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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2017

A N A C T

RELATING TO TAXATION - PERSONAL INCOME TAX

Introduced By: Senator Adam J. Satchell

Date Introduced: February 16, 2017

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. [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:

| 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              |
| 26                    | 7.00% of the                          |             |                   |
| 27                    |                                       | excess      | over              |
| 28                    | \$53,150                              |             |                   |
| 29                    | Over \$128,500 but not over \$195,850 | \$7,267.63  | plus              |
| 30                    | 7.75% of the                          |             |                   |
| 31                    |                                       | excess      | over              |
| 32                    | \$128,500                             |             |                   |
| 33                    | Over \$195,850 but not over \$349,700 | \$12,487.25 | plus              |
| 34                    | 9.00% of                              |             |                   |

1 the excess over  
 2 \$195,850  
 3 Over \$349,700 \$26,333.75 plus  
 4 9.90% of  
 5 the excess over  
 6 \$349,700

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

| If taxable income is:                    | The tax is:             |
|--|-------------------------|
| 10 Not over \$42,650                     | 3.75% of taxable income |
| 11 Over \$42,650 but not over \$110,100  | \$1,599.38 plus         |
| 12 7.00% of the                          |                         |
| 13 \$42,650                              | excess over             |
| 15 Over \$110,100 but not over \$178,350 | \$6,320.88 plus         |
| 16 7.75% of the                          |                         |
| 17 \$110,100                             | excess over             |
| 19 Over \$178,350 but not over \$349,700 | \$11,610.25 plus        |
| 20 9.00% of                              |                         |
| 21 \$178,350                             | the excess over         |
| 23 Over \$349,700                        | \$27,031.75 plus        |
| 24 9.90% of                              |                         |
| 25 \$349,700                             | the excess over         |

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

| If taxable income is:                  | The tax is:             |
|--|-------------------------|
| 31 Not over \$31,850                   | 3.75% of taxable income |
| 32 Over \$31,850 but not over \$77,100 | \$1,194.38 plus         |
| 33 7.00% of the                        |                         |
| 34 \$77,100                            | excess over             |

|    |                                       |             |      |
|----|---------------------------------------|-------------|------|
| 1  | \$31,850                              |             |      |
| 2  | Over \$77,100 but not over \$160,850  | \$4,361.88  | plus |
| 3  | 7.75% of the                          |             |      |
| 4  |                                       | excess      | over |
| 5  | \$77,100                              |             |      |
| 6  | Over \$160,850 but not over \$349,700 | \$10,852.50 | plus |
| 7  | 9.00% of                              |             |      |
| 8  |                                       | the excess  | over |
| 9  | \$160,850                             |             |      |
| 10 | Over \$349,700                        | \$27,849.00 | plus |
| 11 | 9.90% of                              |             |      |
| 12 |                                       | the excess  | over |
| 13 | \$349,700                             |             |      |

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

| 16 | If taxable income is:                | The tax is:             |
|----|--------------------------------------|-------------------------|
| 17 | Not over \$26,575                    | 3.75% of taxable income |
| 18 | Over \$26,575 but not over \$64,250  | \$996.56 plus 7.00%     |
| 19 | of the                               |                         |
| 20 |                                      | excess over             |
| 21 | \$26,575                             |                         |
| 22 | Over \$64,250 but not over \$97,925  | \$3,633.81 plus         |
| 23 | 7.75% of the                         |                         |
| 24 |                                      | excess over             |
| 25 | \$64,250                             |                         |
| 26 | Over \$97,925 but not over \$174,850 | \$6,243.63 plus         |
| 27 | 9.00% of the                         |                         |
| 28 |                                      | excess over             |
| 29 | \$97,925                             |                         |
| 30 | Over \$174,850                       | \$13,166.88 plus        |
| 31 | 9.90% of                             |                         |
| 32 |                                      | the excess over         |
| 33 | \$174,850                            |                         |

