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**S T A T E   O F   R H O D E   I S L A N D**

**IN GENERAL ASSEMBLY**

**JANUARY SESSION, A.D. 2026**

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**A N   A C T**

**RELATING TO TAXATION -- BUSINESS CORPORATION TAX -- AFFORDABLE  
HOUSING TAX CREDIT ACT**

Introduced By: Representatives Place, Hopkins, Santucci, Fascia, and Chippendale

Date Introduced: January 28, 2026

Referred To: House Finance

It is enacted by the General Assembly as follows:

1        SECTION 1. Chapter 44-11 of the General Laws entitled "Business Corporation Tax" is  
2 hereby amended by adding thereto the following section:

3        **44-11-46. Affordable housing tax credit act.**

4        (a) The legislature hereby finds and declares that the inadequate supply of sales and rental  
5        housing units for persons and families of low-income, the deterioration of older dwellings, the  
6        elimination of substandard dwellings by governmental action, and a shortage of suitable housing  
7        for elderly and disabled individuals threaten the welfare of the citizens of this state. The legislature  
8        further finds and declares that it is the public policy of the State of Rhode Island to promote the  
9        health, safety, and welfare of its citizens by providing a tax credit for business firms that invest in  
10        low-income rental housing production within this state.

11        (b) As used in this section the following terms have the following meanings:

12        (1) "Business firm" means any business entity authorized to do business in this state and  
13        subject to taxes imposed under this chapter;

14        (2) "Credit" means the state low-income housing credit as established herein.

15        (3) "Federal low-income housing tax credit" means the federal low-income housing tax  
16        credit as provided for in 26 U.S.C. § 42 of the Internal Revenue Code of 1986;

17        (c) Every business firm that is engaged in a for-profit business enterprise within this state  
18        and that qualifies for a federal low-income housing tax credit shall qualify for the state low-income

1 housing tax credit. A business firm that qualifies for the credit as provided for in this section may  
2 apply the credit against any tax due under this chapter. However, any tax savings or credit issued  
3 under this chapter shall be recaptured by the state upon the removal of the applicable deed  
4 restriction against the housing unit.

5 (d) The amount of the credit available to a business firm that qualifies under this section  
6 shall be equal to fifty percent (50%) of the federal low-income housing tax credit that the business  
7 firm is entitled to in the current tax year.

8 SECTION 2. Section 44-18-30 of the General Laws in Chapter 44-18 entitled "Sales and  
9 Use Taxes — Liability and Computation" is hereby amended to read as follows:

10 **44-18-30. Gross receipts exempt from sales and use taxes.**

11 There are exempted from the taxes imposed by this chapter the following gross receipts:

12 (1) Sales and uses beyond constitutional power of state. From the sale and from the storage,  
13 use, or other consumption in this state of tangible personal property the gross receipts from the sale  
14 of which, or the storage, use, or other consumption of which, this state is prohibited from taxing  
15 under the Constitution of the United States or under the constitution of this state.

16 (2) Newspapers.

17 (i) From the sale and from the storage, use, or other consumption in this state of any  
18 newspaper.

19 (ii) "Newspaper" means an unbound publication printed on newsprint that contains news,  
20 editorial comment, opinions, features, advertising matter, and other matters of public interest.

21 (iii) "Newspaper" does not include a magazine, handbill, circular, flyer, sales catalog, or  
22 similar item unless the item is printed for, and distributed as, a part of a newspaper.

23 (3) School meals. From the sale and from the storage, use, or other consumption in this  
24 state of meals served by public, private, or parochial schools, school districts, colleges, universities,  
25 student organizations, and parent-teacher associations to the students or teachers of a school,  
26 college, or university whether the meals are served by the educational institutions or by a food  
27 service or management entity under contract to the educational institutions.

28 (4) Containers.

29 (i) From the sale and from the storage, use, or other consumption in this state of:

30 (A) Non-returnable containers, including boxes, paper bags, and wrapping materials that  
31 are biodegradable and all bags and wrapping materials utilized in the medical and healing arts,  
32 when sold without the contents to persons who place the contents in the container and sell the  
33 contents with the container.

34 (B) Containers when sold with the contents if the sale price of the contents is not required

1 to be included in the measure of the taxes imposed by this chapter.

2 (C) Returnable containers when sold with the contents in connection with a retail sale of  
3 the contents or when resold for refilling.

4 (D) Keg and barrel containers, whether returnable or not, when sold to alcoholic beverage  
5 producers who place the alcoholic beverages in the containers.

6 (ii) As used in this subdivision, the term "returnable containers" means containers of a kind  
7 customarily returned by the buyer of the contents for reuse. All other containers are "non-returnable  
8 containers."

