

2017 -- S 0564

LC001367

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: Senators Pearson, Gallo, and Lynch Prata

Date Introduced: March 15, 2017

Referred To: Senate Finance

(General Treasurer)

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-30-12 of the General Laws in Chapter 44-30 entitled "Personal
2 Income Tax" is hereby amended to read as follows:

3 **44-30-12. Rhode Island income of a resident individual. [Effective January 1, 2017.]**

4 (a) General. The Rhode Island income of a resident individual means his or her adjusted
5 gross income for federal income tax purposes, with the modifications specified in this section.

6 (b) Modifications increasing federal adjusted gross income. There shall be added to
7 federal adjusted gross income:

8 (1) Interest income on obligations of any state, or its political subdivisions, other than
9 Rhode Island or its political subdivisions;

10 (2) Interest or dividend income on obligations or securities of any authority, commission,
11 or instrumentality of the United States, but not of Rhode Island or its political subdivisions, to the
12 extent exempted by the laws of the United States from federal income tax but not from state
13 income taxes;

14 (3) The modification described in § 44-30-25(g);

15 (4) (i) The amount defined below of a nonqualified withdrawal made from an account in
16 the tuition savings program pursuant to § 16-57-6.1. For purposes of this section, a nonqualified
17 withdrawal is:

18 (A) A transfer or rollover to a qualified tuition program under Section 529 of the Internal
19 Revenue Code, 26 U.S.C. § 529, other than to the tuition savings program referred to in § 16-57-

1 6.1; and

2 (B) A withdrawal or distribution which is:

3 (I) Not applied on a timely basis to pay "qualified higher education expenses" as defined
4 in § 16-57-3(12) of the beneficiary of the account from which the withdrawal is made;

5 (II) Not made for a reason referred to in § 16-57-6.1(e); or

6 (III) Not made in other circumstances for which an exclusion from tax made applicable
7 by Section 529 of the Internal Revenue Code, 26 U.S.C. § 529, pertains if the transfer, rollover,
8 withdrawal or distribution is made within two (2) taxable years following the taxable year for
9 which a contributions modification pursuant to subdivision (c)(4) of this section is taken based on
10 contributions to any tuition savings program account by the person who is the participant of the
11 account at the time of the contribution, whether or not the person is the participant of the account
12 at the time of the transfer, rollover, withdrawal or distribution;

13 (ii) In the event of a nonqualified withdrawal under subparagraphs (i)(A) or (i)(B) of this
14 subdivision, there shall be added to the federal adjusted gross income of that person for the
15 taxable year of the withdrawal an amount equal to the lesser of:

16 (A) The amount equal to the nonqualified withdrawal reduced by the sum of any
17 administrative fee or penalty imposed under the tuition savings program in connection with the
18 nonqualified withdrawal plus the earnings portion thereof, if any, includible in computing the
19 person's federal adjusted gross income for the taxable year; and

20 (B) The amount of the person's contribution modification pursuant to subdivision (c)(4)
21 of this section for the person's taxable year of the withdrawal and the two (2) prior taxable years
22 less the amount of any nonqualified withdrawal for the two (2) prior taxable years included in
23 computing the person's Rhode Island income by application of this subsection for those years.
24 Any amount added to federal adjusted gross income pursuant to this subdivision shall constitute
25 Rhode Island income for residents, nonresidents and part-year residents; and

26 (5) The modification described in § 44-30-25.1(d)(3)(i).

27 (6) The amount equal to any unemployment compensation received but not included in
28 federal adjusted gross income.

29 (7) The amount equal to the deduction allowed for sales tax paid for a purchase of a
30 qualified motor vehicle as defined by the Internal Revenue Code § 164(a)(6).