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

1 accordance with the following table:

| 2  | If taxable income is:              | The tax is:             |
|----|------------------------------------|-------------------------|
| 3  | Not over \$2,150                   | 3.75% of taxable income |
| 4  | Over \$2,150 but not over \$5,000  | \$80.63 plus 7.00%      |
| 5  | of the                             |                         |
| 6  |                                    | excess over             |
| 7  | \$2,150                            |                         |
| 8  | Over \$5,000 but not over \$7,650  | \$280.13 plus 7.75%     |
| 9  | of the                             |                         |
| 10 |                                    | excess over             |
| 11 | \$5,000                            |                         |
| 12 | Over \$7,650 but not over \$10,450 | \$485.50 plus 9.00%     |
| 13 | of the                             |                         |
| 14 |                                    | excess over             |
| 15 | \$7,650                            |                         |
| 16 | Over \$10,450                      | \$737.50 plus 9.90%     |
| 17 | of the                             |                         |
| 18 |                                    | excess over             |
| 19 | \$10,450                           |                         |

20 (6) Adjustments for inflation.

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

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

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

24 (c) The cost-of-living adjustment referred to in subparagraphs (a) and (b) used in making

25 adjustments to the nine percent (9%) and nine and nine tenths percent (9.9%) dollar amounts shall

26 be determined under section (J) by substituting "1994" for "1993."

27 (B) Maximum capital gains rates.

28 (1) In general.

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

31 (a) 2.5 % of the net capital gain as reported for federal income tax purposes under section  
32 26 U.S.C. 1(h)(1)(a) and 26 U.S.C. 1(h)(1)(b).

33 (b) 5% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.  
34 1(h)(1)(c).

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

3 (d) 7% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.  
4 1(h)(1)(e).

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

7 (C) Itemized deductions.

8 (1) In general.

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

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

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

14 (3) Basic standard deduction.

15 The Rhode Island standard deduction shall be allowed in accordance with the following  
16 table:

| 17 Filing status                                  | Amount  |
|---|---------|
| 18 Single   | \$5,350 |
| 19 Married filing jointly or qualifying widow(er) | \$8,900 |
| 20 Married filing separately                      | \$4,450 |
| 21 Head of Household                              | \$7,850 |

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

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

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

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

30 (a) \$850;

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

32 (6) Certain individuals not eligible for standard deduction.

33 In the case of:

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

1 (b) Nonresident alien individual;

2 (c) An estate or trust;

3 The standard deduction shall be zero.

4 (7) Adjustments for inflation.

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

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

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

10 (D) Overall limitation on itemized deductions.

11 (1) General rule.

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

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

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

19 (2) Applicable amount.

20 (a) In general.

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

23 (b) Adjustments for inflation.

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

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

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

27 (3) Phase-out of Limitation.

28 (a) In general.

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

32 (b) Applicable fraction.

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

|   |                                |                            |
|---|--------------------------------|----------------------------|
| 1 | For taxable years beginning in | The applicable fraction is |
| 2 | calendar year                  |                            |
| 3 | 2006 and 2007                  | 2/3                        |
| 4 | 2008 and 2009                  | 1/3                        |

5 (E) Exemption amount.

6 (1) In general.

7 Except as otherwise provided in this subsection, the term "exemption amount" means  
8 \$3,400.

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

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

13 (3) Adjustments for inflation.

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

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

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

17 (4) Limitation.

18 (a) In general.

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

21 (b) Applicable percentage.

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

28 (c) Threshold Amount.

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

|    |  |           |
|----|--|-----------|
| 31 | Filing status                                  | Amount    |
| 32 | Single   | \$156,400 |
| 33 | Married filing jointly of qualifying widow(er) | \$234,600 |
| 34 | Married filing separately                      | \$117,300 |



| 1 | Filing status                                  | Amount   |
|---|--|----------|
| 2 | Single   | \$39,150 |
| 3 | Married filing jointly or qualifying widow(er) | \$53,700 |
| 4 | Married filing separately                      | \$26,850 |
| 5 | Head of Household                              | \$39,150 |
| 6 | Estate or trust                                | \$24,650 |

7 (7) Treatment of unearned income of minor children

8 (a) In general.

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

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

12 (ii) \$6,000.

13 (8) Adjustments for inflation.

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

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

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

19 (9) Phase-out.