9 (5)(i) Charitable, educational, and religious organizations. From the sale to, as is defined  
10 in this section, and from the storage, use, and other consumption in this state, or any other state of  
11 the United States of America, of tangible personal property by hospitals not operated for a profit;  
12 "educational institutions" as defined in subdivision (18) not operated for a profit; churches,  
13 orphanages, and other institutions or organizations operated exclusively for religious or charitable  
14 purposes; interest-free loan associations not operated for profit; nonprofit, organized sporting  
15 leagues and associations and bands for boys and girls under the age of nineteen (19) years; the  
16 following vocational student organizations that are state chapters of national vocational student  
17 organizations: Distributive Education Clubs of America (DECA); Future Business Leaders of  
18 America, Phi Beta Lambda (FBLA/PBL); Future Farmers of America (FFA); Future Homemakers  
19 of America/Home Economics Related Occupations (FHA/HERD); Vocational Industrial Clubs of  
20 America (VICA); organized nonprofit golden age and senior citizens clubs for men and women;  
21 and parent-teacher associations; and from the sale, storage, use, and other consumption in this state,  
22 of and by the Industrial Foundation of Burrillville, a Rhode Island domestic nonprofit corporation.

23 (ii) In the case of contracts entered into with the federal government, its agencies, or  
24 instrumentalities, this state, or any other state of the United States of America, its agencies, any  
25 city, town, district, or other political subdivision of the states; hospitals not operated for profit;  
26 educational institutions not operated for profit; churches, orphanages, and other institutions or  
27 organizations operated exclusively for religious or charitable purposes, the contractor may purchase  
28 such materials and supplies (materials and/or supplies are defined as those that are essential to the  
29 project) that are to be utilized in the construction of the projects being performed under the contracts  
30 without payment of the tax.

31 (iii) The contractor shall not charge any sales or use tax to any exempt agency, institution,  
32 or organization but shall in that instance provide his or her suppliers with certificates in the form  
33 as determined by the division of taxation showing the reason for exemption and the contractor's  
34 records must substantiate the claim for exemption by showing the disposition of all property so

1 purchased. If any property is then used for a nonexempt purpose, the contractor must pay the tax  
2 on the property used.

3 (6) Gasoline. From the sale and from the storage, use, or other consumption in this state of:  
4 (i) Gasoline and other products taxed under chapter 36 of title 31 and (ii) Fuels used for the  
5 propulsion of airplanes.

6 (7) Purchase for manufacturing purposes.

7 (i) From the sale and from the storage, use, or other consumption in this state of computer  
8 software, tangible personal property, electricity, natural gas, artificial gas, steam, refrigeration, and  
9 water, when the property or service is purchased for the purpose of being manufactured into a  
10 finished product for resale and becomes an ingredient, component, or integral part of the  
11 manufactured, compounded, processed, assembled, or prepared product, or if the property or  
12 service is consumed in the process of manufacturing for resale computer software, tangible personal  
13 property, electricity, natural gas, artificial gas, steam, refrigeration, or water.

14 (ii) "Consumed" means destroyed, used up, or worn out to the degree or extent that the  
15 property cannot be repaired, reconditioned, or rendered fit for further manufacturing use.

16 (iii) "Consumed" includes mere obsolescence.

17 (iv) "Manufacturing" means and includes: manufacturing, compounding, processing,  
18 assembling, preparing, or producing.

19 (v) "Process of manufacturing" means and includes all production operations performed in  
20 the producing or processing room, shop, or plant, insofar as the operations are a part of and  
21 connected with the manufacturing for resale of tangible personal property, electricity, natural gas,  
22 artificial gas, steam, refrigeration, or water and all production operations performed insofar as the  
23 operations are a part of and connected with the manufacturing for resale of computer software.

24 (vi) "Process of manufacturing" does not mean or include administration operations such  
25 as general office operations, accounting, collection, or sales promotion, nor does it mean or include  
26 distribution operations that occur subsequent to production operations, such as handling, storing,  
27 selling, and transporting the manufactured products, even though the administration and  
28 distribution operations are performed by, or in connection with, a manufacturing business.

29 (8) State and political subdivisions. From the sale to, and from the storage, use, or other  
30 consumption by, this state, any city, town, district, or other political subdivision of this state. Every  
31 redevelopment agency created pursuant to chapter 31 of title 45 is deemed to be a subdivision of  
32 the municipality where it is located.

33 (9) Food and food ingredients. From the sale and storage, use, or other consumption in this  
34 state of food and food ingredients as defined in § 44-18-7.1(l).

