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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2025

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A N A C T

RELATING TO TAXATION -- PERSONAL INCOME TAX -- CHILD TAX CREDIT

Introduced By: Senators Vargas, Lawson, DiPalma, Murray, Acosta, Gu, Appollonio,
and Britto

Date Introduced: February 26, 2025

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Findings of fact.

2 (1) The health and wellbeing of Rhode Island children and their families are critical to the
3 future of our state;

4 (2) Children, youth, and their caregivers are experiencing challenges exacerbated by the
5 pandemic leading to increasing educational, behavioral health crises, as well as inflationary
6 pressures exacerbating homelessness, and food insecurity;

7 (3) Research has shown that child tax credits contribute to promotion of work, reduction
8 of poverty, and enhanced child development;

9 (4) Research has shown that child tax credits are associated with reductions in family
10 stressors and state-level maltreatment reports;

11 (5) Research has shown that child tax credit income is used to supplement basic household
12 needs and children's essentials;

13 (6) Fourteen states including Massachusetts have child tax credits and other states have
14 pending proposals in their state legislatures, including Connecticut. According to research by the
15 Institute on Taxation and Economic Policy, a combination of the existing federal child tax credit
16 and a state credit would slash child poverty rates.

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

19 **44-30-2. Rate of tax.**

1 (a) **General.**

2 (1)(i) A Rhode Island personal income tax is imposed upon the Rhode Island income of
3 residents and nonresidents, including estates and trusts, for the period January 1, 1971 through June
4 30, 1971 equal to twenty percent (20%) of one-half ($\frac{1}{2}$) of the taxpayer's federal income tax liability
5 for the taxable year commencing January 1, 1971; for the period July 1, 1971 through December
6 31, 1971 equal to fifteen percent (15%) of one-half ($\frac{1}{2}$) of the taxpayer's federal income tax liability
7 for the taxable year commencing January 1, 1971; and for each taxable year on and after January
8 1, 1972, and ending on or before December 31, 1974 equal to fifteen percent (15%) of the
9 taxpayer's federal income tax liability; for each taxable year on and after January 1, 1975 and
10 ending on or before December 31, 1977 equal to seventeen percent (17%) of the taxpayer's federal
11 income tax liability; for each taxable year ending after December 31, 1977 equal to nineteen percent
12 (19%) of the taxpayer's federal income tax liability; for each taxable year ending after December
13 31, 1980 equal to nineteen and twenty-four one-hundredths percent (19.24%) of the taxpayer's
14 federal income tax liability; for each taxable year ending after December 31, 1981 equal to twenty-
15 one and nine-tenths percent (21.9%) of the taxpayer's federal income tax liability; for the period
16 January 1, 1983 through June 30, 1983 equal to twenty-seven and five-tenths percent (27.5%) of
17 the taxpayer's federal income tax liability; for the period July 1, 1983 and through June 30, 1984
18 equal to twenty-six percent (26%) of the taxpayer's federal income tax liability; for the period July
19 1, 1984 and through December 31, 1984 equal to twenty-four and nine-tenths percent (24.9%) of
20 the taxpayer's federal income tax liability; in accordance with subsection (2) of this section for the
21 period January 1, 1985 through June 30, 1985 equal to twenty-three and sixty-five one-hundredths
22 percent (23.65%) of the taxpayer's federal income tax liability; for the period July 1, 1985 through
23 December 31, 1985, equal to twenty-two and sixty-five one-hundredths percent (22.65%) of the
24 taxpayer's federal income tax liability; in accordance with subsection (3) of this section for January
25 1, 1986 and thereafter shall be equal to twenty-two and twenty-one one-hundredths percent
26 (22.21%) of the taxpayer's federal income tax liability; in accordance with the Tax Reform Act of
27 1986, codified primarily at 26 U.S.C. § 1 et seq., for the period January 1, 1987 through June 30,
28 1987 shall be equal to twenty-three and ninety-six one-hundredths percent (23.96%) of the
29 taxpayer's federal income tax liability; for the period July 1, 1987 through December 31, 1990 shall
30 be equal to twenty-two and ninety-six one-hundredths percent (22.96%) of the taxpayer's federal
31 income tax liability; for the period January 1, 1991 through June 30, 1992 and for the period January
32 1, 1994 and thereafter shall be equal to twenty-seven and five tenths percent (27.5%) of the
33 taxpayer's federal income tax liability; for the period July 1, 1992 through December 31, 1992 if
34 the taxpayer's federal income tax liability is fifteen thousand dollars (\$15,000) or less shall be equal

1 to twenty-seven and five tenths percent (27.5%) of the taxpayer's federal income tax liability but
 2 if the taxpayer's federal income tax liability is greater than fifteen thousand dollars (\$15,000) shall
 3 be the sum of twenty-seven and five-tenths percent (27.5%) of the taxpayer's federal income tax
 4 liability up to and including fifteen thousand dollars (\$15,000) and thirty-two percent (32%) of the
 5 taxpayer's federal income tax liability in excess of fifteen thousand dollars (\$15,000).

