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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2017

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A N A C T

RELATING TO TAXATION

Introduced By: Representatives Marshall, O'Brien, and Casey

Date Introduced: March 10, 2017

Referred To: House Finance

It is enacted by the General Assembly as follows:

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

3 **44-30-2.6. Rhode Island taxable income -- Rate of tax. [Effective January 1, 2017.]**

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

9 (b) Notwithstanding the provisions of §§ 44-30-1 and 44-30-2, for tax years beginning
10 on or after January 1, 2001, a Rhode Island personal income tax is imposed upon the Rhode
11 Island taxable income of residents and nonresidents, including estates and trusts, at the rate of
12 twenty-five and one-half percent (25.5%) for tax year 2001, and twenty-five percent (25%) for
13 tax year 2002 and thereafter of the federal income tax rates, including capital gains rates and any
14 other special rates for other types of income, except as provided in § 44-30-2.7, which were in
15 effect immediately prior to enactment of the Economic Growth and Tax Relief Reconciliation
16 Act of 2001 (EGTRRA); provided, rate schedules shall be adjusted for inflation by the tax
17 administrator beginning in taxable year 2002 and thereafter in the manner prescribed for
18 adjustment by the commissioner of Internal Revenue in 26 U.S.C. § 1(f). However, for tax years
19 beginning on or after January 1, 2006, a taxpayer may elect to use the alternative flat tax rate

1 provided in § 44-30-2.10 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
5 by 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
9 comparing the product to the Rhode Island tax as computed otherwise under this section. The
10 excess shall be 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
13 by 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
19 section.

20 (A) Tax imposed.

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

23 If taxable income is:	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
30 determined in accordance with the following table:

31 If taxable income is:	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

1	Over \$178,350 but not over \$349,700	\$11,610.25 plus 9.00% of the excess over \$178,350
2	Over \$349,700	\$27,031.75 plus 9.90% of the excess over \$349,700

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

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

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

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

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

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

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

1 (B) Maximum capital gains rates.

2 (1) In general.

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

5 (a) 2.5 % of the net capital gain as reported for federal income tax purposes under section
6 26 U.S.C. 1(h)(1)(a) and 26 U.S.C. 1(h)(1)(b).

7 (b) 5% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.
8 1(h)(1)(c).

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

11 (d) 7% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.
12 1(h)(1)(e).

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

15 (C) Itemized deductions.

16 (1) In general.

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

19 (2) Individuals who do not itemize their deductions.

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

22 (3) Basic standard deduction.

23 The Rhode Island standard deduction shall be allowed in accordance with the following
24 table:

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

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

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

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

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

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

7 In the case of:

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

11 The standard deduction shall be zero.

- 12 (7) Adjustments for inflation.

13 Each dollar amount contained in paragraphs (3), (4) and (5) shall be increased by an
14 amount equal to:

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

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

18 (D) Overall limitation on itemized deductions.

19 (1) General rule.

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

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

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

27 (2) Applicable amount.

28 (a) In general.

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

31 (b) Adjustments for inflation.

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

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

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

1 (3) Phase-out of Limitation.

2 (a) In general.

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

6 (b) Applicable fraction.

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

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

12 (E) Exemption amount.

13 (1) In general.

14 Except as otherwise provided in this subsection, the term "exemption amount" means
15 \$3,400.

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

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

20 (3) Adjustments for inflation.

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

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

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

24 (4) Limitation.

25 (a) In general.

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

28 (b) Applicable percentage.

29 In the case of any taxpayer whose adjusted gross income for the taxable year exceeds the
30 threshold amount, the exemption amount shall be reduced by two (2) percentage points for each
31 \$2,500 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year
32 exceeds the threshold amount. In the case of a married individual filing a separate return, the
33 preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In no event shall the
34 applicable percentage exceed one hundred percent (100%).

1 (c) Threshold Amount.