1           For the purposes of this exemption “food and food ingredients” shall not include candy,  
2 soft drinks, dietary supplements, alcoholic beverages, tobacco, food sold through vending  
3 machines, or prepared food, as those terms are defined in § 44-18-7.1, unless the prepared food is:

4           (i) Sold by a seller whose primary NAICS classification is manufacturing in sector 311,  
5 except sub-sector 3118 (bakeries);

6           (ii) Sold in an unheated state by weight or volume as a single item;

7           (iii) Bakery items, including: bread, rolls, buns, biscuits, bagels, croissants, pastries,  
8 donuts, danish, cakes, tortes, pies, tarts, muffins, bars, cookies, tortillas; and

9           is not sold with utensils provided by the seller, including: plates, knives, forks, spoons,  
10 glasses, cups, napkins, or straws.

11           (10) Medicines, drugs, and durable medical equipment. From the sale and from the storage,  
12 use, or other consumption in this state, of:

13           (i) “Drugs” as defined in § 44-18-7.1(h)(i), sold on prescriptions, medical oxygen, and  
14 insulin whether or not sold on prescription. For purposes of this exemption drugs shall not include  
15 over-the-counter drugs and grooming and hygiene products as defined in § 44-18-7.1(h)(iii).

16           (ii) Durable medical equipment as defined in § 44-18-7.1(k) for home use only, including,  
17 but not limited to: syringe infusers, ambulatory drug delivery pumps, hospital beds, convalescent  
18 chairs, and chair lifts. Supplies used in connection with syringe infusers and ambulatory drug  
19 delivery pumps that are sold on prescription to individuals to be used by them to dispense or  
20 administer prescription drugs, and related ancillary dressings and supplies used to dispense or  
21 administer prescription drugs, shall also be exempt from tax.

22           (11) Prosthetic devices and mobility enhancing equipment. From the sale and from the  
23 storage, use, or other consumption in this state, of prosthetic devices as defined in § 44-18-7.1(t),  
24 sold on prescription, including, but not limited to: artificial limbs, dentures, spectacles, eyeglasses,  
25 and artificial eyes; artificial hearing devices and hearing aids, whether or not sold on prescription;  
26 and mobility enhancing equipment as defined in § 44-18-7.1(p), including wheelchairs, crutches,  
27 and canes.

28           (12) Coffins, caskets, urns, shrouds and burial garments. From the sale and from the  
29 storage, use, or other consumption in this state of coffins, caskets, burial containers, urns, urn liners,  
30 urn vaults, grave liners, grave vaults, burial tent setups, prayer cards, shrouds, and other burial  
31 garments that are ordinarily sold by a funeral director as part of the business of funeral directing.

32           (13) Motor vehicles sold to nonresidents.

33           (i) From the sale, subsequent to June 30, 1958, of a motor vehicle to a bona fide nonresident  
34 of this state who does not register the motor vehicle in this state, whether the sale or delivery of the

1       motor vehicle is made in this state or at the place of residence of the nonresident. A motor vehicle  
2       sold to a bona fide nonresident whose state of residence does not allow a like exemption to its  
3       nonresidents is not exempt from the tax imposed under § 44-18-20. In that event, the bona fide  
4       nonresident pays a tax to Rhode Island on the sale at a rate equal to the rate that would be imposed  
5       in his or her state of residence not to exceed the rate that would have been imposed under § 44-18-  
6       20. Notwithstanding any other provisions of law, a licensed motor vehicle dealer shall add and  
7       collect the tax required under this subdivision and remit the tax to the tax administrator under the  
8       provisions of chapters 18 and 19 of this title. When a Rhode Island licensed, motor vehicle dealer  
9       is required to add and collect the sales and use tax on the sale of a motor vehicle to a bona fide  
10      nonresident as provided in this section, the dealer in computing the tax takes into consideration the  
11      law of the state of the nonresident as it relates to the trade-in of motor vehicles.

12               (ii) The tax administrator, in addition to the provisions of §§ 44-19-27 and 44-19-28, may  
13       require any licensed motor vehicle dealer to keep records of sales to bona fide nonresidents as the  
14       tax administrator deems reasonably necessary to substantiate the exemption provided in this  
15       subdivision, including the affidavit of a licensed motor vehicle dealer that the purchaser of the  
16       motor vehicle was the holder of, and had in his or her possession a valid out-of-state motor vehicle  
17       registration or a valid out-of-state driver's license.

18               (iii) Any nonresident who registers a motor vehicle in this state within ninety (90) days of  
19       the date of its sale to him or her is deemed to have purchased the motor vehicle for use, storage, or  
20       other consumption in this state, and is subject to, and liable for, the use tax imposed under the  
21       provisions of § 44-18-20.

