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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2015

A N A C T

RELATING TO TAXATION - PERSONAL INCOME TAX

Introduced By: Senator Adam J. Satchell

Date Introduced: February 26, 2015

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

9 (b) Notwithstanding the provisions of §§ 44-30-1 and 44-30-2, for tax years beginning on
10 or after January 1, 2001, a Rhode Island personal income tax is imposed upon the Rhode Island
11 taxable income of residents and nonresidents, including estates and trusts, at the rate of twenty-
12 five and one-half percent (25.5%) for tax year 2001, and twenty-five percent (25%) for tax year
13 2002 and thereafter of the federal income tax rates, including capital gains rates and any other
14 special rates for other types of income and commencing on January 1, 2016, an additional two
15 percent (2%) for all income over two hundred fifty thousand dollars (\$250,000) in addition to
16 rates imposed in this section, to be assessed annually by the tax administrator, deposited in a
17 restricted receipt account, managed by the office of the general treasurer, and allocated for the
18 sole purpose of funding of public school housing construction and necessary maintenance of
19 public school housing facilities by July 1 of the following tax year, except as provided in § 44-30-

1 2.7, which were in effect immediately prior to enactment of the Economic Growth and Tax Relief
2 Reconciliation Act of 2001 (EGTRRA); provided, rate schedules shall be adjusted for inflation by
3 the tax administrator beginning in taxable year 2002 and thereafter in the manner prescribed for
4 adjustment by the commissioner of Internal Revenue in 26 U.S.C. § 1(f). However, for tax years
5 beginning on or after January 1, 2006, a taxpayer may elect to use the alternative flat tax rate
6 provided in § 44-30-2.10 to calculate his or her personal income tax liability.

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

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

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

24 (A) Tax imposed.

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

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

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

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

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

10 If taxable income is:	The tax is:
11 Not over \$31,850	3.75% of taxable income
12 Over \$31,850 but not over \$77,100	\$1,194.38 plus 7.00% of the excess over \$31,850
13 Over \$77,100 but not over \$160,850	\$4,361.88 plus 7.75% of the excess over \$77,100
14 Over \$160,850 but not over \$349,700	\$10,852.50 plus 9.00% of the excess over \$160,850
15 Over \$349,700	\$27,849.00 plus 9.90% of the excess over \$349,700

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

18 If taxable income is:	The tax is:
19 Not over \$26,575	3.75% of taxable income
20 Over \$26,575 but not over \$64,250	\$996.56 plus 7.00% of the excess over \$26,575
21 Over \$64,250 but not over \$97,925	\$3,633.81 plus 7.75% of the excess over \$64,250
22 Over \$97,925 but not over \$174,850	\$6,243.63 plus 9.00% of the excess over \$97,925
23 Over \$174,850	\$13,166.88 plus 9.90% of the excess over \$174,850

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

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

32 (6) Adjustments for inflation. The dollars amount contained in paragraph (A) shall be
33 increased by an amount equal to:

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

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

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

5 (B) Maximum capital gains rates

6 (1) In general If a taxpayer has a net capital gain for tax years ending prior to January 1,
7 2010, the tax imposed by this section for such taxable year shall not exceed the sum of:

8 (a) 2.5 % of the net capital gain as reported for federal income tax purposes under section
9 26 U.S.C. 1(h)(1)(a) and 26 U.S.C. 1(h)(1)(b).

10 (b) 5% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.
11 1(h)(1)(c).

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

14 (d) 7% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.
15 1(h)(1)(e).

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

18 (C) Itemized deductions.

19 (1) In general

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

22 (2) Individuals who do not itemize their deductions In the case of an individual who does
23 not elect to itemize his deductions for the taxable year, they may elect to take a standard
24 deduction.

25 (3) Basic standard deduction. The Rhode Island standard deduction shall be allowed in
26 accordance with the following table:

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

32 (4) Additional standard deduction for the aged and blind. An additional standard
33 deduction shall be allowed for individuals age sixty-five (65) or older or blind in the amount of
34 \$1,300 for individuals who are not married and \$1,050 for individuals who are married.