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

4 Filing status	Amount
5 Single	\$156,400
6 Married filing jointly of qualifying widow(er)	\$234,600
7 Married filing separately	\$117,300
8 Head of Household	\$195,500

9 (d) Adjustments for inflation.

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

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

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

13 (5) Phase-out of limitation.

14 (a) In general.

15 In the case of taxable years beginning after December 31, 2005, and before January 1,
16 2010, the reduction under section 4 shall be equal to the applicable fraction of the amount which
17 would be the amount of such reduction.

18 (b) Applicable fraction.

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

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

24 (F) Alternative minimum tax.

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

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

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

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

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

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

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

34 (4) Taxable excess. For the purposes of this subsection the term "taxable excess" means

1 so much of the federal alternative minimum taxable income as modified by the modifications in §
2 44-30-12 as exceeds the exemption amount.

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

5 (6) Exemption amount.

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

7 Filing status	Amount
8 Single	\$39,150
9 Married filing jointly or qualifying widow(er)	\$53,700
10 Married filing separately	\$26,850
11 Head of Household	\$39,150
12 Estate or trust	\$24,650

13 (7) Treatment of unearned income of minor children

14 (a) In general.

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

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

18 (ii) \$6,000.

19 (8) Adjustments for inflation.

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

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

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

25 (9) Phase-out.

26 (a) In general.

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

30 (b) Threshold amount.

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

33 Filing status	Amount
34 Single	\$123,250

1	Married filing jointly or qualifying widow(er)	\$164,350
2	Married filing separately	\$82,175
3	Head of Household	\$123,250
4	Estate or Trust	\$82,150

5 (c) Adjustments for inflation

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

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

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

9 (G) Other Rhode Island taxes.

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

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

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

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

16 (H) Tax for children under 18 with investment income.

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

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

19 (I) Averaging of farm income.

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

22 (a) The Federal averaging of farm income as determined in IRC section 1301 [26 U.S.C.
23 § 1301].

24 (J) Cost-of-living adjustment.

25 (1) In general.

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

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

28 (b) The CPI for the base year.

29 (2) CPI for any calendar year.

30 For purposes of paragraph (1), the CPI for any calendar year is the average of the
31 consumer price index as of the close of the twelve (12) month period ending on August 31 of
32 such calendar year.

33 (3) Consumer price index.

34 For purposes of paragraph (2), the term "consumer price index" means the last consumer

1 price index for all urban consumers published by the department of labor. For purposes of the
2 preceding sentence, the revision of the consumer price index that is most consistent with the
3 consumer price index for calendar year 1986 shall be used.

4 (4) Rounding.

5 (a) In general.

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

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

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

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

14 (2) Child and dependent care credit;

15 (3) General business credits;

16 (4) Credit for elderly or the disabled;

17 (5) Credit for prior year minimum tax;

18 (6) Mortgage interest credit;

19 (7) Empowerment zone employment credit;

20 (8) Qualified electric vehicle credit.

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

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

32 (N) Rhode Island earned-income credit .

33 (1) In general.

34 For tax years beginning before January 1, 2015, a taxpayer entitled to a federal earned-

1 income credit shall be allowed a Rhode Island earned-income credit equal to twenty-five percent
2 (25%) of the federal earned-income credit. Such credit shall not exceed the amount of the Rhode
3 Island income tax.

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

8 For tax years beginning on or after January 1, 2016, a taxpayer entitled to a federal
9 earned-income credit shall be allowed a Rhode Island earned-income credit equal to twelve and
10 one-half percent (12.5%) of the federal earned-income credit. Such credit shall not exceed the
11 amount of the Rhode Island income tax.

12 For tax years beginning on or after January 1, 2017, a taxpayer entitled to a federal
13 earned-income credit shall be allowed a Rhode Island earned-income credit equal to fifteen
14 percent (15%) of the federal earned-income credit. Such credit shall not exceed the amount of the
15 Rhode Island income tax.

16 (2) Refundable portion.