22               (14) Sales in public buildings by blind people. From the sale and from the storage, use, or  
23       other consumption in all public buildings in this state of all products or wares by any person  
24       licensed under § 40-9-11.1.

25               (15) Air and water pollution control facilities. From the sale, storage, use, or other  
26       consumption in this state of tangible personal property or supplies acquired for incorporation into  
27       or used and consumed in the operation of a facility, the primary purpose of which is to aid in the  
28       control of the pollution or contamination of the waters or air of the state, as defined in chapter 12  
29       of title 46 and chapter 23 of title 23, respectively, and that has been certified as approved for that  
30       purpose by the director of environmental management. The director of environmental management  
31       may certify to a portion of the tangible personal property or supplies acquired for incorporation  
32       into those facilities or used and consumed in the operation of those facilities to the extent that that  
33       portion has as its primary purpose the control of the pollution or contamination of the waters or air  
34       of this state. As used in this subdivision, "facility" means any land, facility, device, building,

1 machinery, or equipment.

2 (16) Camps. From the rental charged for living quarters, or sleeping, or housekeeping  
3 accommodations at camps or retreat houses operated by religious, charitable, educational, or other  
4 organizations and associations mentioned in subsection (5), or by privately owned and operated  
5 summer camps for children.

6 (17) Certain institutions. From the rental charged for living or sleeping quarters in an  
7 institution licensed by the state for the hospitalization, custodial, or nursing care of human beings.

8 (18) Educational institutions. From the rental charged by any educational institution for  
9 living quarters, or sleeping, or housekeeping accommodations or other rooms or accommodations  
10 to any student or teacher necessitated by attendance at an educational institution. "Educational  
11 institution" as used in this section means an institution of learning not operated for profit that is  
12 empowered to confer diplomas, educational, literary, or academic degrees; that has a regular  
13 faculty, curriculum, and organized body of pupils or students in attendance throughout the usual  
14 school year; that keeps and furnishes to students and others records required and accepted for  
15 entrance to schools of secondary, collegiate, or graduate rank; and no part of the net earnings of  
16 which inures to the benefit of any individual.

17 (19) Motor vehicle and adaptive equipment for persons with disabilities.

18 (i) From the sale of: (A) Special adaptations; (B) The component parts of the special  
19 adaptations; or (C) A specially adapted motor vehicle; provided that the owner furnishes to the tax  
20 administrator an affidavit of a licensed physician to the effect that the specially adapted motor  
21 vehicle is necessary to transport a family member with a disability or where the vehicle has been  
22 specially adapted to meet the specific needs of the person with a disability. This exemption applies  
23 to not more than one motor vehicle owned and registered for personal, noncommercial use.

24 (ii) For the purpose of this subsection the term "special adaptations" includes, but is not  
25 limited to: wheelchair lifts, wheelchair carriers, wheelchair ramps, wheelchair securements, hand  
26 controls, steering devices, extensions, relocations, and crossovers of operator controls, power-  
27 assisted controls, raised tops or dropped floors, raised entry doors, or alternative signaling devices  
28 to auditory signals.

29 (iii) From the sale of: (a) Special adaptations, (b) The component parts of the special  
30 adaptations, for a "wheelchair accessible taxicab" as defined in § 39-14-1, and/or a "wheelchair  
31 accessible public motor vehicle" as defined in § 39-14.1-1.

32 (iv) For the purpose of this subdivision the exemption for a "specially adapted motor  
33 vehicle" means a use tax credit not to exceed the amount of use tax that would otherwise be due on  
34 the motor vehicle, exclusive of any adaptations. The use tax credit is equal to the cost of the special

1 adaptations, including installation.

2 (20) Heating fuels. From the sale and from the storage, use, or other consumption in this  
3 state of every type of heating fuel.

4 (21) Electricity and gas. From the sale and from the storage, use, or other consumption in  
5 this state of electricity and gas.

6 (22) Manufacturing machinery and equipment.

7 (i) From the sale and from the storage, use, or other consumption in this state of tools, dies,  
8 molds, machinery, equipment (including replacement parts), and related items to the extent used in  
9 an industrial plant in connection with the actual manufacture, conversion, or processing of tangible  
10 personal property, or to the extent used in connection with the actual manufacture, conversion, or  
11 processing of computer software as that term is utilized in industry numbers 7371, 7372, and 7373  
12 in the standard industrial classification manual prepared by the Technical Committee on Industrial  
13 Classification, Office of Statistical Standards, Executive Office of the President, United States  
14 Bureau of the Budget, as revised from time to time, to be sold, or that machinery and equipment  
15 used in the furnishing of power to an industrial manufacturing plant. For the purposes of this  
16 subdivision, "industrial plant" means a factory at a fixed location primarily engaged in the  
17 manufacture, conversion, or processing of tangible personal property to be sold in the regular  
18 course of business;