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

4 (a) \$850;

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

6 (6) Certain individuals not eligible for standard deduction. In the case of:

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

8 (b) Nonresident alien individual;

9 (c) An estate or trust;

10 The standard deduction shall be zero.

11 (7) Adjustments for inflation. Each dollars amount contained in paragraphs (3), (4) and
12 (5) shall be increased by an amount equal to:

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

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

16 (D) Overall limitation on itemized deductions

17 (1) General rule.

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

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

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

25 (2) Applicable amount.

26 (a) In general.

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

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

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

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

33 (3) Phase-out of Limitation.

34 (a) In general.

1 In the case of taxable year beginning after December 31, 2005, and before January 1,
2 2010, the reduction under section (1) shall be equal to the applicable fraction of the amount which
3 would be the amount of such reduction.

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

6 For taxable years beginning in calendar year	The applicable fraction is
7 2006 and 2007	2/3
8 2008 and 2009	1/3

9 (E) Exemption amount

10 (1) In general.

11 Except as otherwise provided in this subsection, the term "exemption amount" mean
12 \$3,400.

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

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

17 (3) Adjustments for inflation.

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

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

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

21 (4) Limitation.

22 (a) In general.

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

25 (b) Applicable percentage. In the case of any taxpayer whose adjusted gross income for
26 the taxable year exceeds the threshold amount, the exemption amount shall be reduced by two (2)
27 percentage points for each \$2,500 (or fraction thereof) by which the taxpayer's adjusted gross
28 income for the taxable year exceeds the threshold amount. In the case of a married individual
29 filing a separate return, the preceding sentence shall be applied by substituting "\$1,250" for
30 "\$2,500." In no event shall the applicable percentage exceed one hundred percent (100%).

31 (c) Threshold Amount. For the purposes of this paragraph, the term "threshold amount"
32 shall be determined with the following table:

33 Filing status	Amount
34 Single	\$156,400

1	Married filing jointly of qualifying widow(er)	\$234,600
2	Married filing separately	\$117,300
3	Head of Household	\$195,500

4 (d) Adjustments for inflation.

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

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

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

8 (5) Phase-out of Limitation.

9 (a) In general.

10 In the case of taxable years beginning after December 31, 2005, and before January 1,
 11 2010, the reduction under section 4 shall be equal to the applicable fraction of the amount which
 12 would be the amount of such reduction.

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

15 For taxable years beginning in calendar year	The applicable fraction is
16 2006 and 2007	2/3
17 2008 and 2009	1/3

18 (F) Alternative minimum tax

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

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

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

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

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

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

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

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

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

33 (6) Exemption amount. For purposes of this section "exemption amount" means:

34 Filing status	Amount
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1	Single	\$39,150
2	Married filing jointly or qualifying widow(er)	\$53,700
3	Married filing separately	\$26,850
4	Head of Household	\$39,150
5	Estate or trust	\$24,650

6 (7) Treatment of unearned income of minor children

7 (a) In general.

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

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

11 (ii) \$6,000.

12 (8) Adjustments for inflation.

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

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

16 by

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

18 (9) Phase-out.

19 (a) In general.

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

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

25	Filing status	Amount
26	Single	\$123,250
27	Married filing jointly or qualifying widow(er)	\$164,350
28	Married filing separately	\$82,175
29	Head of Household	\$123,250
30	Estate or Trust	\$82,150

31 (c) Adjustments for inflation

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

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

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

1 (G) Other Rhode Island taxes

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

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

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

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

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

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

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

11 (I) Averaging of farm income

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

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

15 (J) Cost-of-living adjustment

16 (1) In general.

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

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

19 (b) The CPI for the base year.

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

23 (3) Consumer Price Index

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

28 (4) Rounding.

29 (a) In general.

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

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

34 (K) Credits against tax. - For tax years beginning on or after January 1, 2001, a taxpayer

1 entitled to any of the following federal credits enacted prior to January 1, 1996 shall be entitled to
2 a credit against the Rhode Island tax imposed under this section:

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

4 (2) Child and dependent care credit;

5 (3) General business credits;

6 (4) Credit for elderly or the disabled;

7 (5) Credit for prior year minimum tax;

8 (6) Mortgage interest credit;

9 (7) Empowerment zone employment credit;

10 (8) Qualified electric vehicle credit.

