DaSilva, Cimini, Lima, and Azzinaro

Date Introduced: March 07, 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~~

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

~~(A) Tax imposed.~~

~~(I) There is hereby imposed on the taxable income of married individuals filing joint returns, qualifying widow(er), every head of household, unmarried individuals, married individuals filing separate returns and bankruptcy estates, a tax determined in accordance with the 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		5,388 + 5.99%	125,000

~~(II) There is hereby imposed on the taxable income of an estate or trust a tax 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

~~(B) Deductions:~~

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

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

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

~~(III) In the case of any taxpayer whose adjusted gross income, as modified for Rhode Island purposes pursuant to section 44-30-12, for the taxable year exceeds one hundred seventy-~~

1 ~~five thousand dollars (\$175,000), the standard deduction amount shall be reduced by the~~
2 ~~applicable percentage. The term "applicable percentage" means twenty (20) percentage points for~~
3 ~~each five thousand dollars (\$5,000) (or fraction thereof) by which the taxpayer's adjusted gross~~
4 ~~income for the taxable year exceeds one hundred seventy five thousand dollars (\$175,000).~~

5 ~~(C) Exemption Amount:~~

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

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

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

19 ~~(E) Adjustment for inflation.—The dollar amount contained in subparagraphs 44-30-~~
20 ~~2.6(e)(3)(A), 44-30-2.6(e)(3)(B) and 44-30-2.6(e)(3)(C) shall be increased annually by an amount~~
21 ~~equal to:~~

22 ~~(I) Such dollar amount contained in subparagraphs 44-30-2.6(e)(3)(A), 44-30-~~
23 ~~2.6(e)(3)(B) and 44-30-2.6(e)(3)(C) adjusted for inflation using a base tax year of 2000,~~
24 ~~multiplied by;~~

25 ~~(II) The cost of living adjustment with a base year of 2000.~~

26 ~~(III) For the purposes of this section the cost of living adjustment for any calendar year is~~
27 ~~the percentage (if any) by which the consumer price index for the preceding calendar year~~
28 ~~exceeds the consumer price index for the base year. The consumer price index for any calendar~~
29 ~~year is the average of the consumer price index as of the close of the twelve (12) month period~~
30 ~~ending on August 31, of such calendar year.——~~

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

1 ~~(V) If any increase determined under this section is not a multiple of fifty dollars~~
2 ~~(\$50.00), such increase shall be rounded to the next lower multiple of fifty dollars (\$50.00). In the~~
3 ~~case of a married individual filing separate return, if any increase determined under this section is~~
4 ~~not a multiple of twenty five dollars (\$25.00), such increase shall be rounded to the next lower~~
5 ~~multiple of twenty five dollars (\$25.00).~~

6 ~~(E) Credits against tax.~~

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

10 ~~(a) Rhode Island Earned Income Credit: Credit shall be allowed for earned income credit~~
11 ~~pursuant to subparagraph 44-30-2.6(e)(2)(N).~~

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

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

16 ~~(d) Credit for income taxes of other states.— Credit shall be allowed for income tax paid~~
17 ~~to other states pursuant to section 44-30-74.~~

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

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

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

25 ~~(h) Tax credits for contributions to Scholarship Organizations: Credit shall be allowed for~~
26 ~~contributions to scholarship organizations as provided in section 44-62 et seq.~~

27 ~~(i) Credit for tax withheld.— Wages upon which tax is required to be withheld shall be~~
28 ~~taxable as if no withholding were required, but any amount of Rhode Island personal income tax~~
29 ~~actually deducted and withheld in any calendar year shall be deemed to have been paid to the tax~~
30 ~~administrator on behalf of the person from whom withheld, and the person shall be credited with~~
31 ~~having paid that amount of tax for the taxable year beginning in that calendar year. For a taxable~~
32 ~~year of less than twelve (12) months, the credit shall be made under regulations of the tax~~
33 ~~administrator.~~

34 ~~(2) Except as provided in section 1 above, no other state and federal tax credit shall be~~

1 ~~available to the taxpayers in computing tax liability under this chapter.~~

2 SECTION 2. Section 44-30-2.10 of the General Laws in Chapter 44-30 entitled "Personal
3 Income Tax" is hereby amended to read as follows:

4 **44-30-2.10. Alternative flat tax rate.** -- (a) For tax years beginning on or after January
5 1, 2006 ~~and ending prior to January 1, 2011,~~ a taxpayer may elect to compute his or her Rhode
6 Island personal income tax liability as provided in this section. If no election is made, the
7 taxpayer's personal income tax liability shall be computed as otherwise provided in this chapter.

