

2023 -- H 6107

LC002051

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2023

A N A C T

RELATING TO TAXATION -- RESIDENTIAL RENEWABLE ENERGY SYSTEM TAX
CREDIT

Introduced By: Representatives Cotter, Casimiro, Carson, Donovan, Boylan, Cruz,
Speakman, Kazarian, Spears, and Stewart

Date Introduced: March 03, 2023

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-57-5 of the General Laws in Chapter 44-57 entitled "Residential
2 Renewable Energy System Tax Credit" is hereby amended to read as follows:

3 **44-57-5. Computation of tax credit.**

4 (a) The tax credit on each system as provided for in this chapter shall be determined as
5 follows:

6 (1) Photovoltaic systems:

7 (i)(A) Photovoltaic systems shall have a minimum module size of twenty-four (24) square
8 feet; and

9 (B) Be connected to a battery storage system or be grid interconnected;

10 (ii) Qualifying systems shall receive a tax credit of:

11 (A) Twenty-five percent (25%) of the cost of the system.

12 (iii) The maximum cost of the system shall not exceed fifteen thousand dollars (\$15,000);
13 provided, systems costing more than fifteen thousand dollars (\$15,000) will receive a tax credit
14 based on a fifteen thousand dollar (\$15,000) system cost.

15 (2) Solar domestic hot water systems:

16 (i)(A) Solar domestic hot water systems shall have a minimum collector area of thirty-four
17 (34) square feet; and

18 (B) A solar storage tank that is at least eighty (80) gallons.

- 1 (ii) Qualifying systems shall receive a tax credit of:
- 2 (A) Twenty-five percent (25%) of the cost of the system.
- 3 (iii) The maximum cost of the system shall not exceed seven thousand dollars (\$7,000);
- 4 provided, systems costing more than seven thousand dollars (\$7,000) will receive a tax credit based
- 5 on a seven thousand dollar (\$7,000) system cost.
- 6 (3) Active solar heating systems:
- 7 (i)(A) Active solar space heating systems shall have a minimum collector area of one
- 8 hundred twenty-five (125) square feet; and
- 9 (B) A system for storing and/or distributing the heat to the living area of the house.
- 10 (ii) Qualifying systems shall receive a tax credit of:
- 11 (A) Twenty-five percent (25%) of the cost of the system.
- 12 (iii) The maximum cost of the system shall not exceed fifteen thousand dollars (\$15,000);
- 13 provided, systems costing more than fifteen thousand dollars (\$15,000) will receive a tax credit
- 14 based on a fifteen thousand dollar (\$15,000) system cost.
- 15 (4) Wind energy systems:
- 16 (i)(A) Wind energy systems must have a rotor diameter of at least forty-four inches (44");
- 17 and
- 18 (B) Have a minimum factory rated output of at least two hundred fifty (250) watts at
- 19 twenty-eight (28) mph.
- 20 (ii) Qualifying systems shall receive a tax credit of:
- 21 (A) Twenty-five percent (25%) of the cost of the system.
- 22 (iii) The maximum cost of the system shall not exceed fifteen thousand dollars (\$15,000);
- 23 provided, systems costing more than fifteen thousand dollars (\$15,000) will receive a tax credit
- 24 based on a fifteen thousand dollar (\$15,000) system cost.
- 25 (5) Geothermal systems:
- 26 (i) Geothermal systems must have either a coefficient of performance of 3.4 or greater or
- 27 an efficiency ratio of sixteen (16) or greater. All geothermal systems must have a commissioning
- 28 sign-off by the manufacturer or distributor of the equipment to verify the proper installation and
- 29 performance of the system. All geothermal systems must meet the following standards:
- 30 (A) ARI/ASHRAE/ISO-13256-1 for water to air geothermal systems;
- 31 (B) ARI/ASHRAE/ISO-13256-2 for water to water geothermal systems;
- 32 (C) ARI/ASHRAE/ISO-13256 GWHP for groundwater heat pumps;
- 33 (D) ARI/ASHRAE/ISO-13256 GLHP for closed loop heat pumps;
- 34 (ii) Qualifying systems shall receive a tax credit of:

- 1 (A) Twenty-five percent (25%) of the cost of the system.
- 2 (iii) The maximum cost of the system shall not exceed seven thousand dollars (\$7,000).
- 3 Provided, systems costing more than seven thousand dollars (\$7,000) will receive a tax credit based
- 4 on a seven thousand dollar (\$7,000) system cost.
- 5 (b) For purposes of the tax credit, the cost of the renewable energy system shall be the net
- 6 cost of acquiring the system, and shall not include:
- 7 (1) Unpaid labor including the applicant's labor;
- 8 (2) Operating and maintenance costs;
- 9 (3) Land costs;
- 10 (4) Legal and court costs;
- 11 (5) Patent search fees;
- 12 (6) Fees for variances;
- 13 (7) Loan interest;
- 14 (8) Service contracts;
- 15 (9) Cost of moving a used renewable energy system from one site to another;
- 16 (10) Cost of repair or resale of a system;
- 17 (11) Any part of the purchase price that is optional, such as an extended warranty or an
- 18 upgraded monitoring system; ~~and~~
- 19 (12) Delivery fees; and

20 (c) At the election of the taxpayer, any credit generated, pursuant to this section, can be

21 donated and transferred to a nonprofit entity organized to assist low-income residents with the

22 payment of electricity and related costs.

23 (d) The division of taxation shall promulgate rules and regulations to implement and

24 enforce the provisions of subsection (c) of this section.

25 SECTION 2. Section 44-30-12 of the General Laws in Chapter 44-30 entitled "Personal

26 Income Tax" is hereby amended to read as follows:

27 **44-30-12. Rhode Island income of a resident individual.**

28 (a) **General.** The Rhode Island income of a resident individual means his or her adjusted

29 gross income for federal income tax purposes, with the modifications specified in this section.

30 (b) **Modifications increasing federal adjusted gross income.** There shall be added to

31 federal adjusted gross income:

32 (1) Interest income on obligations of any state, or its political subdivisions, other than

33 Rhode Island or its political subdivisions;

34 (2) Interest or dividend income on obligations or securities of any authority, commission,

1 or instrumentality of the United States, but not of Rhode Island or its political subdivisions, to the
2 extent exempted by the laws of the United States from federal income tax but not from state income
3 taxes;

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

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

8 (A) A transfer or rollover to a qualified tuition program under Section 529 of the Internal
9 Revenue Code, 26 U.S.C. § 529, other than to the tuition savings program referred to in § 16-57-
10 6.1; and

11 (B) A withdrawal or distribution that is:

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

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

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

22 (ii) In the event of a nonqualified withdrawal under subsection (b)(4)(i)(A) or (b)(4)(i)(B)
23 of this section, there shall be added to the federal adjusted gross income of that person for the
24 taxable year of the withdrawal an amount equal to the lesser of:

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

29 (B) The amount of the person’s contribution modification pursuant to subsection (c)(4) of
30 this section for the person’s taxable year of the withdrawal and the two (2) prior taxable years less
31 the amount of any nonqualified withdrawal for the two (2) prior taxable years included in
32 computing the person’s Rhode Island income by application of this subsection for those years. Any
33 amount added to federal adjusted gross income pursuant to this subdivision shall constitute Rhode
34 Island income for residents, nonresidents and part-year residents;

1 (5) The modification described in § 44-30-25.1(d)(3)(i);

2 (6) The amount equal to any unemployment compensation received but not included in
3 federal adjusted gross income;

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

6 (8) For any taxable year beginning on or after January 1, 2020, the amount of any Paycheck
7 Protection Program loan forgiven for federal income tax purposes as authorized by the Coronavirus
8 Aid, Relief, and Economic Security Act and/or the Consolidated Appropriations Act, 2021 and/or
9 any other subsequent federal stimulus relief packages enacted by law, to the extent that the amount
10 of the loan forgiven exceeds \$250,000, including an individual's distributive share of the amount
11 of a pass-through entity's loan forgiveness in excess of \$250,000.