19 (ii) Machinery and equipment and related items are not deemed to be used in connection  
20 with the actual manufacture, conversion, or processing of tangible personal property, or in  
21 connection with the actual manufacture, conversion, or processing of computer software as that  
22 term is utilized in industry numbers 7371, 7372, and 7373 in the standard industrial classification  
23 manual prepared by the Technical Committee on Industrial Classification, Office of Statistical  
24 Standards, Executive Office of the President, United States Bureau of the Budget, as revised from  
25 time to time, to be sold to the extent the property is used in administration or distribution operations;

26 (iii) Machinery and equipment and related items used in connection with the actual  
27 manufacture, conversion, or processing of any computer software or any tangible personal property  
28 that is not to be sold and that would be exempt under subdivision (7) or this subdivision if purchased  
29 from a vendor or machinery and equipment and related items used during any manufacturing,  
30 converting, or processing function is exempt under this subdivision even if that operation, function,  
31 or purpose is not an integral or essential part of a continuous production flow or manufacturing  
32 process;

33 (iv) Where a portion of a group of portable or mobile machinery is used in connection with  
34 the actual manufacture, conversion, or processing of computer software or tangible personal

1 property to be sold, as previously defined, that portion, if otherwise qualifying, is exempt under  
2 this subdivision even though the machinery in that group is used interchangeably and not otherwise  
3 identifiable as to use.

4 (23) Trade-in value of motor vehicles. From the sale and from the storage, use, or other  
5 consumption in this state of so much of the purchase price paid for a new or used automobile as is  
6 allocated for a trade-in allowance on the automobile of the buyer given in trade to the seller, or of  
7 the proceeds applicable only to the automobile as are received from the manufacturer of  
8 automobiles for the repurchase of the automobile whether the repurchase was voluntary or not  
9 towards the purchase of a new or used automobile by the buyer. For the purpose of this subdivision,  
10 the word "automobile" means a private passenger automobile not used for hire and does not refer  
11 to any other type of motor vehicle.

12 (24) Precious metal bullion.

13 (i) From the sale and from the storage, use, or other consumption in this state of precious  
14 metal bullion, substantially equivalent to a transaction in securities or commodities.

15 (ii) For purposes of this subdivision, "precious metal bullion" means any elementary  
16 precious metal that has been put through a process of smelting or refining, including, but not limited  
17 to: gold, silver, platinum, rhodium, and chromium, and that is in a state or condition that its value  
18 depends upon its content and not upon its form.

19 (iii) The term does not include fabricated precious metal that has been processed or  
20 manufactured for some one or more specific and customary industrial, professional, or artistic uses.

21 (25) Commercial vessels. From sales made to a commercial ship, barge, or other vessel of  
22 fifty (50) tons burden or over, primarily engaged in interstate or foreign commerce, and from the  
23 repair, alteration, or conversion of the vessels, and from the sale of property purchased for the use  
24 of the vessels including provisions, supplies, and material for the maintenance and/or repair of the  
25 vessels.

26 (26) Commercial fishing vessels. From the sale and from the storage, use, or other  
27 consumption in this state of vessels and other watercraft that are in excess of five (5) net tons and  
28 that are used exclusively for "commercial fishing," as defined in this subdivision, and from the  
29 repair, alteration, or conversion of those vessels and other watercraft, and from the sale of property  
30 purchased for the use of those vessels and other watercraft including provisions, supplies, and  
31 material for the maintenance and/or repair of the vessels and other watercraft and the boats nets,  
32 cables, tackle, and other fishing equipment appurtenant to or used in connection with the  
33 commercial fishing of the vessels and other watercraft. "Commercial fishing" means taking or  
34 attempting to take any fish, shellfish, crustacea, or bait species with the intent of disposing of it for

1 profit or by sale, barter, trade, or in commercial channels. The term does not include subsistence  
2 fishing, i.e., the taking for personal use and not for sale or barter; or sport fishing; but shall include  
3 vessels and other watercraft with a Rhode Island party and charter boat license issued by the  
4 department of environmental management pursuant to § 20-2-27.1 that meet the following criteria:  
5 (i) The operator must have a current United States Coast Guard (U.S.C.G.) license to carry  
6 passengers for hire; (ii) U.S.C.G. vessel documentation in the coast wide fishery trade; (iii)  
7 U.S.C.G. vessel documentation as to proof of Rhode Island home port status or a Rhode Island boat  
8 registration to prove Rhode Island home port status; and (iv) The vessel must be used as a  
9 commercial passenger carrying fishing vessel to carry passengers for fishing. The vessel must be  
10 able to demonstrate that at least fifty percent (50%) of its annual gross income derives from charters  
11 or provides documentation of a minimum of one hundred (100) charter trips annually; and (v) The  
12 vessel must have a valid Rhode Island party and charter boat license. The tax administrator shall  
13 implement the provisions of this subdivision by promulgating rules and regulations relating thereto.