8 (b) For purposes of this section, "alternative Rhode Island taxable income" shall mean
9 federal adjusted gross income as determined for federal income tax purposes as modified by
10 sections 44-30-12 and 44-30-32 for residents and nonresidents, respectively. No other state or
11 federal deductions or adjustments to income shall be available to the taxpayer.

12 (c) For purposes of this section, the "alternative tax rate" shall be eight percent (8.0%)
13 for the tax year 2006; seven and one-half percent (7.5%) for tax year 2007; seven percent (7%)
14 for tax year 2008; six and one-half percent (6.5%) for tax year 2009; and six percent (6%) for tax
15 year 2010 and five and one half percent (5.5%) for tax years 2011 and thereafter;

16 (d) The alternative personal income tax shall be determined by multiplying the taxpayer's
17 alternative Rhode Island taxable income by the alternative tax rate, less the following credits:

- 18 (1) Credit for income taxes paid to other states as provided for in section 44-30-18;
- 19 (2) Credit for Rhode Island personal income tax withheld as provided in section 44-30-
20 74;
- 21 (3) Credit for Rhode Island payments of estimated tax as provided in section 44-30-56(e)
22 and RI Reg. Sec. PIT 90-17;
- 23 (4) Credit for Rhode Island overpayment of taxes as provided in section 44-30-86(a); and
- 24 (5) Credit for Rhode Island amount remitted by a limited liability company on behalf of
25 a nonresident member as provided in section 7-16-73(4).

26 No other state or federal tax credits shall be available to the taxpayer in computing the
27 alternative personal income tax liability.

28 (e) The provisions of this section may apply regardless of the taxpayer's filing status.

29 SECTION 3. Section 44-33-3 of the General Laws in Chapter 44-33 entitled "Property
30 Tax Relief" is hereby amended to read as follows:

31 **44-33-3. Definitions.** -- As used in this chapter:

32 (1) "Claimant" means a homeowner or renter, who has filed a claim under this chapter
33 and was domiciled in this state for the entire calendar year for which he or she files a claim for
34 relief under this chapter. In the case of claim for rent constituting property taxes accrued, the

1 claimant shall have rented property during the preceding year for which he or she files for relief
2 under this chapter. Claimant shall not mean or include any person claimed as a dependent by any
3 taxpayer under the Internal Revenue Code of the United States, 26 U.S.C. section 1 et seq. When
4 two (2) individuals of a household are able to meet the qualifications for a claimant, they may
5 determine between themselves as to who the claimant is. If they are unable to agree, the matter is
6 referred to the tax administrator and his or her decision is final. If a homestead is occupied by two
7 (2) or more individuals, and more than one individual is able to qualify as a claimant, and some or
8 all of the qualified individuals are not related, the individuals may determine among themselves
9 as to who the claimant is. If they are unable to agree, the matter is referred to the tax
10 administrator, and his or her decision is final.

11 (2) "Disabled" means those persons who are receiving a social security disability benefit.

12 (3) "Gross rent" means rental paid in cash or its equivalent solely for the right of
13 occupancy of a homestead, exclusive of charges for any utilities, services, furniture, furnishings,
14 or personal property appliances furnished by the landlord as a part of the rental agreement. If the
15 landlord and tenant have not dealt with each other at arm's length, and the tax administrator is
16 satisfied that the gross rent charged was excessive, he or she may adjust the gross rent to a
17 reasonable amount for purposes of this chapter. "Gross rent" includes the rental of space paid to a
18 landlord for parking of a mobile home, or docking or mooring a houseboat, exclusive of any
19 charges for utilities, services, furniture, furnishings, or personal appliances furnished by the
20 landlord as a part of the rental. Twenty percent (20%) of the annual gross rental plus the space
21 rental fees paid during the year are the annual "property taxes accrued."