12 (c) **Modifications reducing federal adjusted gross income.** There shall be subtracted
13 from federal adjusted gross income:

14 (1) Any interest income on obligations of the United States and its possessions to the extent
15 includible in gross income for federal income tax purposes, and any interest or dividend income on
16 obligations, or securities of any authority, commission, or instrumentality of the United States to
17 the extent includible in gross income for federal income tax purposes but exempt from state income
18 taxes under the laws of the United States; provided, that the amount to be subtracted shall in any
19 case be reduced by any interest on indebtedness incurred or continued to purchase or carry
20 obligations or securities the income of which is exempt from Rhode Island personal income tax, to
21 the extent the interest has been deducted in determining federal adjusted gross income or taxable
22 income;

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

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

27 (4) Contributions made to an account under the tuition savings program, including the
28 "contributions carryover" pursuant to subsection (c)(4)(iv) of this section, if any, subject to the
29 following limitations, restrictions and qualifications:

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

33 (ii) The following shall not be considered contributions:

34 (A) Contributions made by any person to an account who is not a participant of the account

1 at the time the contribution is made;

2 (B) Transfers or rollovers to an account from any other tuition savings program account or
3 from any other “qualified tuition program” under section 529 of the Internal Revenue Code, 26
4 U.S.C. § 529; or

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

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

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

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

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

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

24 (5) The modification described in § 44-30-25.1(d)(1);

25 (6) Amounts deemed taxable income to the taxpayer due to payment or provision of
26 insurance benefits to a dependent, including a domestic partner pursuant to chapter 12 of title 36 or
27 other coverage plan;

28 **(7) Modification for organ transplantation.**

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

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

4 (A) Travel expenses.

5 (B) Lodging expenses.

6 (C) Lost wages.

7 (iii) The subtract modification hereunder may not be claimed by a part-time resident or a
8 nonresident of this state;

9 **(8) Modification for taxable Social Security income.**

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

11 (A) For a person who has attained the age used for calculating full or unreduced Social
12 Security retirement benefits who files a return as an unmarried individual, head of household, or
13 married filing separate whose federal adjusted gross income for the taxable year is less than eighty
14 thousand dollars (\$80,000); or

15 (B) A married individual filing jointly or individual filing qualifying widow(er) who has
16 attained the age used for calculating full or unreduced Social Security retirement benefits whose
17 joint federal adjusted gross income for the taxable year is less than one hundred thousand dollars
18 (\$100,000), an amount equal to the Social Security benefits includible in federal adjusted gross
19 income.

20 (ii) Adjustment for inflation. The dollar amount contained in subsections (c)(8)(i)(A) and
21 (c)(8)(i)(B) of this section shall be increased annually by an amount equal to:

22 (A) Such dollar amount contained in subsections (c)(8)(i)(A) and (c)(8)(i)(B) of this section
23 adjusted for inflation using a base tax year of 2000, multiplied by;

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

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

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

34 (v) If any increase determined under this section is not a multiple of fifty dollars (\$50.00),

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

5 **(9) Modification of taxable retirement income from certain pension plans or**
6 **annuities.**

7 (i) For tax years beginning on or after January 1, 2017, until the tax year beginning January
8 1, 2022, a modification shall be allowed for up to fifteen thousand dollars (\$15,000), and for tax
9 years beginning on or after January 1, 2023, a modification shall be allowed for up to twenty
10 thousand dollars (\$20,000), of taxable pension and/or annuity income that is included in federal
11 adjusted gross income for the taxable year:

12 (A) For a person who has attained the age used for calculating full or unreduced Social
13 Security retirement benefits who files a return as an unmarried individual, head of household, or
14 married filing separate whose federal adjusted gross income for such taxable year is less than the
15 amount used for the modification contained in subsection (c)(8)(i)(A) of this section an amount not
16 to exceed \$15,000 for tax years beginning on or after January 1, 2017, until the tax year beginning
17 January 1, 2022, and an amount not to exceed twenty thousand dollars (\$20,000) for tax years
18 beginning on or after January 1, 2023, of taxable pension and/or annuity income includible in
19 federal adjusted gross income; or

20 (B) For a married individual filing jointly or individual filing qualifying widow(er) who
21 has attained the age used for calculating full or unreduced Social Security retirement benefits whose
22 joint federal adjusted gross income for such taxable year is less than the amount used for the
23 modification contained in subsection (c)(8)(i)(B) of this section an amount not to exceed \$15,000
24 for tax years beginning on or after January 1, 2017, until the tax year beginning January 1, 2022,
25 and an amount not to exceed twenty thousand dollars (\$20,000) for tax years beginning on or after
26 January 1, 2023, of taxable pension and/or annuity income includible in federal adjusted gross
27 income.