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

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

22 (N) Rhode Island earned income credit

23 (1) In general.

24 A taxpayer entitled to a federal earned income credit shall be allowed a Rhode Island
25 earned income credit equal to ten percent (10%) of the federal earned income credit. Such credit
26 shall not exceed the amount of the Rhode Island income tax.

27 (2) Refundable portion. In the event the Rhode Island earned income credit allowed
28 under section (J) exceeds the amount of Rhode Island income tax, a refundable earned income
29 credit shall be allowed.

30 (a) For purposes of paragraph (2) refundable earned income credit means one hundred
31 percent (100%) of the amount by which the Rhode Island earned income credit exceeds the
32 Rhode Island income tax.

33 (O) The tax administrator shall recalculate and submit necessary revisions to paragraphs
34 (A) through (J) to the general assembly no later than February 1, 2010 and every three (3) years

1 thereafter for inclusion in the statute.

2 (3) For the period ~~January 1, 2011~~ January 15, 2015 through ~~December 31, 2011~~
3 December 31, 2016, and thereafter, "Rhode Island taxable income" means federal adjusted gross
4 income as determined under the Internal Revenue Code, 26 U.S.C. 1 et seq., and as modified for
5 Rhode Island purposes pursuant to § 44-30-12 less the amount of Rhode Island Basic Standard
6 Deduction allowed pursuant to subparagraph 44-30-2.6(c)(3)(B), and less the amount of personal
7 exemption allowed pursuant of subparagraph 44-30-2.6(c)(3)(C).

8 (A) Tax imposed.

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

RI Taxable Income		RI Income Tax		
Over	But not Over	Pay	+ % On Excess	On The Amount Over
15 \$0 -	\$55,000	\$0	+ 3.75%	\$0
16 55,000 -	125,000	2,063	+ 4.75%	55,000
17 125,000 -	<u>250,000</u>	5,388	+ 5.99%	125,000
18 <u>250,000 -</u>		<u>12,875</u>	<u>+ 7.99%</u>	<u>250,000</u>

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

RI Taxable Income		RI Income Tax		
Over	But not Over	Pay	+ % On Excess	On The Amount Over
23 \$0 -	\$2,230	\$0	+ 3.75%	\$0
24 2,230 -	7,022	84	+ 4.75%	2,230
25 7,022 -		312	+ 5.99%	7,022

26 (B) Deductions:

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

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

34 (II) Nonresident alien individuals, estates and trusts are not eligible for standard

1 deductions.

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

8 (C) Exemption Amount:

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

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

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

22 (E) Adjustment for inflation. - The dollar amount contained in subparagraphs 44-30-
23 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
24 equal to:

25 (I) Such dollar amount contained in subparagraphs 44-30-2.6(c)(3)(A), 44-30-
26 2.6(c)(3)(B) and 44-30-2.6(c)(3)(C) adjusted for inflation using a base tax year of 2000,
27 multiplied by;

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

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

34 (IV) For the purpose of this section the term "consumer price index" means the last

1 consumer price index for all urban consumers published by the department of labor. For the
2 purpose of this section the revision of the consumer price index which is most consistent with the
3 consumer price index for calendar year 1986 shall be used.

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

9 (E) Credits against tax.

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

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

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

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

19 (d) Credit for income taxes of other states. - Credit shall be allowed for income tax paid
20 to other states pursuant to § 44-30-74.

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

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

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

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

30 (i) Credit for tax withheld. - Wages upon which tax is required to be withheld shall be
31 taxable as if no withholding were required, but any amount of Rhode Island personal income tax
32 actually deducted and withheld in any calendar year shall be deemed to have been paid to the tax
33 administrator on behalf of the person from whom withheld, and the person shall be credited with
34 having paid that amount of tax for the taxable year beginning in that calendar year. For a taxable

1 year of less than twelve (12) months, the credit shall be made under regulations of the tax
2 administrator.

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

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

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LC000600
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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 impose a two percent (2%) tax increase on personal income over two
2 hundred fifty thousand dollars (\$250,000) beginning January 1, 2016. The revenue collected
3 therefrom would be deposited into a restricted account to pay for public school construction and
4 maintenance.

5 This act would take effect upon passage.

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