14 (27) Clothing and footwear. From the sales of articles of clothing, including footwear,  
15 intended to be worn or carried on or about the human body for sales prior to October 1, 2012.  
16 Effective October 1, 2012, the exemption will apply to the sales of articles of clothing, including  
17 footwear, intended to be worn or carried on or about the human body up to two hundred and fifty  
18 dollars (\$250) of the sales price per item. For the purposes of this section, "clothing or footwear"  
19 does not include clothing accessories or equipment or special clothing or footwear primarily  
20 designed for athletic activity or protective use as these terms are defined in § 44-18-7.1(f). In  
21 recognition of the work being performed by the streamlined sales and use tax governing board,  
22 upon passage of any federal law that authorizes states to require remote sellers to collect and remit  
23 sales and use taxes, this unlimited exemption will apply as it did prior to October 1, 2012. The  
24 unlimited exemption on sales of clothing and footwear shall take effect on the date that the state  
25 requires remote sellers to collect and remit sales and use taxes.

26 (28) Water for residential use. From the sale and from the storage, use, or other  
27 consumption in this state of water furnished for domestic use by occupants of residential premises.

28 (29) Bibles. [Unconstitutional; see Ahlburn v. Clark, 728 A.2d 449 (R.I. 1999); see Notes  
29 to Decisions.] From the sale and from the storage, use, or other consumption in the state of any  
30 canonized scriptures of any tax-exempt nonprofit religious organization including, but not limited  
31 to, the Old Testament and the New Testament versions.

32 (30) Boats.

33 (i) From the sale of a boat or vessel to a bona fide nonresident of this state who does not  
34 register the boat or vessel in this state or document the boat or vessel with the United States

1 government at a home port within the state, whether the sale or delivery of the boat or vessel is  
2 made in this state or elsewhere; provided, that the nonresident transports the boat within thirty (30)  
3 days after delivery by the seller outside the state for use thereafter solely outside the state.

4 (ii) The tax administrator, in addition to the provisions of §§ 44-19-27 and 44-19-28, may  
5 require the seller of the boat or vessel to keep records of the sales to bona fide nonresidents as the  
6 tax administrator deems reasonably necessary to substantiate the exemption provided in this  
7 subdivision, including the affidavit of the seller that the buyer represented himself or herself to be  
8 a bona fide nonresident of this state and of the buyer that he or she is a nonresident of this state.

9 (31) Youth activities equipment. From the sale, storage, use, or other consumption in this  
10 state of items for not more than twenty dollars (\$20.00) each by nonprofit Rhode Island  
11 eleemosynary organizations, for the purposes of youth activities that the organization is formed to  
12 sponsor and support; and by accredited elementary and secondary schools for the purposes of the  
13 schools or of organized activities of the enrolled students.

14 (32) Farm equipment. From the sale and from the storage or use of machinery and  
15 equipment used directly for commercial farming and agricultural production; including, but not  
16 limited to: tractors, ploughs, harrows, spreaders, seeders, milking machines, silage conveyors,  
17 balers, bulk milk storage tanks, trucks with farm plates, mowers, combines, irrigation equipment,  
18 greenhouses and greenhouse coverings, graders and packaging machines, tools and supplies and  
19 other farming equipment, including replacement parts appurtenant to or used in connection with  
20 commercial farming and tools and supplies used in the repair and maintenance of farming  
21 equipment. "Commercial farming" means the keeping or boarding of five (5) or more horses or the  
22 production within this state of agricultural products, including, but not limited to, field or orchard  
23 crops, livestock, dairy, and poultry, or their products, where the keeping, boarding, or production  
24 provides at least two thousand five hundred dollars (\$2,500) in annual gross sales to the operator,  
25 whether an individual, a group, a partnership, or a corporation for exemptions issued prior to July  
26 1, 2002. For exemptions issued or renewed after July 1, 2002, there shall be two (2) levels. Level I  
27 shall be based on proof of annual, gross sales from commercial farming of at least twenty-five  
28 hundred dollars (\$2,500) and shall be valid for purchases subject to the exemption provided in this  
29 subdivision except for motor vehicles with an excise tax value of five thousand dollars (\$5,000) or  
30 greater. Level II shall be based on proof of annual gross sales from commercial farming of at least  
31 ten thousand dollars (\$10,000) or greater and shall be valid for purchases subject to the exemption  
32 provided in this subdivision including motor vehicles with an excise tax value of five thousand  
33 dollars (\$5,000) or greater. For the initial issuance of the exemptions, proof of the requisite amount  
34 of annual gross sales from commercial farming shall be required for the prior year; for any renewal

