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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2013

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A N A C T

RELATING TO TAXATION -- PERSONAL INCOME TAX

Introduced By: Representatives Guthrie, Bennett, Dickinson, Tanzi, and Casey

Date Introduced: January 30, 2013

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Notwithstanding any provision of law to the contrary contained in any
2 general or public law, rule or regulation and further, subject to the conditions, limitations and
3 restrictions hereinafter contained in this section, the following general revenue amounts are
4 hereby appropriated out of any money in the treasury not otherwise appropriated to be expended
5 during the fiscal year ending June 30, 2014. The amounts identified for federal funds and
6 restricted receipts shall be made available pursuant to section 35-4-22 and chapter 42-41 of the
7 Rhode Island general laws. For the purposes and functions hereinafter mentioned, the state
8 controller is hereby authorized and directed to draw his or her orders upon the general treasurer
9 for the payment of such sums or such portions thereof as may be required from time to time upon
10 receipt by him or her of properly authenticated vouchers provided that general revenue sharing
11 with cities and towns for June 30, 2014 shall not be less than sixty-five million one hundred
12 eleven thousand eight-hundred seventy-six dollars (\$65,111,876).

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

15 **44-30-2.6. Rhode Island taxable income -- Rate of tax. --** (a) "Rhode Island taxable
16 income" means federal taxable income as determined under the Internal Revenue Code, 26 U.S.C.
17 section 1 et seq., not including the increase in the basic standard deduction amount for married
18 couples filing joint returns as provided in the Jobs and Growth Tax Relief Reconciliation Act of
19 2003 and the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), and as

1 modified by the modifications in section 44-30-12.

2 (b) Notwithstanding the provisions of sections 44-30-1 and 44-30-2, for tax years
3 beginning on or after January 1, 2001, a Rhode Island personal income tax is imposed upon the
4 Rhode Island taxable income of residents and nonresidents, including estates and trusts, at the rate
5 of twenty-five and one-half percent (25.5%) for tax year 2001, and twenty-five percent (25%) for
6 tax year 2002 and thereafter of the federal income tax rates, including capital gains rates and any
7 other special rates for other types of income and an additional two percent (2%) for all income
8 over two hundred fifty thousand dollars (\$250,000) in addition to rates imposed in this section,
9 except as provided in section 44-30-2.7, which were in effect immediately prior to enactment of
10 the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA); provided, rate
11 schedules shall be adjusted for inflation by the tax administrator beginning in taxable year 2002
12 and thereafter in the manner prescribed for adjustment by the commissioner of Internal Revenue
13 in 26 U.S.C. section 1(f). However, for tax years beginning on or after January 1, 2006, a
14 taxpayer may elect to use the alternative flat tax rate provided in section 44-30-2.10 to calculate
15 his or her personal income tax liability.

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

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

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

34 (A) Tax imposed.

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

3 If taxable income is:	The tax is:
4 Not over \$53,150	3.75% of taxable income
5 Over \$53,150 but not over \$128,500	\$1,993.13 plus 7.00% of the excess over \$53,150
6 Over \$128,500 but not over \$195,850	\$7,267.63 plus 7.75% of the excess over \$128,500
7 Over \$195,850 but not over \$349,700	\$12,487.25 plus 9.00% of the excess over \$195,850
8 Over \$349,700	\$26,333.75 plus 9.90% of the excess over \$349,700

9 (2) There is hereby imposed on the taxable income of every head of household a tax
10 determined in accordance with the following table:

11 If taxable income is:	The tax is:
12 Not over \$42,650	3.75% of taxable income
13 Over \$42,650 but not over \$110,100	\$1,599.38 plus 7.00% of the excess over \$42,650
14 Over \$110,100 but not over \$178,350	\$6,320.88 plus 7.75% of the excess over \$110,100
15 Over \$178,350 but not over \$349,700	\$11,610.25 plus 9.00% of the excess over \$178,350
16 Over \$349,700	\$27,031.75 plus 9.90% of the excess over \$349,700