6 (ii) The effective rate for the year 1983 shall be equal to twenty-six and seventy-five
 7 hundredths percent (26.75%) of the taxpayer's federal income tax liability. The effective rate for
 8 the year 1984 shall be equal to twenty-five and five-tenths percent (25.5%) of the taxpayer's federal
 9 income tax liability.

10 (iii) The effective rate for the year 1985 shall be equal to twenty- three and fifteen-
 11 hundredths percent (23.15%) of the taxpayer's federal income tax liability. The effective rate for
 12 the year 1987 shall be twenty-three and forty-six one-hundredths percent (23.46%) of the
 13 taxpayer's federal income tax liability.

14 (iv) For the year 1992, if the taxpayer's federal income tax liability for the year is greater
 15 than fifteen thousand dollars (\$15,000), the effective rate on such the federal income tax liability
 16 in excess of fifteen thousand dollars (\$15,000) shall be twenty-nine and seventy-five one-
 17 hundredths percent (29.75%).

18 (v) The personal income tax rate for the year 1993 shall be in accordance with the following
 19 schedules:

20 SCHEDULE X-RI: Single Individuals

21 FEDERAL INCOME TAX LIABILITY		22 RI INCOME TAX		
23 <u>Over</u>	24 <u>But not Over</u>	25 <u>Pay +</u>	26 <u>% On Excess</u>	27 <u>Of The Amount Over-</u>
28 \$0	29 - \$15,000	30 \$0	31 27.5%	32 \$0
33 15,000	34 - 31,172	35 4,125	36 32%	37 15,000
38 31,172	39 - 79,772	40 9,300	41 27.55%	42 31,172
43 79,772		44 22,689	45 25.05%	46 79,772

27 The above rate table may not be used by a taxpayer who files a federal Schedule D and has
 28 taxable income in excess of \$115,000.00. Those individuals must file a Rhode Island Schedule D.

29 SCHEDULE Y-1-RI: Married Filing Jointly or Qualifying Widow(er)

30 FEDERAL INCOME TAX LIABILITY		31 RI INCOME TAX		
32 <u>Over</u>	33 <u>But not Over</u>	34 <u>Pay +</u>	35 <u>% On Excess</u>	36 <u>Of The Amount Over-</u>
37 \$0	38 - \$15,000	39 \$0	40 27.5%	41 \$0
42 15,000	43 - 35,929	44 4,125	45 32%	46 15,000
47 35,929	48 -75,528	49 10,822	50 27.55%	51 35,928

1 75,528 21,732 25.05% 75,528

2 The above rate table may not be used by a taxpayer who files a federal Schedule D and has
 3 taxable income in excess of \$140,000.00. Those individuals must file a Rhode Island Schedule D.

4 SCHEDULE Y-2-RI: Married Filing Separately

5	FEDERAL INCOME TAX LIABILITY		RI INCOME TAX		
6	<u>Over</u>	<u>But not Over</u>	<u>Pay +</u>	<u>% On Excess</u>	<u>Of The Amount Over-</u>
7	\$0	- \$15,000	\$0	27.5%	\$0
8	15,000	- 17,964	4,125	32%	15,000
9	17,964	-37,764	5,073	27.55%	17,964
10	37,764		10,528	25.05%	37,764

11 The above rate table may not be used by a taxpayer who files a federal Schedule D and has
 12 taxable income in excess of \$70,000.00. Those individuals must file a Rhode Island Schedule D.

13 SCHEDULE Z-RI: Head of Household

14	FEDERAL INCOME TAX LIABILITY		RI INCOME TAX		
15	<u>Over</u>	<u>But not Over</u>	<u>Pay +</u>	<u>% On Excess</u>	<u>Of The Amount Over-</u>
16	\$0	- \$15,000	\$0	27.5%	\$0
17	15,000	- 33,385	4,125	32%	15,000
18	33,385	-77,485	10,008	27.55%	33,385
19	77,485		22,158	25.05%	77,485

20 The above rate table may not be used by a taxpayer who files a federal Schedule D and has
 21 taxable income in excess of \$127,500.00. Those individuals must file a Rhode Island Schedule D.

