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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

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A N A C T

RELATING TO TAXATION

Introduced By: Senator Adam J. Satchell

Date Introduced: February 11, 2016

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, except as provided in § 44-30-2.7, which were in effect  
15 immediately prior to enactment of the Economic Growth and Tax Relief Reconciliation Act of  
16 2001 (EGTRRA); provided, rate schedules shall be adjusted for inflation by the tax administrator  
17 beginning in taxable year 2002 and thereafter in the manner prescribed for adjustment by the  
18 commissioner of Internal Revenue in 26 U.S.C. § 1(f). However, for tax years beginning on or  
19 after January 1, 2006, a taxpayer may elect to use the alternative flat tax rate provided in § 44-30-

1 2.10 to calculate his or her personal income tax liability.

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

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

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

19 (A) Tax imposed.

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

22 If taxable income is:	23 The tax is:
24 Not over \$53,150	3.75% of taxable income
25 Over \$53,150 but not over \$128,500	\$1,993.13 plus 7.00% of the excess over \$53,150
26 Over \$128,500 but not over \$195,850	\$7,267.63 plus 7.75% of the excess over \$128,500
27 Over \$195,850 but not over \$349,700	\$12,487.25 plus 9.00% of the excess over \$195,850
28 Over \$349,700	\$26,333.75 plus 9.90% of the excess over \$349,700

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

30 If taxable income is:	31 The tax is:
32 Not over \$42,650	3.75% of taxable income
33 Over \$42,650 but not over \$110,100	\$1,599.38 plus 7.00% of the excess over \$42,650
34 Over \$110,100 but not over \$178,350	\$6,320.88 plus 7.75% of the excess over \$110,100
Over \$178,350 but not over \$349,700	\$11,610.25 plus 9.00% of the excess over \$178,350

1 Over \$349,700 \$27,031.75 plus 9.90% of the excess over \$349,700

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

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

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

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

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

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

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

- 29 (a) Such dollar amount contained in paragraph (A) in the year 1993, multiplied by;
  - 30 (b) The cost-of-living adjustment determined under section (J) with a base year of 1993;
  - 31 (c) The cost-of-living adjustment referred to in subparagraph (a) and (b) used in making
- 32 adjustments to the nine percent (9%) and nine and nine tenths percent (9.9%) dollar amounts shall  
33 be determined under section (J) by substituting "1994" for "1993."

34 (B) Maximum capital gains rates

1 (1) In general If a taxpayer has a net capital gain for tax years ending prior to January 1,  
2 2010, the tax imposed by this section for such taxable year shall not exceed the sum of:

3 (a) 2.5 % of the net capital gain as reported for federal income tax purposes under section  
4 26 U.S.C. 1(h)(1)(a) and 26 U.S.C. 1(h)(1)(b).

5 (b) 5% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.  
6 1(h)(1)(c).

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

9 (d) 7% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.  
10 1(h)(1)(e).

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

13 (C) Itemized deductions.

14 (1) In general

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

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

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

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

27 (4) Additional standard deduction for the aged and blind. An additional standard  
28 deduction shall be allowed for individuals age sixty-five (65) or older or blind in the amount of  
29 \$1,300 for individuals who are not married and \$1,050 for individuals who are married.

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

33 (a) \$850;

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

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

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

3 (b) Nonresident alien individual;

4 (c) An estate or trust;

5 The standard deduction shall be zero.

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

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

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

11 (D) Overall limitation on itemized deductions

12 (1) General rule.

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

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

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

20 (2) Applicable amount.

21 (a) In general.

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

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

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

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

28 (3) Phase-out of Limitation.

29 (a) In general.

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

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

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

4 (E) Exemption amount

5 (1) In general.

6 Except as otherwise provided in this subsection, the term "exemption amount" mean  
7 \$3,400.

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

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

12 (3) Adjustments for inflation.

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

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

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

16 (4) Limitation.

17 (a) In general.

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

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

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

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

33 (d) Adjustments for inflation.

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

- 1 (i) Such dollar amount contained in paragraph (b) in the year 1991, multiplied by
- 2 (ii) The cost-of-living adjustment determined under section (J) with a base year of 1991.
- 3 (5) Phase-out of Limitation.

4 (a) In general.

5 In the case of taxable years beginning after December 31, 2005, and before January 1,  
6 2010, the reduction under section 4 shall be equal to the applicable fraction of the amount which  
7 would be the amount of such reduction.

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

10 For taxable years beginning in calendar year	The applicable fraction is
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 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. For purposes of this section "exemption amount" means:

29 Filing status	Amount
30 Single	\$39,150
31 Married filing jointly or qualifying widow(er)	\$53,700
32 Married filing separately	\$26,850
33 Head of Household	\$39,150
34 Estate or trust	\$24,650

1 (7) Treatment of unearned income of minor children

2 (a) In general.