1 of an exemption granted in accordance with this subdivision at either level I or level II, proof of  
2 gross annual sales from commercial farming at the requisite amount shall be required for each of  
3 the prior two (2) years. Certificates of exemption issued or renewed after July 1, 2002, shall clearly  
4 indicate the level of the exemption and be valid for four (4) years after the date of issue. This  
5 exemption applies even if the same equipment is used for ancillary uses, or is temporarily used for  
6 a non-farming or a non-agricultural purpose, but shall not apply to motor vehicles acquired after  
7 July 1, 2002, unless the vehicle is a farm vehicle as defined pursuant to § 31-1-8 and is eligible for  
8 registration displaying farm plates as provided for in § 31-3-31.

9 (33) Compressed air. From the sale and from the storage, use, or other consumption in the  
10 state of compressed air.

11 (34) Flags. From the sale and from the storage, consumption, or other use in this state of  
12 United States, Rhode Island or POW-MIA flags.

13 (35) Motor vehicle and adaptive equipment to certain veterans. From the sale of a motor  
14 vehicle and adaptive equipment to and for the use of a veteran with a service-connected loss of or  
15 the loss of use of a leg, foot, hand, or arm, or any veteran who is a double amputee, whether service  
16 connected or not. The motor vehicle must be purchased by and especially equipped for use by the  
17 qualifying veteran. Certificate of exemption or refunds of taxes paid is granted under rules or  
18 regulations that the tax administrator may prescribe.

19 (36) Textbooks. From the sale and from the storage, use, or other consumption in this state  
20 of textbooks by an “educational institution,” as defined in subsection (18) of this section, and any  
21 educational institution within the purview of § 16-63-9(4), and used textbooks by any purveyor.

22 (37) Tangible personal property and supplies used in on-site hazardous waste recycling,  
23 reuse, or treatment. From the sale, storage, use, or other consumption in this state of tangible  
24 personal property or supplies used or consumed in the operation of equipment, the exclusive  
25 function of which is the recycling, reuse, or recovery of materials (other than precious metals, as  
26 defined in subdivision (24)(ii) of this section) from the treatment of “hazardous wastes,” as defined  
27 in § 23-19.1-4, where the “hazardous wastes” are generated in Rhode Island solely by the same  
28 taxpayer and where the personal property is located at, in, or adjacent to a generating facility of the  
29 taxpayer in Rhode Island. The taxpayer shall procure an order from the director of the department  
30 of environmental management certifying that the equipment and/or supplies as used or consumed,  
31 qualify for the exemption under this subdivision. If any information relating to secret processes or  
32 methods of manufacture, production, or treatment is disclosed to the department of environmental  
33 management only to procure an order, and is a “trade secret” as defined in § 28-21-10(b), it is not  
34 open to public inspection or publicly disclosed unless disclosure is required under chapter 21 of

1 title 28 or chapter 24.4 of title 23.

2 (38) Promotional and product literature of boat manufacturers. From the sale and from the  
3 storage, use, or other consumption of promotional and product literature of boat manufacturers  
4 shipped to points outside of Rhode Island that either: (i) Accompany the product that is sold; (ii)  
5 Are shipped in bulk to out-of-state dealers for use in the sale of the product; or (iii) Are mailed to  
6 customers at no charge.

7 (39) Food items paid for by food stamps. From the sale and from the storage, use, or other  
8 consumption in this state of eligible food items payment for which is properly made to the retailer  
9 in the form of U.S. government food stamps issued in accordance with the Food Stamp Act of 1977,  
10 7 U.S.C. § 2011 et seq.

11 (40) Transportation charges. From the sale or hiring of motor carriers as defined in § 39-  
12 12-2(12) to haul goods, when the contract or hiring cost is charged by a motor freight tariff filed  
13 with the Rhode Island public utilities commission on the number of miles driven or by the number  
14 of hours spent on the job.

15 (41) Trade-in value of boats. From the sale and from the storage, use, or other consumption  
16 in this state of so much of the purchase price paid for a new or used boat as is allocated for a trade-  
17 in allowance on the boat of the buyer given in trade to the seller or of the proceeds applicable only  
18 to the boat as are received from an insurance claim as a result of a stolen or damaged boat, towards  
19 the purchase of a new or used boat by the buyer.