17 In the event the Rhode Island earned-income credit allowed under paragraph (N)(1) of
18 this section exceeds the amount of Rhode Island income tax, a refundable earned-income credit
19 shall be allowed as follows.

20 (i) For tax years beginning before January 1, 2015, for purposes of paragraph (2)
21 refundable earned-income credit means fifteen percent (15%) of the amount by which the Rhode
22 Island earned-income credit exceeds the Rhode Island income tax.

23 (ii) For tax years beginning on or after January 1, 2015, for purposes of paragraph (2)
24 refundable earned-income credit means one hundred percent (100%) of the amount by which the
25 Rhode Island earned-income credit exceeds the Rhode Island income tax.

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

29 (3) For the period January 1, 2011 through December 31, 2011, and thereafter, "Rhode
30 Island taxable income" means federal adjusted gross income as determined under the Internal
31 Revenue Code, 26 U.S.C. 1 et seq., and as modified for Rhode Island purposes pursuant to § 44-
32 30-12 less the amount of Rhode Island Basic Standard Deduction allowed pursuant to
33 subparagraph 44-30-2.6(c)(3)(B), and less the amount of personal exemption allowed pursuant to
34 subparagraph 44-30-2.6(c)(3)(C).

1 (A) Tax imposed.

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

RI Taxable Income		RI Income Tax	
Over	But not over	Pay +% on Excess	on the amount over
8 \$0 -	\$ 55,000	\$ 0 + 3.75%	\$0
9 55,000 -	125,000	2,063 + 4.75%	55,000
10 125,000 -		5,388 + 5.99%	125,000

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

RI Taxable Income		RI Income Tax	
Over	But not over	Pay + % on Excess	on the amount over
15 \$0 -	\$ 2,230	\$ 0 + 3.75%	\$0
16 2,230 -	7,022	84 + 4.75%	2,230
17 7,022 -		312 + 5.99%	7,022

18 (B) Deductions:

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

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

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

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

34 (C) Exemption Amount:

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

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

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

14 (E) Adjustment for inflation. The dollar amount contained in subparagraphs 44-30-
15 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
16 equal to:

17 (I) Such dollar amount contained in subparagraphs 44-30-2.6(c)(3)(A), 44-30-
18 2.6(c)(3)(B) and 44-30-2.6(c)(3)(C) adjusted for inflation using a base tax year of 2000,
19 multiplied by;

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

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

26 (IV) For the purpose of this section the term "consumer price index" means the last
27 consumer price index for all urban consumers published by the department of labor. For the
28 purpose of this section the revision of the consumer price index that is most consistent with the
29 consumer price index for calendar year 1986 shall be used.

30 (V) If any increase determined under this section is not a multiple of fifty dollars
31 (\$50.00), such increase shall be rounded to the next lower multiple of fifty dollars (\$50.00). In the
32 case of a married individual filing separate return, if any increase determined under this section is
33 not a multiple of twenty-five dollars (\$25.00), such increase shall be rounded to the next lower
34 multiple of twenty-five dollars (\$25.00).

1 (F) Credits against tax.

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

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

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

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

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

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

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

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

20 (h) Tax credits for contributions to Scholarship Organizations: Credit shall be allowed for
21 contributions to scholarship organizations as provided in chapter 62 of title 44.

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

29 (j) Stay Invested in RI Wavemaker Fellowship: Credit shall be allowed for stay invested
30 in RI wavemaker fellowship program as provided in § 42-64.26-1 et seq.

31 (k) Rebuild Rhode Island: Credit shall be allowed for rebuild RI tax credit as provided in
32 § 42-64.20-1 et seq.

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

1 (m) Historic homeowner assistance: Credit shall be allowed for the historic
2 homeownership assistance tax credit as provided in §44-33.1-1 et seq.; provided, that, a taxpayer
3 who has obtained the required certification pursuant to chapter 33.1 of title 44 (historic
4 homeownership assistance act) prior to the enactment of this subsection shall be eligible to claim
5 the tax credit.