20 (a) In general.

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

24 (b) Threshold amount.

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

| 27 | Filing status                                  | Amount    |
|----|--|-----------|
| 28 | Single   | \$123,250 |
| 29 | Married filing jointly or qualifying widow(er) | \$164,350 |
| 30 | Married filing separately                      | \$82,175  |
| 31 | Head of Household                              | \$123,250 |
| 32 | Estate or Trust                                | \$82,150  |

33 (c) Adjustments for inflation

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

- 1 (i) Such dollar amount contained in paragraph (9) in the year 2004, multiplied by
- 2 (ii) The cost-of-living adjustment determined under section (J) with a base year of 2004.
- 3 (G) Other Rhode Island taxes.

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

- 6 (a) The Federal income tax on lump-sum distributions.
- 7 (b) The Federal income tax on parents' election to report child's interest and dividends.
- 8 (c) The recapture of Federal tax credits that were previously claimed on Rhode Island  
9 return.

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

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

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

13 (I) Averaging of farm income.

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

- 16 (a) The Federal averaging of farm income as determined in IRC section 1301 [26 U.S.C.  
17 § 1301].

18 (J) Cost-of-living adjustment.

19 (1) In general.

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

- 21 (a) The CPI for the preceding calendar year exceeds
- 22 (b) The CPI for the base year.

23 (2) CPI for any calendar year.

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

27 (3) Consumer price index.

28 For purposes of paragraph (2), the term "consumer price index" means the last consumer  
29 price index for all urban consumers published by the department of labor. For purposes of the  
30 preceding sentence, the revision of the consumer price index that is most consistent with the  
31 consumer price index for calendar year 1986 shall be used.

32 (4) Rounding.

33 (a) In general.

34 If any increase determined under paragraph (1) is not a multiple of \$50, such increase

1 shall be rounded to the next lowest multiple of \$50.

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

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

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

8 (2) Child and dependent care credit;

9 (3) General business credits;

10 (4) Credit for elderly or the disabled;

11 (5) Credit for prior year minimum tax;

12 (6) Mortgage interest credit;

13 (7) Empowerment zone employment credit;

14 (8) Qualified electric vehicle credit.

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

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

26 (N) Rhode Island earned-income credit.

27 (1) In general.

28 For tax years beginning before January 1, 2015, a taxpayer entitled to a federal earned-  
29 income credit shall be allowed a Rhode Island earned-income credit equal to twenty-five percent  
30 (25%) of the federal earned-income credit. Such credit shall not exceed the amount of the Rhode  
31 Island income tax.

32 For tax years beginning on or after January 1, 2015, and before January 1, 2016, a  
33 taxpayer entitled to a federal earned-income credit shall be allowed a Rhode Island earned-  
34 income credit equal to ten percent (10%) of the federal earned-income credit. Such credit shall

1 not exceed the amount of the Rhode Island income tax.

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

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

10 (2) Refundable portion.

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

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

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

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

23 (3) For the period January 1, ~~2011~~ 2018 through December 31, ~~2011~~ 2018, and thereafter,  
24 "Rhode Island taxable income" means federal adjusted gross income as determined under the  
25 Internal Revenue Code, 26 U.S.C. 1 et seq., and as modified for Rhode Island purposes pursuant  
26 to § 44-30-12 less the amount of Rhode Island Basic Standard Deduction allowed pursuant to  
27 subparagraph 44-30-2.6(c)(3)(B), and less the amount of personal exemption allowed pursuant to  
28 subparagraph 44-30-2.6(c)(3)(C).

29 (A) Tax imposed.