22 RI INCOME TAX RATE SCHEDULES FOR USE BY ESTATES AND TRUSTS

23	FEDERAL INCOME TAX LIABILITY		RI INCOME TAX		
24	<u>Over</u>	<u>But not Over</u>	<u>Pay +</u>	<u>% On Excess</u>	<u>Of The Amount Over-</u>
25	\$0	- \$1,405	\$0	27.5%	\$0
26	1,405	- 2,125	386	23.68%	1,405
27	2,125	-15,000	557	21.53%	2,125
28	15,000		3,329	25.05%	15,000

29 The above rate table may not be used by a taxpayer who files a federal Schedule D and has
 30 taxable income in excess of \$5,500.00. Those individuals must file a Rhode Island Schedule D.

31 (vi) The purpose of the 1993 rate schedules and/or the Rhode Island Schedule D shall be
 32 such that a taxpayer's 1993 Rhode Island personal income tax liability shall remain the same as it
 33 would have been prior to the enactment of the Federal Omnibus Budget Reconciliation Act of 1993,
 34 (OBRA), P.L. 103-66, 107 Stat. 312.

1 (vii) For the year 1994 through December 31, 1997, the rate shall be twenty-seven and five-
2 tenths percent (27.5%) of the taxpayers entire federal income tax liability.

3 (viii) For the period January 1, 1998, through December 31, 1998, the rate shall be equal
4 to twenty-seven percent (27%) of the taxpayer's federal income tax liability.

5 (ix) For the period January 1, 1999, through December 31, 1999, the rate shall be equal to
6 twenty-six and five-tenths (26.5%) of the taxpayer's federal income tax liability.

7 (x) For the period January 1, 2000, through December 31, 2000, the rate shall be equal to
8 twenty-six percent (26%) of the taxpayer's federal income tax liability.

9 (xi) For the period January 1, 2001, through December 31, 2001, the rate shall be equal to
10 twenty-five and five-tenths percent (25.5%) of the taxpayer's federal income tax liability.

11 (xii) For the period January 1, 2002, and thereafter the rate shall be twenty-five percent
12 (25%) of the taxpayer's federal income tax liability.

13 (2) In the event that the indexing of the federal personal income tax scheduled to take effect
14 on January 1, 1985, as enacted by the Economic Recovery Tax Act of 1981, 26 U.S.C. § 1 et seq.,
15 does take effect or is replaced by similar legislation, as the result of an action of the United States
16 Congress, then the Rhode Island personal income tax rate as set forth in subdivision (a)(1) of this
17 section for the period January 1, 1985, and through June 30, 1985, shall be changed and be equal
18 to twenty-three and sixty-five one-hundredths percent (23.65%) of the taxpayer's federal income
19 tax liability.

20 (3) In the event that the indexing of the federal personal income tax scheduled to take effect
21 on January 1, 1986, as enacted by the Economic Recovery Tax Act of 1981, 26 U.S.C. § 1 et seq.,
22 does take effect or is replaced by similar legislation as the result of an action of the United States
23 Congress, then the Rhode Island personal income tax rate as set forth in subdivision (a)(1) of this
24 section for the period January 1, 1986, and thereafter shall be changed and be equal to twenty-two
25 and twenty-one one-hundredths percent (22.21%) of the taxpayer's federal income tax liability.

26 (b) **Federal income tax liability.** Federal income tax liability shall be the amount of federal
27 income tax without deduction for any new federal credit(s) enacted after January 1, 1996,
28 (excluding self-employment tax, social security tax or any supplemental Medicare premium) or
29 supplemental premium surcharge imposed by the Medicare Catastrophic Coverage Act of 1988
30 (P.L. 100-360), codified primarily at 42 U.S.C. § 1395 et seq., which the taxpayer would have been
31 liable if the taxpayer had paid federal income tax based on federal taxable income as adjusted by
32 the modifications provided in parts II and III of this chapter. The federal taxable income shall not
33 include modifications which would decrease federal taxable income resulting from the applications
34 of § 15 of chapter 489 of the public laws of 1923, as amended by § 8 of chapter 151 of the public

1 laws of 1963; §§ 28-17-3, 36-10-32, 45-21-45, or any other sections of Rhode Island law which
2 would provide or would be construed to provide that any pension, annuity, retirement allowance,
3 benefit, or right shall be exempt from any state tax.