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

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

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

28 If taxable income is:	The tax is:
29 Not over \$26,575	3.75% of taxable income
30 Over \$26,575 but not over \$64,250	\$996.56 plus 7.00% of the excess over \$26,575
31 Over \$64,250 but not over \$97,925	\$3,633.81 plus 7.75% of the excess over \$64,250
32 Over \$97,925 but not over \$174,850	\$6,243.63 plus 9.00% of the excess over \$97,925
33 Over \$174,850	13,166.88 plus 9.90% of the excess over \$174,850

34 (5) There is hereby imposed a taxable income of an estate or trust a tax determined in

1 accordance with the following table:

2 If taxable income is:	The tax is:
3 Not over \$2,150	3.75% of taxable income
4 Over \$2,150 but not over \$5,000	\$80.63 plus 7.00% of the excess over \$2,150
5 Over \$5,000 but not over \$7,650	\$280.13 plus 7.75% of the excess over \$5,000
6 Over \$7,650 but not over \$10,450	\$485.50 plus 9.00% of the excess over \$7,650
7 Over \$10,450	\$737.50 plus 9.90% of the excess over \$10,450

8 (6) Adjustments for inflation.

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

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

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

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

15 (B) Maximum capital gains rates

16 (1) In general

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

19 (a) 2.5 % of the net capital gain as reported for federal income tax purposes under section
20 26 U.S.C. 1(h)(1)(a) and 26 U.S.C. 1(h)(1)(b).

21 (b) 5% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.
22 1(h)(1)(c).

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

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

27 (2) For tax years beginning on or after January 1, 2010 the tax imposed on net capital
28 gain shall be determined under subdivision 44-30-2.6(c)(2)(A).

29 (C) Itemized deductions.

30 (1) In general

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

33 (2) Individuals who do not itemize their deductions

34 In the case of an individual who does not elect to itemize his deductions for the taxable

1 year, they may elect to take a standard deduction.

2 (3) Basic standard deduction.

3 The Rhode Island standard deduction shall be allowed in accordance with the following
4 table:

5 Filing status:	Amount:
6 Single	\$5,350
7 Married filing jointly or qualifying widow(er)	\$8,900
8 Married filing separately	\$4,450
9 Head of Household	\$7,850

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

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

14 (5) Limitation on basic standard deduction in the case of certain dependents. In the case
15 of an individual to whom a deduction under section (E) is allowable to another taxpayer, the basic
16 standard deduction applicable to such individual shall not exceed the greater of:

- 17 (a) \$850;
- 18 (b) The sum of \$300 and such individual's earned income;
- 19 (c) Certain individuals not eligible for standard deduction.

20 In the case of:

- 21 (a) A married individual filing a separate return where either spouse itemizes deductions;
- 22 (b) Nonresident alien individual;
- 23 (c) An estate or trust;

24 The standard deduction shall be zero.

25 (7) Adjustments for inflation.

26 Each dollars amount contained in paragraphs (3), (4) and (5) shall be increased by an
27 amount equal to:

- 28 (a) Such dollar amount contained in paragraphs (3), (4) and (5) in the year 1988,
29 multiplied by
- 30 (b) The cost-of-living adjustment determined under section (J) with a base year of 1988.

31 (D) Overall limitation on itemized deductions

32 (1) General rule.

33 In the case of an individual whose adjusted gross income as modified by section 44-30-12
34 exceeds the applicable amount, the amount of the itemized deductions otherwise allowable for the

1 taxable year shall be reduced by the lesser of:

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

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

6 (2) Applicable amount.

7 (a) In general.

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

10 (b) Adjustments for inflation. Each dollar amount contained in paragraph (a) shall be
11 increased by an amount equal to:

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

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

14 (3) Phase-out of Limitation.

15 (a) In general.

16 In the case of taxable year beginning after December 31, 2005, and before January 1,
17 2010, the reduction under section (1) shall be equal to the applicable fraction of the amount which
18 would be the amount of such reduction.

19 (b) Applicable fraction.