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

34 RI Taxable Income RI Income Tax

|   |                 |                |                 |              |                |
|---|-----------------|----------------|-----------------|--------------|----------------|
| 1 | Over            | But not over   | Pay + %         | on Excess    | on the amount  |
| 2 |                 |                |                 |              | over           |
| 3 | \$ 0-           | \$ 55,000      | \$ 0 +          | 3.75%        | \$ 0           |
| 4 | 55,000 -        | 125,000        | 2,063 +         | 4.75%        | 55,000         |
| 5 | 125,000 -       | <u>250,000</u> | 5,388 +         | 5.99%        | 125,000        |
| 6 | <u>250,000-</u> |                | <u>12,857 +</u> | <u>7.99%</u> | <u>250,000</u> |

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

|    |                   |              |               |           |               |
|----|-------------------|--------------|---------------|-----------|---------------|
| 9  | RI Taxable Income |              | RI Income Tax |           |               |
| 10 | Over              | But not over | Pay + %       | on Excess | on the amount |
| 11 |                   |              |               |           | over          |
| 12 | \$ 0 -            | \$ 2,230     | \$ 0 +        | 3.75%     | \$ 0          |
| 13 | 2,230 -           | 7,022        | 84 +          | 4.75%     | 2,230         |
| 14 | 7,022 -           |              | 312 +         | 5.99%     | 7,022         |

15 (B) Deductions:

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

|    |  |          |
|----|--|----------|
| 18 | Filing status:                                 | Amount   |
| 19 | Single   | \$7,500  |
| 20 | Married filing jointly or qualifying widow(er) | \$15,000 |
| 21 | Married filing separately                      | \$7,500  |
| 22 | Head of Household                              | \$11,250 |

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

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

31 (C) Exemption Amount:

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

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

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

11 (E) Adjustment for inflation. The dollar amount contained in subparagraphs 44-30-  
12 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  
13 equal to:

14 (I) Such dollar amount contained in subparagraphs 44-30-2.6(c)(3)(A), 44-30-  
15 2.6(c)(3)(B) and 44-30-2.6(c)(3)(C) adjusted for inflation using a base tax year of 2000,  
16 multiplied by;

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

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

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

27 (V) If any increase determined under this section is not a multiple of fifty dollars  
28 (\$50.00), such increase shall be rounded to the next lower multiple of fifty dollars (\$50.00). In the  
29 case of a married individual filing separate return, if any increase determined under this section is  
30 not a multiple of twenty-five dollars (\$25.00), such increase shall be rounded to the next lower  
31 multiple of twenty-five dollars (\$25.00).

32 (F) Credits against tax.

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

1 as follows:

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

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

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

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

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

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

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

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

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

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

28 (k) Rebuild Rhode Island: Credit shall be allowed for rebuild RI tax credit as provided in  
29 § 42-64.20-1 et seq.

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

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

34 SECTION 2. Section 45-13-1 of the General Laws in Chapter 45-13 entitled "State Aid"

1 is hereby amended to read as follows:

2 **45-13-1. Apportionment of annual appropriation for state aid.**

3 (a) As used in this chapter, the following words and terms have the following meanings:

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

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

8 (3) "Reference year" means the second fiscal year preceding the beginning of the fiscal  
9 year in which the distribution of state aid to cities and towns is made provided however that the  
10 reference year for distributions made in fiscal year 2007-2008 shall be the third fiscal year  
11 preceding the beginning of the fiscal year 2007-2008 and provided further that the reference year  
12 for distributions made in fiscal year 2008-2009 shall be the fourth fiscal year preceding the  
13 beginning of the fiscal year 2008-2009.

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

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

23 The amount to be allocated to the counties shall be apportioned in the ratio of the value of  
24 R for each county divided by the sum of the values of R for all five (5) counties.

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

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

1 this section.

2 For fiscal year 2004, notwithstanding the provisions of subsection (a), aid calculations  
3 shall be based on a blended rate of ninety percent (90%) of the data from the 1990 census and ten  
4 percent (10%) of the data from the 2000 census. In each of the succeeding nine (9) fiscal years,  
5 the calculations shall be based on a blended rate that increases the percentage of data utilized  
6 from the 2000 census by ten percent (10%) from the previous year and decreases the percentage  
7 of the data utilized from the 1990 census by ten percent (10%) from the previous year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9 (g) For the fiscal year ending June 30, 2018 and thereafter, the total amount of aid shall  
10 be based upon three percent (3%) of total state income tax revenues in the reference year.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

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

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1           This act would provide for revenue sharing with municipalities commencing in fiscal  
2 year 2018, 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, 2018.

5           This act would take effect upon passage.

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