31 (c) Modifications reducing federal adjusted gross income. There shall be subtracted from
32 federal adjusted gross income:

33 (1) Any interest income on obligations of the United States and its possessions to the
34 extent includible in gross income for federal income tax purposes, and any interest or dividend

1 income on obligations, or securities of any authority, commission, or instrumentality of the
2 United States to the extent includible in gross income for federal income tax purposes but exempt
3 from state income taxes under the laws of the United States; provided, that the amount to be
4 subtracted shall in any case be reduced by any interest on indebtedness incurred or continued to
5 purchase or carry obligations or securities the income of which is exempt from Rhode Island
6 personal income tax, to the extent the interest has been deducted in determining federal adjusted
7 gross income or taxable income;

8 (2) A modification described in § 44-30-25(f) or § 44-30-1.1(c)(1);

9 (3) The amount of any withdrawal or distribution from the "tuition savings program"
10 referred to in § 16-57-6.1 which is included in federal adjusted gross income, other than a
11 withdrawal or distribution or portion of a withdrawal or distribution that is a nonqualified
12 withdrawal;

13 (4) Contributions made to an account under the tuition savings program, including the
14 "contributions carryover" pursuant to paragraph (iv) of this subdivision, if any, subject to the
15 following limitations, restrictions and qualifications:

16 (i) The aggregate subtraction pursuant to this subdivision for any taxable year of the
17 taxpayer shall not exceed five hundred dollars (\$500) or one thousand dollars (\$1,000) if a joint
18 return;

19 (ii) There shall be a one time tax credit in an amount of up to two hundred fifty dollars
20 (\$250) per dependent child for a household that:

21 (A) Opens and contributes to an account under Rhode Island 529 education savings plan
22 for the benefit of a dependent child; and

23 (B) Reports less than three hundred percent (300%) of the federal poverty level (FPL)
24 income in the same taxable year. The contribution may be made to a personal account under a
25 Rhode Island 529 education savings plan or to a Rhode Island 529 education savings plan account
26 for a dependent child. The tax credit shall be in an amount equal to the contribution made to such
27 account for the same tax year in which the credit is claimed;

28 ~~(iii)~~ (iii) The following shall not be considered contributions:

29 (A) Contributions made by any person to an account who is not a participant of the
30 account at the time the contribution is made;

31 (B) Transfers or rollovers to an account from any other tuition savings program account
32 or from any other "qualified tuition program" under section 529 of the Internal Revenue Code, 26
33 U.S.C. § 529; or

34 (C) A change of the beneficiary of the account;

1 (iii) The subtraction pursuant to this subdivision shall not reduce the taxpayer's federal
2 adjusted gross income to less than zero (0);

3 (iv) The contributions carryover to a taxable year for purpose of this subdivision is the
4 excess, if any, of the total amount of contributions actually made by the taxpayer to the tuition
5 savings program for all preceding taxable years for which this subsection is effective over the
6 sum of:

7 (A) The total of the subtractions under this subdivision allowable to the taxpayer for all
8 such preceding taxable years; and

9 (B) That part of any remaining contribution carryover at the end of the taxable year
10 which exceeds the amount of any nonqualified withdrawals during the year and the prior two (2)
11 taxable years not included in the addition provided for in this subdivision for those years. Any
12 such part shall be disregarded in computing the contributions carryover for any subsequent
13 taxable year;

14 (v) For any taxable year for which a contributions carryover is applicable, the taxpayer
15 shall include a computation of the carryover with the taxpayer's Rhode Island personal income
16 tax return for that year, and if for any taxable year on which the carryover is based the taxpayer
17 filed a joint Rhode Island personal income tax return but filed a return on a basis other than
18 jointly for a subsequent taxable year, the computation shall reflect how the carryover is being
19 allocated between the prior joint filers; and

20 (5) The modification described in § 44-30-25.1(d)(1).

21 (6) Amounts deemed taxable income to the taxpayer due to payment or provision of
22 insurance benefits to a dependent, including a domestic partner pursuant to chapter 12 of title 36
23 or other coverage plan.

24 (7) Modification for organ transplantation.

25 (i) An individual may subtract up to ten thousand dollars (\$10,000) from federal adjusted
26 gross income if he or she, while living, donates one or more of his or her human organs to another
27 human being for human organ transplantation, except that for purposes of this subsection, "human
28 organ" means all or part of a liver, pancreas, kidney, intestine, lung, or bone marrow. A subtract
29 modification that is claimed hereunder may be claimed in the taxable year in which the human
30 organ transplantation occurs.