4 (c) **Cross references.** For credit in respect of:

5 (1) Taxes withheld on wages, see § 44-30-73;

6 (2) Taxes imposed on a resident by other states, see § 44-30-18;

7 (3) Taxes overpaid for a prior taxable year, see § 44-30-86.

8 (d) **Tax credit.**

9 (1) There shall be allowed as a credit against the Rhode Island personal income tax
10 otherwise due for a taxable year, commencing for the tax year 1988, a contribution of five dollars
11 (\$5.00), or ten dollars (\$10.00) if married and filing a joint return, to the account for the public
12 financing of the electoral system. The first two dollars (\$2.00), or four dollars (\$4.00) if married
13 and filing a joint return, shall go to a political party as defined in § 17-12.1-12 to be designated by
14 the taxpayer or to a nonpartisan account if so indicated up to a total of two hundred thousand dollars
15 (\$200,000) collectively for all parties and the nonpartisan account. The remainder shall be
16 deposited as general revenue.

17 (2) The credit for the public financing of the electoral system shall appear on the face of
18 the state personal income tax return. The tax administrator shall annually forward by August 1, all
19 contributions to said account to the state general treasurer and the treasurer shall annually remit by
20 September 1, the designated partisan contributions to the chairperson of the appropriate political
21 party and the contributions made to the nonpartisan general account shall be allocated by the state
22 general treasurer to each political party in proportion to the combined number of votes its
23 candidates for governor received in the previous election, after five percent (5%) of the amount in
24 the account is allocated to each party for each general officer elected in the previous statewide
25 election. Each political party may expend moneys received under this provision for all purposes
26 and activities permitted by the laws of Rhode Island and the United States, except that no such
27 moneys shall be utilized for expenditures to be directly made or incurred to support or defeat a
28 candidate in any election within the meaning of chapter 25 of title 17, or in any election for any
29 political party nomination, or for political party office within the meaning of chapter 12 of title 17.
30 The remaining funds shall be allocated for the public financing of campaigns for governor as set
31 forth in §§ 17-25-19 — 17-25-27.

32 (3) Child tax credit. A taxpayer that maintains a household that includes at least one
33 individual up to age eighteen (18) years, who qualifies as a dependent, as defined in section 26 U.S.
34 Code § 152, shall be allowed a tax credit for each such dependent, to be computed as provided in

1 this chapter, against the tax imposed by chapters 30 of this title. The amount of the credit shall be:

2 (i) For dependent(s) up to age eighteen (18) a tax credit of one thousand dollars (\$1,000)
3 shall be allowed per dependent;

4 (ii) No credit shall be allowed pursuant to this chapter unless the taxpayer claiming said
5 child tax credit has a total income for the taxable year that does not exceed one hundred thousand
6 dollars (\$100,000) for a single-filer household and one hundred fifty thousand dollars (\$150,000)
7 for a dual-filer household.

8 (iii) If the amount of the credit allowed under this section exceeds the taxpayer's tax
9 liability, the division of taxation shall treat the excess as an overpayment and shall pay the taxpayer
10 the entire amount of the excess.

11 **(e) Tax adjustment.**

12 (1) Notwithstanding the provisions of subsection (a) of this section, for taxable years
13 ending after December 31, 1980, in the event that during a period when the general assembly is not
14 in session a change is made in the provisions of the Internal Revenue Code of the United States and
15 amendments thereto, or other provisions of the law of the United States relating to federal income
16 taxes, or the rules and regulations issued under these laws that alters the taxpayer's federal income
17 tax liability, the tax administrator is directed to so change the Rhode Island personal income tax
18 rate of the taxpayer's federal income tax liability as to retain the tax product upon receipt of which
19 state appropriations were predicated.

20 (2) The rate so set by the tax administrator will be effective until such time as the general
21 assembly shall ratify this rate or set a different rate.

22 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 -- PERSONAL INCOME TAX -- CHILD TAX CREDIT

1 This act would establish a child tax credit of one thousand dollars (\$1,000) per dependent.
2 No credit would be allowed unless the taxpayer claiming said child tax credit has a total income
3 for the taxable year that does not exceed one hundred thousand dollars (\$100,000) for a single-filer
4 household and one hundred fifty thousand dollars (\$150,000) for a dual-filer household. If the
5 amount of the credit allowed under this section exceeds the taxpayer's tax liability, the division of
6 taxation shall treat the excess as an overpayment and shall pay the taxpayer the entire amount of
7 the excess.

8 This act would take effect upon passage.

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