28 (ii) Adjustment for inflation. The dollar amount contained by reference in subsections
29 (c)(9)(i)(A) and (c)(9)(i)(B) of this section shall be increased annually for tax years beginning on
30 or after January 1, 2018, by an amount equal to:

31 (A) Such dollar amount contained by reference in subsections (c)(9)(i)(A) and (c)(9)(i)(B)
32 of this section adjusted for inflation using a base tax year of 2000, multiplied by;

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

34 (iii) For the purposes of this section, the cost-of-living adjustment for any calendar year is

1 the percentage (if any) by which the consumer price index for the preceding calendar year exceeds
2 the consumer price index for the base year. The consumer price index for any calendar year is the
3 average of the consumer price index as of the close of the twelve-month (12) period ending on
4 August 31, of such calendar year.

5 (iv) For the purpose of this section, the term “consumer price index” means the last
6 consumer price index for all urban consumers published by the department of labor. For the purpose
7 of this section, the revision of the consumer price index which is most consistent with the consumer
8 price index for calendar year 1986 shall be used.

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

14 (vi) For tax years beginning on or after January 1, 2022, the dollar amount contained by
15 reference in subsection (c)(9)(i)(A) shall be adjusted to equal the dollar amount contained in
16 subsection (c)(8)(i)(A), as adjusted for inflation, and the dollar amount contained by reference in
17 subsection(c)(9)(i)(B) shall be adjusted to equal the dollar amount contained in subsection
18 (c)(8)(i)(B), as adjusted for inflation;

19 (10) **Modification for Rhode Island investment in opportunity zones.** For purposes of
20 a taxpayer’s state tax liability, in the case of any investment in a Rhode Island opportunity zone by
21 the taxpayer for at least seven (7) years, a modification to income shall be allowed for the
22 incremental difference between the benefit allowed under 26 U.S.C. § 1400Z-2(b)(2)(B)(iv) and
23 the federal benefit allowed under 26 U.S.C. § 1400Z-2(c);

24 (11) **Modification for military service pensions.**

25 (i) For purposes of a taxpayer’s state tax liability, a modification to income shall be allowed
26 as follows:

27 (A) For the tax years beginning on January 1, 2023, a taxpayer may subtract from federal
28 adjusted gross income the taxpayer’s military service pension benefits included in federal adjusted
29 gross income;

30 (ii) As used in this subsection, the term “military service” shall have the same meaning as
31 set forth in 20 C.F.R. § 212.2;

32 (iii) At no time shall the modification allowed under this subsection alone or in conjunction
33 with subsection (c)(9) exceed the amount of the military service pension received in the tax year
34 for which the modification is claimed; and

1 (12) Any rebate issued to the taxpayer pursuant to § 44-30-103 to the extent included in
2 gross income for federal tax purposes.

3 (13) Modification for donated residential renewable energy system tax credit. There shall
4 be subtracted from federal adjusted gross income any residential renewable energy system tax
5 credits transferred to a nonprofit entity organized to assist low-income residents with the payment
6 of electricity and related costs.

7 (d) **Modification for Rhode Island fiduciary adjustment.** There shall be added to, or
8 subtracted from, federal adjusted gross income (as the case may be) the taxpayer's share, as
9 beneficiary of an estate or trust, of the Rhode Island fiduciary adjustment determined under § 44-
10 30-17.

11 (e) **Partners.** The amounts of modifications required to be made under this section by a
12 partner, which relate to items of income or deduction of a partnership, shall be determined under §
13 44-30-15.

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

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO TAXATION -- RESIDENTIAL RENEWABLE ENERGY SYSTEM TAX
CREDIT

- 1 This act would allow a taxpayer to donate residential renewable energy system tax credits
2 to nonprofit organizations and subtract the corresponding amount of credits from federal adjusted
3 gross income.
4 This act would take effect upon passage.

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