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

22 For taxable years beginning in calendar year:	The applicable fraction is:
23 2006 and 2007	2/3
24 2008 and 2009	1/3

25 (E) Exemption amount

26 (1) In general.

27 Except as otherwise provided in this subsection, the term "exemption amount" mean
28 \$3,400.

29 (2) Exemption amount disallowed in case of certain dependents.

30 In the case of an individual with respect to whom a deduction under this section is
31 allowable to another taxpayer for the same taxable year, the exemption amount applicable to such
32 individual for such individual's taxable year shall be zero.

33 (3) Adjustments for inflation.

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

- 1 (a) Such dollar amount contained in paragraph (1) in the year 1989, multiplied by
- 2 (b) The cost-of-living adjustment determined under section (J) with a base year of 1989.
- 3 (4) Limitation.

4 (a) In general.

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

7 (b) Applicable percentage. In the case of any taxpayer whose adjusted gross income for
8 the taxable year exceeds the threshold amount, the exemption amount shall be reduced by two (2)
9 percentage points for each \$2,500 (or fraction thereof) by which the taxpayer's adjusted gross
10 income for the taxable year exceeds the threshold amount. In the case of a married individual
11 filing a separate return, the preceding sentence shall be applied by substituting "\$1,250" for
12 "\$2,500." In no event shall the applicable percentage exceed one hundred percent (100%).

13 (c) Threshold Amount.

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

16 Filing status:	Amount:
17 Single	\$156,400
18 Married filing jointly of qualifying widow(er)	\$234,600
19 Married filing separately	\$117,300
20 Head of Household	\$195,500

21 (d) Adjustments for inflation.

22 Each dollars amount contain in paragraph (b) shall be increased by an amount equal to:
23 Such dollar amount contained in paragraph (b) in the year 1991, multiplied by

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

25 (5) Phase-out of Limitation.

26 (a) In general.

27 In the case of taxable years beginning after December 31, 2005, and before January 1,
28 2010, the reduction under section 4 shall be equal to the applicable fraction of the amount which
29 would be the amount of such reduction.

30 (b) Applicable fraction. For the purposes of paragraph (a), the applicable fraction shall
31 be determined in accordance with the following table:

32 For taxable years beginning in calendar year: The applicable fraction is:

33 2006 and 2007	2/3
34 2008 and 2009	1/3

1 (F) Alternative minimum tax

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

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

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

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

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

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

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

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

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

16 (6) Exemption amount.

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

18 Filing status:	Amount:
19 Single	\$39,150
20 Married filing jointly of qualifying widow(er)	\$53,700
21 Married filing separately.....	\$26,850
22 Head of Household	\$39,150
23 Estate or trust	\$24,650

24 (7) Treatment of unearned income of minor children

25 (a) In general.

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

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

29 (ii) \$6,000.

30 (8) Adjustments for inflation.

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

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

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

2 (9) Phase-out.

3 (a) In general.

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

7 (b) Threshold amount. For purposes of this paragraph, the term "threshold amount" shall
8 be determined with the following table:

9 Filing status	Amount
10 Single	\$123,250
11 Married filing jointly or qualifying widow(er)	\$164,350
12 Married filing separately.....	\$82,175
13 Head of Household	\$123,250
14 Estate or Trust.....	\$82,150

15 (c) Adjustments for inflation

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

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

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

19 (G) Other Rhode Island taxes

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

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

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

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

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

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

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

29 (I) Averaging of farm income

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

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

33 (J) Cost-of-living adjustment

34 (1) In general.

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

2 (a) The CPI for the preceding calendar year exceeds (b) The CPI for the base year.

3 (2) CPI for any calendar year. For purposes of paragraph (1), the CPI 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 (3) Consumer Price Index

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

11 (4) Rounding.

12 (a) In general.

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

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

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

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

21 (2) Child and dependent care credit;

22 (3) General business credits;

23 (4) Credit for elderly or the disabled;

24 (5) Credit for prior year minimum tax;

25 (6) Mortgage interest credit;

26 (7) Empowerment zone employment credit;

27 (8) Qualified electric vehicle credit.