31 (ii) An individual may claim that subtract modification hereunder only once, and the
32 subtract modification may be claimed for only the following unreimbursed expenses that are
33 incurred by the claimant and related to the claimant's organ donation:

34 (A) Travel expenses.

1 (B) Lodging expenses.

2 (C) Lost wages.

3 (iii) The subtract modification hereunder may not be claimed by a part-time resident or a
4 nonresident of this state.

5 (8) Modification for taxable Social Security income.

6 (i) For tax years beginning on or after January 1, 2016:

7 (A) For a person who has attained the age used for calculating full or unreduced social
8 security retirement benefits who files a return as an unmarried individual, head of household or
9 married filing separate whose federal adjusted gross income for such taxable year is less than
10 eighty thousand dollars (\$80,000); or

11 (B) A married individual filing jointly or individual filing qualifying widow(er) who has
12 attained the age used for calculating full or unreduced social security retirement benefits whose
13 joint federal adjusted gross income for such taxable year is less than one hundred thousand
14 dollars (\$100,000), an amount equal to the social security benefits includable in federal adjusted
15 gross income.

16 (ii) Adjustment for inflation. The dollar amount contained in subparagraphs 44-30-
17 12(c)(8)(i)(A) and 44-30-12(c)(8)(i)(B) shall be increased annually by an amount equal to:

18 (A) Such dollar amount contained in subparagraphs 44-30-12(c)(8)(i)(A) and 44-30-
19 12(c)(8)(i)(B) adjusted for inflation using a base tax year of 2000, multiplied by;

20 (B) 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 is
22 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 (12) month 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 which 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 (9) Modification for up to fifteen thousand dollars (\$15,000) of taxable retirement income
2 from certain pension plans or annuities.

3 (i) For tax years beginning on or after January 1, 2017, a modification shall be allowed
4 for up to fifteen thousand dollars (\$15,000) of taxable pension and/or annuity income that is
5 included in federal adjusted gross income for the taxable year:

6 (A) For a person who has attained the age used for calculating full or unreduced social
7 security retirement benefits who files a return as an unmarried individual, head of household, or
8 married filing separate whose federal adjusted gross income for such taxable year is less than the
9 amount used for the modification contained in § 44-30-12(c)(8)(i)(A) an amount not to exceed
10 \$15,000 of taxable pension and/or annuity income includable in federal adjusted gross income; or

11 (B) For a married individual filing jointly or individual filing qualifying widow(er) who
12 has attained the age used for calculating full or unreduced social security retirement benefits
13 whose joint federal adjusted gross income for such taxable year is less than the amount used for
14 the modification contained in § 44-30-12(c)(8)(i)(B) an amount not to exceed \$15,000 of taxable
15 pension and/or annuity income includable in federal adjusted gross income.

16 (ii) Adjustment for inflation. The dollar amount contained by reference in §§ 44-30-
17 12(c)(9)(i)(A) and 44-30-12(c)(9)(i)(B) shall be increased annually for tax years beginning on or
18 after January 1, 2018 by an amount equal to:

19 (A) Such dollar amount contained by reference in §§ 44-30-12(c)(9)(i)(A) and 44-30-
20 12(c)(9)(i)(B) adjusted for inflation using a base tax year of 2000, multiplied by;

21 (B) The cost-of-living adjustment with a base year of 2000.

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

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

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

1 multiple of twenty-five dollars (\$25.00).

2 (d) Modification for Rhode Island fiduciary adjustment. There shall be added to, or
3 subtracted from, federal adjusted gross income (as the case may be) the taxpayer's share, as
4 beneficiary of an estate or trust, of the Rhode Island fiduciary adjustment determined under § 44-
5 30-17.

6 (e) Partners. The amounts of modifications required to be made under this section by a
7 partner, which relate to items of income or deduction of a partnership, shall be determined under
8 § 44-30-15.

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

=====
LC001367
=====

EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

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

1 This act would provide a one time tax credit up to two hundred fifty dollars (\$250) per
2 dependent child for certain Rhode Island households who contribute to an account under the
3 Rhode Island college bound tuition savings program.

4 This act would take effect upon passage.

=====
LC001367
=====