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

8 SECTION 2. Sections 44-33.6-3, 44-33.6-4, 44-33.6-6, 44-33.6-8, 44-33.6-9 and 44-
9 33.6-11 of the General Laws in Chapter 44-33.6 entitled "Historic Preservation Tax Credits 2013"
10 are hereby amended to read as follows:

11 **44-33.6-3. Tax credit.**

12 (a) ~~Subject to the maximum credit provisions set forth in subsections (c) and (d) below,~~
13 ~~any~~ Any person, firm, partnership, trust, estate, limited liability company, corporation (whether
14 for profit or nonprofit) or other business entity that incurs qualified rehabilitation expenditures for
15 the substantial rehabilitation of a certified historic structure, provided the rehabilitation meets
16 standards consistent with the standards of the Secretary of the United States Department of the
17 Interior for rehabilitation as certified by the commission and said person, firm, partnership, trust,
18 estate, limited liability company, corporation or other business entity is not a social club as
19 defined in subdivision 44-33.6-2(13) of this chapter, shall be entitled to a credit against the taxes
20 imposed on such person or entity pursuant to chapter 11, 12, 13, 14, 17 or 30 of this title in an
21 amount equal to the following:

22 (1) Twenty percent (20%) of the qualified rehabilitation expenditures; or

23 (2) Twenty-five percent (25%) of the qualified rehabilitation expenditures provided that
24 either:

25 (i) At least twenty-five percent (25%) of the total rentable area of the certified historic
26 structure will be made available for a trade or business; or

27 (ii) The entire rentable area located on the first floor of the certified historic structure will
28 be made available for a trade or business (which may include trades or businesses that support the
29 use of the remainder of the structure).

30 (b) Tax credits allowed pursuant to this chapter shall be allowed for the taxable year in
31 which such certified historic structure or an identifiable portion of the structure is placed in
32 service provided that the substantial rehabilitation test is met for such year.

33 (c) ~~Maximum project credit. The credit allowed pursuant to this chapter shall not exceed~~
34 ~~five million dollars (\$5,000,000) for any certified rehabilitation project under this chapter. No~~

1 ~~building to be completed in phases or in multiple projects shall exceed the maximum project~~
2 ~~credit of five million dollars (\$5,000,000) for all phases or projects involved in the rehabilitation~~
3 ~~of such building.~~

4 (d) ~~Maximum aggregate credits. The aggregate credits authorized to be reserved pursuant~~
5 ~~to this chapter shall not exceed sums estimated to be available in the historic preservation tax~~
6 ~~credit trust fund pursuant to this chapter.~~

7 (e) Subject to the exception provided in subsection (g) of this section, if the amount of the
8 tax credit exceeds the taxpayer's total tax liability for the year in which the substantially
9 rehabilitated property is placed in service, the amount that exceeds the taxpayer's tax liability may
10 be carried forward for credit against the taxes imposed for the succeeding ten (10) years, or until
11 the full credit is used, whichever occurs first for the tax credits. Credits allowed to a partnership, a
12 limited liability company taxed as a partnership or multiple owners of property shall be passed
13 through to the persons designated as partners, members or owners respectively pro rata or
14 pursuant to an executed agreement among such persons designated as partners, members or
15 owners documenting an alternate distribution method without regard to their sharing of other tax
16 or economic attributes of such entity. Credits may be allocated to partners, members or owners
17 that are exempt from taxation under section 501(c)(3), section (c)(4) or section 501(c)(6) of the
18 U.S. Code and these partners, members or owners must be treated as taxpayers for purposes of
19 this section.