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

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

6 (ii) \$6,000.

7 (8) Adjustments for inflation.

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

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

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

13 (9) Phase-out.

14 (a) In general.

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

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

20 Filing status	Amount
21 Single	\$123,250
22 Married filing jointly or qualifying widow(er)	\$164,350
23 Married filing separately	\$82,175
24 Head of Household	\$123,250
25 Estate or Trust	\$82,150

26 (c) Adjustments for inflation

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

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

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

30 (G) Other Rhode Island taxes

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

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

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



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

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

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

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

6 (I) Averaging of farm income

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

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

10 (J) Cost-of-living adjustment

11 (1) In general.

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

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

14 (b) The CPI for the base year.

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

18 (3) Consumer Price Index

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

23 (4) Rounding.

24 (a) In general.

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

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

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

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

33 (2) Child and dependent care credit;

34 (3) General business credits;

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

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

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

17 (N) Rhode Island earned income credit

18 (1) In general.

19 For tax years beginning on or after January 1, 2015 and before January 1, 2016, a  
20 taxpayer entitled to a federal earned income credit shall be allowed a Rhode Island earned income  
21 credit equal to ten percent (10%) of the federal earned income credit. Such credit shall not exceed  
22 the amount of the Rhode Island income tax.

23 For tax years beginning on or after January, 1, 2016, a taxpayer entitled to a federal  
24 earned income credit shall be allowed a Rhode Island earned income credit equal to twelve and  
25 one-half percent (12.5%) of the federal earned income credit. Such credit shall not exceed the  
26 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~~ 2017 through December 31, ~~2011~~ 2017, and thereafter,  
3 "Rhode Island taxable income" means federal adjusted gross income as determined under the  
4 Internal Revenue Code, 26 U.S.C. 1 et seq., and as modified for Rhode Island purposes pursuant  
5 to § 44-30-12 less the amount of Rhode Island Basic Standard Deduction allowed pursuant to  
6 subparagraph 44-30-2.6(c)(3)(B), and less the amount of personal exemption allowed pursuant of  
7 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>12,857</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 (j) Stay Invested in RI Wavemaker Fellowship: Credit shall be allowed for stay invested  
4 in RI wavemaker fellowship program as provided in §42-64.26-1 et seq.

5 (k) Rebuild Rhode Island: Credit shall be allowed for rebuild RI tax credit as provided in  
6 §42-64.20-1 et seq.

7 (l) Rhode Island Qualified Jobs Incentive Program: Credit shall be allowed for Rhode  
8 Island new qualified jobs incentive program credit as provided in §44-48.3-1 et seq.

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

11 SECTION 2. Section 45-13-1 of the General Laws in Chapter 45-13 entitled "State Aid"  
12 is hereby amended to read as follows:

13 **45-13-1. Apportionment of annual appropriation for state aid.** -- (a) As used in this  
14 chapter, the following words and terms have the following meanings:

15 (1) "Income" means the most recent estimate of per-capita income for a city, town or  
16 county as reported by the United States Department of Commerce, Bureau of the Census.

17 (2) "Population" means the most recent estimates of population for each city and town as  
18 reported by the United States Department of Commerce, Bureau of the Census.

19 (3) "Reference year" means the second fiscal year preceding the beginning of the fiscal  
20 year in which the distribution of state aid to cities and towns is made provided however that the  
21 reference year for distributions made in fiscal year 2007-2008 shall be the third fiscal year  
22 preceding the beginning of the fiscal year 2007-2008 and provided further that the reference year  
23 for distributions made in fiscal year 2008-2009 shall be the fourth fiscal year preceding the  
24 beginning of the fiscal year 2008-2009.

25 (4) "Tax effort" means the total taxes imposed by a city or town for public purposes or  
26 the totals of those taxes for the cities or towns within a county (except employee and employer  
27 assessments and contributions to finance retirement and social insurance systems and other  
28 special assessments for capital outlay) determined by the United States Secretary of Commerce  
29 for general statistical purposes and adjusted to exclude amounts properly allocated to education  
30 expenses.

31 (b) Aid to cities and towns shall be apportioned as follows: For each county, city or  
32 town, let R be the tax effort divided by the square of per capita income, i.e.,  $R = (\text{tax}$   
33  $\text{effort})/(\text{income} \times \text{income})$ .

34 The amount to be allocated to the counties shall be apportioned in the ratio of the value

1 of R for each county divided by the sum of the values of R for all five (5) counties.

2 The amount to be allocated for all cities and for all towns within a county shall be the  
3 allocation for that county apportioned proportionally to the total tax effort of the towns and cities  
4 in that county.