22 (4) "Homestead" means the dwelling, whether owned or rented, and so much of the land
23 surrounding it, not exceeding one acre, as is reasonably necessary for use of the dwelling as a
24 home, and may consist of a part of the multi-dwelling or multi-purpose building and a part of the
25 land upon which it is built ("owned" includes a vendee in possession under a land contract and
26 one or more joint tenants or tenants in common). It does not include personal property such as
27 furniture, furnishings, or appliances, but a mobile home or a houseboat may be a homestead.

28 (5) "Household" means one or more persons occupying a dwelling unit and living as a
29 single nonprofit housekeeping unit. "Household" shall not include bona fide lessees, tenants, or
30 roomers, and boarders on contract.

31 (6) "Household income" means all income received by all persons of a household in a
32 calendar year while members of the household.

33 (7) "Income" means the sum of federal adjusted gross income as defined in the Internal
34 Revenue Code of the United States, 26 U.S.C. section 1 et seq., and all non-taxable income

1 including, but not limited to, the amount of capital gains excluded from adjusted gross income,
2 alimony, support money, non-taxable strike benefits, cash public assistance and relief (not
3 including relief granted under this chapter), the gross amount of any pension or annuity
4 (including Railroad Retirement Act (see 45 U.S.C. section 231 et seq.) benefits, all payments
5 received under the federal Social Security Act, 42 U.S.C. section 301 et seq., state unemployment
6 insurance laws, and veterans' disability pensions (see 38 U.S.C. section 301 et seq.), non-taxable
7 interest received from the federal government or any of its instrumentalities, workers'
8 compensation, and the gross amount of "loss of time" insurance. It shall not include gifts from
9 nongovernmental sources, or surplus foods or other relief in kind supplied by a public or private
10 agency. ~~For the purpose of this chapter, the calculation of "income" shall not include any~~
11 ~~deductions for rental losses, business losses, capital losses, exclusion for foreign income, and any~~
12 ~~losses received from pass-through entities.~~

13 (8) "Property taxes accrued" means property taxes (exclusive of special assessments,
14 delinquent interest, and charges for service) levied on a claimant's homestead in this state in 1977
15 or any calendar year thereafter. If a homestead is owned by two (2) or more persons or entities as
16 joint tenants or tenants in common, and one or more persons or entities are not a member of
17 claimant's household, "property taxes accrued" is that part of property taxes levied on the
18 homestead which reflects the ownership percentage of the claimant and his or her household. For
19 purposes of this subdivision, property taxes are "levied" when the tax roll is certified by the city
20 or town assessor. When a homestead is sold during the calendar year of the levy, the "property
21 taxes accrued" for the seller and buyer is the amount of the tax levy prorated to each in the
22 closing agreement pertaining to the sale of the homestead or, if not provided for in the closing
23 agreement, the tax levy is prorated between seller and buyer based upon the delivery date of the
24 deed of conveyance. When a household owns and occupies two (2) or more homesteads in the
25 same calendar year, "property taxes accrued" is the sum of the prorated taxes attributable to the
26 household for each of the homesteads. If the household owns and occupies the homestead for the
27 part of the calendar year and rents a household for part of the calendar year, it may include both
28 the proration of taxes on the homestead owned and "rent constituting property taxes accrued"
29 with respect to the months the homestead is rented, in computing the amount of the claim. All
30 prorations are made on the basis of the gross tax levy after all exemptions. If a homestead is an
31 integral part of a larger unit such as a farm, or a multi-purpose or multi-dwelling building,
32 property taxes accrued is that percentage of the total property taxes accrued as the value of the
33 homestead is of the total value. For the purposes of this subdivision, "unit" refers to the parcel of
34 property covered by a single tax statement of which the homestead is a part.

1 (9) "Rent constituting property taxes accrued" means twenty percent (20%) of the gross
2 rent actually paid in cash or its equivalent in any calendar year by a claimant and his or her
3 household solely for the right of occupancy of their Rhode Island homestead in the calendar year,
4 and which rent constitutes the basis, in the succeeding calendar year, of a claim for relief under
5 this chapter by the claimant, but shall not include any part of the rent paid for occupancy of
6 premises which are legally exempt from the payment of property taxes.

7 SECTION 4. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T
RELATING TO TAXATION - PERSONAL INCOME TAX - DEDUCTIONS

1 This act would restore the ability of a Rhode Island taxpayer to use, in calculating
2 personal income tax, the federal deductions. It repeals changes made in 2010.

3 This act would take effect upon passage.

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LC02081
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