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

32 (M) The credit shall be twenty-five percent (25%) of the aforementioned federal credits
33 provided there shall be no deduction based on any federal credits enacted after January 1, 1996,
34 including the rate reduction credit provided by the federal Economic Growth and Tax

1 Reconciliation Act of 2001 (EGTRRA). In no event shall the tax imposed under this section be
2 reduced to less than zero. A taxpayer required to recapture any of the above credits for federal tax
3 purposes shall determine the Rhode Island amount to be recaptured in the same manner as
4 prescribed in this subsection.

5 (N) Rhode Island earned income credit

6 (1) In general.

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

10 (2) Refundable portion.

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

13 (a) For purposes of paragraph (2) refundable earned income credit means fifteen percent
14 (15%) of the amount by which the Rhode Island earned income credit exceeds the Rhode Island
15 income tax.

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

19 (3) For the period ~~January 1, 2011~~ January 1, 2013 through ~~December 31, 2011~~
20 December 31, 2013, and thereafter, "Rhode Island taxable income" means federal adjusted gross
21 income as determined under the Internal Revenue Code, 26 U.S.C. 1 et seq., and as modified for
22 Rhode Island purposes pursuant to section 44-30-12 less the amount of Rhode Island Basic
23 Standard Deduction allowed pursuant to subparagraph 44-30-2.6(c)(3)(B), and less the amount of
24 personal exemption allowed pursuant of subparagraph 44-30-2.6(c)(3)(C).

25 (A) Tax imposed.

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

RI Taxable Income		RI Income Tax	
Over	But not over	Pay + % on Excess	On the amount over
31 \$ 0 -	\$ 55,000	\$ 0 + 3.75%	\$ 0
32 55,000 -	125,000	2,063 + 4.75%	55,000
33 125,000 -	<u>250,000</u>	5,388 + 5.99%	125,000

1 250,000 - 12,875 + 7.99% 250,000

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

RI Taxable Income		RI Income Tax	
Over	But not over	Pay + % on Excess	On the amount over
6 \$ 0 -	\$ 2,230	\$ 0 + 3.75%	\$ 0
7 2,230 -	7,022	84 + 4.75%	2,230
8 7,022 -		312 + 5.99%	7,022

9 (B) Deductions:

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

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

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

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

25 (C) Exemption Amount:

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

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

33 (D) In the case of any taxpayer whose adjusted gross income, as modified for Rhode
34 Island purposes pursuant to section 33-30-12, for the taxable year exceeds one hundred seventy-

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

5 (E) Adjustment for inflation. - The dollar amount contained in subparagraphs 44-30-
6 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
7 equal to:

8 (I) Such dollar amount contained in subparagraphs 44-30-2.6(c)(3)(A), 44-30-
9 2.6(c)(3)(B) and 44-30-2.6(c)(3)(C) adjusted for inflation using a base tax year of 2000,
10 multiplied by;

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

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

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

21 (V) If any increase determined under this section is not a multiple of fifty dollars
22 (\$50.00), such increase shall be rounded to the next lower multiple of fifty dollars (\$50.00). In the
23 case of a married individual filing separate return, if any increase determined under this section is
24 not a multiple of twenty-five dollars (\$25.00), such increase shall be rounded to the next lower
25 multiple of twenty-five dollars (\$25.00).

26 (E) Credits against tax.

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

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

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

34 (c) Lead Paint Credit: Credit shall be allowed for residential lead abatement income tax

1 credit as provided in section 44-30.3-1 et seq.

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

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

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

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

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

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

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

22 SECTION 3. This act shall take effect upon passage.

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LC00499
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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO TAXATION -- PERSONAL INCOME TAX

1 This act would require that general revenue sharing with cities and towns not be less than
2 (\$65,111,876) and would impose a two percent (2%) tax increase for all personal income over
3 \$250,000 for residents, non-residents, including estates and credits and other special rates for
4 other types of income.

5 This act would take effect upon passage.

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LC00499
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