20 (f) If the taxpayer has not claimed the tax credits in whole or part, taxpayers eligible for
21 the tax credits may assign, transfer or convey the credits, in whole or in part, by sale or otherwise
22 to any individual or entity, including, but not limited to, condominium owners in the event the
23 certified historic structure is converted into condominiums and assignees of the credits that have
24 not claimed the tax credits in whole or part may assign, transfer or convey the credits, in whole or
25 in part, by sale or otherwise to any individual or entity. The assignee of the tax credits may use
26 acquired credits to offset up to one hundred percent (100%) of the tax liabilities otherwise
27 imposed pursuant to chapter 11, 12, 13, (other than the tax imposed under § 44-13-13), 14, 17 or
28 30 of this title. The assignee may apply the tax credit against taxes imposed on the assignee until
29 the end of the tenth calendar year after the year in which the substantially rehabilitated property is
30 placed in service or until the full credit assigned is used, whichever occurs first. Fiscal year
31 assignees may claim the credit until the expiration of the fiscal year that ends within the tenth
32 year after the year in which the substantially rehabilitated property is placed in service. The
33 assignor shall perfect the transfer by notifying the state of Rhode Island division of taxation, in
34 writing, within thirty (30) calendar days following the effective date of the transfer and shall

1 provide any information as may be required by the division of taxation to administer and carry
2 out the provisions of this section.

3 For purposes of this chapter, any assignment or sales proceeds received by the taxpayer
4 for its assignment or sale of the tax credits allowed pursuant to this section shall be exempt from
5 this title. If a tax credit is subsequently recaptured under this chapter, revoked or adjusted, the
6 seller's tax calculation for the year of revocation, recapture, or adjustment shall be increased by
7 the total amount of the sales proceeds, without proration, as a modification under chapter 30 of
8 this title. In the event that the seller is not a natural person, the seller's tax calculation under
9 chapters 11, 12, 13 (other than with respect to the tax imposed under § 44-13-13), 14, 17, or 30 of
10 this title, as applicable, for the year of revocation, recapture, or adjustment, shall be increased by
11 including the total amount of the sales proceeds without proration.

12 (g) Credits allowed to partners, members or owners that are exempt from taxation under
13 section 501(c)(3), section (c)(4) or section 501(c)(6) of the U.S. Code, and only said credits, shall
14 be fully refundable.

15 (h) Substantial rehabilitation of property that either:

16 (1) Is exempt from real property tax;

17 (2) Is a social club; or

18 (3) Consists of a single family home or a property that contains less than three (3)
19 residential apartments or condominiums shall be ineligible for the tax credits authorized under
20 this chapter; provided, however, a scattered site development with five (5) or more residential
21 units in the aggregate (which may include single family homes) shall be eligible for tax credit. In
22 the event a certified historic structure undergoes a substantial rehabilitation pursuant to this
23 chapter and within twenty-four (24) months after issuance of a certificate of completed work the
24 property becomes exempt from real property tax, the taxpayer's tax for the year shall be increased
25 by the total amount of credit actually used against the tax.

26 (i) In the case of a corporation, this credit is only allowed against the tax of a corporation
27 included in a consolidated return that qualifies for the credit and not against the tax of other
28 corporations that may join in the filing of a consolidated tax return.

29 **44-33.6-4. Administration.**

30 (a) To claim the tax credit authorized in this chapter, taxpayers shall apply:

31 (1) To the commission prior to the certified historic structure being placed in service for a
32 certification that the certified historic structure's rehabilitation will be consistent with the
33 standards of the Secretary of the United States Department of the Interior for rehabilitation;

34 (2) To the commission after completion of the rehabilitation work of the certified historic

1 structure for a certification that the rehabilitation is consistent with the standards of the Secretary
2 of the United States Department of the Interior for rehabilitation; and

3 (3) To the division of taxation after completion of the rehabilitation work of the certified
4 historic structure for a certification as to the amount of tax credit for which the rehabilitation
5 qualifies. The commission and the division of taxation may rely on the facts represented in the
6 application without independent investigation and, with respect to the amount of tax credit for
7 which the rehabilitation qualifies, upon the certification of a certified public accountant licensed
8 in the state of Rhode Island. The applications shall be developed by the commission and the
9 division of taxation and may be amended from time to time.