5 The amount to be allocated to any city or town is the amount allocated to all cities or all  
6 towns within the county apportioned in the ratio of the value of R for that city (or town) divided  
7 by the sum of the values of R for all cities (or all towns) in that county; provided, further, that no  
8 city or town shall receive an entitlement in excess of one hundred forty-five percent (145%) of  
9 that city or town's population multiplied by the average per capita statewide amount of the annual  
10 appropriation for state aid to cities and towns. Any excess entitlement shall be allocated to the  
11 remainder of the cities and towns in the respective county in accordance with the provisions of  
12 this section.

13 For fiscal year 2004, notwithstanding the provisions of subsection (a), aid calculations  
14 shall be based on a blended rate of ninety percent (90%) of the data from the 1990 census and ten  
15 percent (10%) of the data from the 2000 census. In each of the succeeding nine (9) fiscal years,  
16 the calculations shall be based on a blended rate that increases the percentage of data utilized  
17 from the 2000 census by ten percent (10%) from the previous year and decreases the percentage  
18 of the data utilized from the 1990 census by ten percent (10%) from the previous year.

19 (c) The total amount of aid to be apportioned pursuant to subsection (b) above shall be  
20 specified in the annual appropriation act of the state and shall be equal to the following:

21 (1) For fiscal years ending June 30, 1994 through June 30, 1998, the total amount of aid  
22 shall be based upon one percent (1%) of total state tax revenues in the reference year.

23 (2) For the fiscal year ending June 30, 1999, the total amount of aid shall be based upon  
24 one and three-tenths percent (1.3%) of total state tax revenues in the reference year.

25 (3) For the fiscal year ending June 30, 2000, the total amount of aid shall be based upon  
26 one and seven-tenths percent (1.7%) of total state tax revenues in the reference year.

27 (4) For the fiscal year ending June 30, 2001, the total amount of aid shall be based upon  
28 two percent (2.0%) of total state tax revenues in the reference year.

29 (5) For the fiscal year ending June 30, 2002, the total amount of aid shall be based upon  
30 two and four-tenths percent (2.4%) of total state tax revenues in the reference year.

31 (6) For the fiscal year ending June 30, 2003, the total amount of aid shall be based upon  
32 two and four-tenths percent (2.4%) of total state tax revenues in the reference year.

33 (7) For the fiscal year ending June 30, 2004, the total amount of aid shall be based upon  
34 two and seven-tenths percent (2.7%) of total state tax revenues in the reference year.

1 (8) For the fiscal year ending June 30, 2005, the total amount of aid shall be fifty-two  
2 million four hundred thirty-eight thousand five hundred thirty-two dollars (\$52,438,532).

3 (9) For the fiscal year ending June 30, 2006, the total amount of aid shall be based upon  
4 three percent (3%) of total state tax revenues in the reference year.

5 (10) For the fiscal year ending June 30, 2007 the total amount of aid shall be sixty-four  
6 million six hundred ninety-nine thousand three dollars (\$64,699,003).

7 (11) For the fiscal year ending June 30, 2008, the total amount of aid shall be sixty-four  
8 million six hundred ninety-nine thousand three dollars (\$64,699,003).

9 (12) [Deleted by P.L. 2009, ch. 68, art. 6, section 3.]

10 (13) [Deleted by P.L. 2007, ch. 73, art. 25, section 1.]

11 (14) [Deleted by P.L. 2007, ch. 73, art. 25, section 1.]

12 (d) For the fiscal year ending June 30, 2008 the apportionments of state aid as derived  
13 through the calculations as required by subsections (a) through (c) of this section shall be adjusted  
14 downward statewide by ten million dollars (\$10,000,000).

15 (e) For the fiscal year ending June 30, 2009, the total amount of aid shall be twenty-five  
16 million dollars (\$25,000,000) with such distribution allocated proportionately on the same basis  
17 as the original enactment of general revenue sharing of FY 2009.

18 (f) For the fiscal year ending June 30, 2009 and thereafter, funding shall be determined  
19 by appropriation.

20 (g) For the fiscal year ending June 30, 2017 and thereafter, the total amount of aid shall  
21 be based upon three percent (3%) of total state income tax revenues in the reference year.

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

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LC004378  
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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
A N A C T  
RELATING TO TAXATION

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1           This act would provide for revenue sharing with municipalities commencing in fiscal  
2 year 2017, based upon three percent (3%) of total state income tax revenues. It would also impose  
3 a two percent (2%) tax increase on personal income over two hundred fifty thousand dollars  
4 (\$250,000) commencing January 1, 2017.

5           This act would take effect upon passage.

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