10 (b) Within thirty (30) days after the commission's and division of taxation's receipt of the
11 taxpayer's application requesting certification for the completed rehabilitation work:

12 (1) The commission shall issue the taxpayer a written determination either denying or
13 certifying the rehabilitation; and

14 (2) Division of taxation shall issue a certification of the amount of credit for which the
15 rehabilitation qualifies. To claim the tax credit, the division of taxation's certification as to the
16 amount of the tax credit shall be attached to all state tax returns on which the credit is claimed.

17 (c) No taxpayer may benefit from the provisions of this chapter unless the owner of the
18 certified historic structure grants a restrictive covenant to the commission, agreeing that during
19 the holding period no material alterations to the certified historic structure will be made without
20 the commission's prior approval and agreeing that such shall be done in a manner consistent with
21 the standards of the Secretary of the United States Department of the Interior; and, in the event
22 the owner applies for the twenty-five percent (25%) tax credit, that either:

23 (1) At least twenty-five percent (25%) of the total rentable area of the certified historic
24 structure will be made available for a trade or business; or

25 (2) The entire rentable area located on the first floor of the certified historic structure will
26 be made available for a trade or business [\(which may include trades or businesses that support the](#)
27 [use of the remainder of the structure\)](#), in either case, for a period of sixty (60) months after the
28 placed in service date of the certified historic structure or identifiable portion thereof.

29 (d) The division of taxation shall charge a fee equal to ~~three percent (3%)~~ [one quarter](#)
30 [percent \(0.25%\)](#) of ~~qualified rehabilitation expenditures~~ [the tax credit applied for by the applicant](#).
31 The fee shall be payable upon submission of the Part 2 application. The fee shall be non-
32 refundable.

33 (e) Notwithstanding any provisions of the general laws or regulations adopted thereunder
34 to the contrary, including, but not limited to, the provisions of chapter 2 of title 37, the division of

1 taxation is hereby expressly authorized and empowered to enter into contracts with persons,
2 firms, partnerships, trusts, estates, limited liability companies, corporations (whether for profit or
3 nonprofit) or other business entities that incur qualified rehabilitation expenditures for the
4 substantial rehabilitation of certified historic structures or some identifiable portion of a structure.
5 Upon payment of the portion of the fee set forth in subdivision (d) above, the division of taxation
6 and the applicant shall enter into a contract for tax credits consistent with the terms and
7 provisions of this chapter.

8 (f) Upon satisfaction of the requirements set forth herein and the payment of the fees as
9 set forth in subdivision (d) above, the division of taxation shall, on behalf of the State of Rhode
10 Island, guarantee the delivery of one hundred percent (100%) of the tax credit and use of one
11 hundred percent (100%) of the tax credit in the tax year a certified historic structure is placed in
12 service through a contract with persons, firms, partnerships, trusts, estates, limited liability
13 companies, corporations (whether for profit or nonprofit) or other business entities that will incur
14 qualified rehabilitation expenditures for the substantial rehabilitation of a certified historic
15 structure or some identifiable portion of a structure.

16 (g) Any contract executed pursuant to this chapter by a person, firm, partnership, trust,
17 estate, limited liability company, corporation (whether for profit or nonprofit) or other business
18 entity shall be assignable to:

19 (1) An affiliate thereof without any consent from the division of taxation;

20 (2) A banking institution as defined by subdivision 44-14-2(2) or credit union as defined
21 in subdivision 44-15-1.1(1) without any consent from the division of taxation; or

22 (3) A person, firm, partnership, trust, estate, limited liability company, corporation
23 (whether for profit or nonprofit) or other business entity that incurs qualified rehabilitation
24 expenditures for the substantial rehabilitation of certified historic structures or some identifiable
25 portion of a structure, with such assignment to be approved by the division of taxation, which
26 approval shall not be unreasonably withheld or conditioned. For purposes of this subsection,
27 "affiliate" shall be defined as any entity controlling, controlled by or under common control with
28 such person, firm, partnership, trust, estate, limited liability company, corporation (whether for
29 profit or nonprofit) or other business entity.

30 (h) If information comes to the attention of the commission or division of taxation at any
31 time up to and including the last day of the holding period that is materially inconsistent with
32 representations made in an application, the commission may deny the requested certification or
33 revoke a certification previously given, and in either instance all fees paid by the applicant shall
34 be deemed forfeited. In the event that tax credits or a portion of tax credits are subject to

1 recapture for ineligible costs and such tax credits have been transferred, assigned and/or
2 allocated, the state will pursue its recapture remedies and rights against the applicant of the tax
3 credits, and all fees paid by the applicant shall be deemed forfeited. No redress shall be sought
4 against assignees, transferees or allocates of such credits provided they acquired the tax credits by
5 way of an arms-length transaction, for value, and without notice of violation, fraud or
6 misrepresentation.

7 (i) The commission, in consultation with the division of taxation, shall promulgate such
8 rules and regulations as are necessary to carry out the intent and purpose of this chapter.

9 (j) The aggregate value of all tax credits approved by the commission pursuant to this
10 chapter for projects that file applications prior to the sunset provision contained in §44-33.6-11
11 shall not exceed one hundred fifty million dollars (\$150,000,000), together with any and all
12 amounts in the historic preservation tax credit trust fund.

13 (k) Any project approved by the commission for tax credits in excess of fifteen million
14 dollars (\$15,000,000) shall require ratification by the house of representatives and the senate prior
15 to the allowance of the awarded tax credits by the division of taxation.

16 **44-33.6-6. Election -- Limitations.**

17 ~~Taxpayers who elect and qualify to claim tax credits for the substantial rehabilitation of a~~
18 ~~certified historic structure pursuant to this chapter are ineligible for any tax credits that may also~~
19 ~~be available to the taxpayer for the substantial rehabilitation of that particular certified historic~~
20 ~~structure under the provisions of chapters 33.1 of this title, 64.7 of title 42, and/or 31 of this title.~~

21 Neither taxpayers nor assignees may apply any tax credits issued in accordance with this section
22 until fiscal year ~~2014~~ 2017. Nothing shall preclude owners from qualifying and receiving other
23 federal, state or local incentive programs.

24 **44-33.6-8. Historic tax credit apprenticeship requirements.**

25 (a) Notwithstanding any laws to the contrary, any credit allowed under this chapter for
26 hard construction costs valued at ten million dollars (\$10,000,000) or more shall include a
27 requirement that any contractor and subcontractor working on the project shall have an
28 apprenticeship program as defined herein for all apprenticeable crafts that will be employed on
29 the project at the time of bid. The provisions of the section shall only apply to contractors and
30 subcontractors with five (5) or more employees. For purposes of this section, an apprenticeship
31 program is one that is registered with and approved by the United States department of labor in
32 conformance with 29 C.F.R. 29 and 29 C.F.R. 30; and

33 (b) The department of labor and training must provide information and technical
34 assistance to affected governmental, quasi-governmental agencies, and any contractors awarded

1 projects relative to their obligations under this statute.

2 (c) The department of labor and training may also impose a penalty of up to five hundred
3 dollars (\$500) for each calendar day of noncompliance with this section, as determined by the
4 director of labor and training. Mere errors and/or omissions shall not be grounds for imposing a
5 penalty under this subsection.

6 (d) Any penalties assessed under this statute shall be paid to the general fund.

7 (e) To the extent that any of the provisions contained in § 37-13-3.2 conflict with the
8 requirements for federal aid contracts, federal law and regulations shall control.

9 (f) A property owner, construction manager, or general contractor of other authorized
10 person/entity may petition the department of labor and training to adjust the apprenticeship
11 requirements upon a showing that:

12 (1) Compliance is not feasible because a trade or field does not have an apprenticeship
13 program or cannot produce members from its program capable of performing the scope of work
14 within the contract; or

15 (2) Compliance is not feasible because it would involve a risk or danger to human health
16 and safety or the public at large; or

17 (3) Compliance is not feasible because it would create a significant economic hardship;
18 or

19 (4) Compliance is not feasible for any other reason which is justifiable and demonstrates
20 good cause.

21 **44-33.6-9. Reporting requirements.**

22 (a) Each taxpayer requesting certification of a completed rehabilitation shall report to the
23 commission and the division of taxation the following information:

- 24 (1) The number of total jobs created;
25 (2) The number of Rhode Island businesses retained for work;
26 (3) The total amount of qualified rehabilitation expenditures;
27 (4) The total cost of materials or products purchased from Rhode Island businesses;
28 (5) Such other information deemed necessary by the tax administrator.

29 (b) Any agreements or contracts entered into under this chapter by the division, the
30 commission, or the commerce corporation and the taxpayer shall be sent to the division of
31 taxation and be available to the public for inspection by any person and shall be published by the
32 tax administrator on the tax division website.

33 (c) By August 15th of each year the division of taxation shall report the name, address,
34 and amount of tax credit received for each credit recipient during the previous state fiscal year to

1 the governor, the chairpersons of the house and senate finance committees, the house and senate
2 fiscal advisors, and the department of labor and training. This report shall be available to the
3 public for inspection by any person and shall be published by the tax administrator on the tax
4 division website.

5 (d) By September 1st of each year the division of taxation shall report in the aggregate
6 the information required under subsection 44-33.6-9(a). This report shall be available to the
7 public for inspection by any person and shall be published by the tax administrator on the tax
8 division website.

9 (e) By September 1, 2018 and biennially thereafter the division of taxation shall report in
10 the aggregate the total number of approved projects, project costs, and associated amount of
11 approved tax credits.

12 (f) The division of taxation shall establish, by regulation, the process for reporting the
13 assignment, transfer or conveyance of transferable tax credits under this chapter. The reporting
14 requirements promulgated by the division of taxation shall include a notification of any
15 assignment, transfer, or conveyance of tax credits within thirty (30) days after the transfer or sale
16 of such tax credits. The notification shall include the transferor's tax credit balance prior to
17 transfer, the credit certificate number, the transferor's remaining tax credit balance after transfer,
18 all identification numbers for both transferor and transferee, the date of transfer, the amount
19 transferred, the price paid for the credits, a copy of the credit certificate and any other information
20 required by the division of taxation.

21 **44-33.6-11. Sunset.**

22 No credits shall be authorized to be reserved pursuant to this chapter on or after June 30,
23 ~~2017~~ 2021, or upon the exhaustion of the maximum aggregate credits, whichever comes first.

24 SECTION 3. Chapter 44-33.6 of the General Laws entitled "Historic Preservation Tax
25 Credits 2013" is hereby amended by adding thereto the following section:

26 **44-33.6-12. Redemption of historic tax credits.**

27 (a) The division of taxation shall establish, by regulation, a redemption process for tax
28 credits issued pursuant to this chapter.

29 (b) Upon request of a taxpayer and subject to annual appropriation, the state shall redeem
30 all credits referenced in this chapter, in whole or in part, for one hundred percent (100%) of the
31 value of the tax credit.

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

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LC001978
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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO TAXATION

1 This act would provide that the aggregate value of approved historic tax credits would not
2 exceed the amount of \$150,000,000 together with the amounts available in the historic
3 preservation tax credit fund. The act would also allow property owners, construction managers,
4 and general contractors to petition the department of labor and training to adjust apprenticeship
5 requirements if such requirements are deemed not feasible. This act would also require the
6 division of taxation to establish a process for reporting the assignment, transfer, or conveyance of
7 historic tax credits, and would require the division of taxation to establish a process for the
8 redemption of historic tax credits.

9 This act would take effect upon passage.

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