20 (42) Equipment used for research and development. From the sale and from the storage,  
21 use, or other consumption of equipment to the extent used for research and development purposes  
22 by a qualifying firm. For the purposes of this subsection, “qualifying firm” means a business for  
23 which the use of research and development equipment is an integral part of its operation and  
24 “equipment” means scientific equipment, computers, software, and related items.

25 (43) Coins. From the sale and from the other consumption in this state of coins having  
26 numismatic or investment value.

27 (44) Farm structure construction materials. Lumber, hardware, and other materials used in  
28 the new construction of farm structures, including production facilities such as, but not limited to:  
29 farrowing sheds, free stall and stanchion barns, milking parlors, silos, poultry barns, laying houses,  
30 fruit and vegetable storages, rooting cellars, propagation rooms, greenhouses, packing rooms,  
31 machinery storage, seasonal farm worker housing, certified farm markets, bunker and trench silos,  
32 feed storage sheds, and any other structures used in connection with commercial farming.

33 (45) Telecommunications carrier access service. Carrier access service or  
34 telecommunications service when purchased by a telecommunications company from another

1       telecommunications company to facilitate the provision of telecommunications service.

2               (46) Boats or vessels brought into the state exclusively for winter storage, maintenance,  
3       repair, or sale. Notwithstanding the provisions of §§ 44-18-10, 44-18-11 and 44-18-20, the tax  
4       imposed by § 44-18-20 is not applicable for the period commencing on the first day of October in  
5       any year up to and including the 30th day of April next succeeding with respect to the use of any  
6       boat or vessel within this state exclusively for purposes of: (i) Delivery of the vessel to a facility in  
7       this state for storage, including dry storage and storage in water by means of apparatus preventing  
8       ice damage to the hull, maintenance, or repair; (ii) The actual process of storage, maintenance, or  
9       repair of the boat or vessel; or (iii) Storage for the purpose of selling the boat or vessel.

10              (47) Jewelry display product. From the sale and from the storage, use, or other consumption  
11       in this state of tangible personal property used to display any jewelry product; provided that title to  
12       the jewelry display product is transferred by the jewelry manufacturer or seller and that the jewelry  
13       display product is shipped out of state for use solely outside the state and is not returned to the  
14       jewelry manufacturer or seller.

15              (48) Boats or vessels generally. Notwithstanding the provisions of this chapter, the tax  
16       imposed by §§ 44-18-20 and 44-18-18 shall not apply with respect to the sale and to the storage,  
17       use, or other consumption in this state of any new or used boat. The exemption provided for in this  
18       subdivision does not apply after October 1, 1993, unless prior to October 1, 1993, the federal ten  
19       percent (10%) surcharge on luxury boats is repealed.

20              (49) Banks and regulated investment companies interstate toll-free calls. Notwithstanding  
21       the provisions of this chapter, the tax imposed by this chapter does not apply to the furnishing of  
22       interstate and international, toll-free terminating telecommunication service that is used directly  
23       and exclusively by or for the benefit of an eligible company as defined in this subdivision; provided  
24       that an eligible company employs on average during the calendar year no less than five hundred  
25       (500) "full-time equivalent employees" as that term is defined in § 42-64.5-2. For purposes of this  
26       section, an "eligible company" means a "regulated investment company" as that term is defined in  
27       the Internal Revenue Code of 1986, 26 U.S.C. § 851, or a corporation to the extent the service is  
28       provided, directly or indirectly, to or on behalf of a regulated investment company, an employee  
29       benefit plan, a retirement plan or a pension plan, or a state-chartered bank.

30              (50) Mobile and manufactured homes generally. From the sale and from the storage, use,  
31       or other consumption in this state of mobile and/or manufactured homes as defined and subject to  
32       taxation pursuant to the provisions of chapter 44 of title 31.

33              (51) Manufacturing business reconstruction materials.

34               (i) From the sale and from the storage, use, or other consumption in this state of lumber,

1 hardware, and other building materials used in the reconstruction of a manufacturing business  
2 facility that suffers a disaster, as defined in this subdivision, in this state. "Disaster" means any  
3 occurrence, natural or otherwise, that results in the destruction of sixty percent (60%) or more of  
4 an operating manufacturing business facility within this state. "Disaster" does not include any  
5 damage resulting from the willful act of the owner of the manufacturing business facility.

6 (ii) Manufacturing business facility includes, but is not limited to, the structures housing  
7 the production and administrative facilities.

8 (iii) In the event a manufacturer has more than one manufacturing site in this state, the sixty  
9 percent (60%) provision applies to the damages suffered at that one site.

10 (iv) To the extent that the costs of the reconstruction materials are reimbursed by insurance,  
11 this exemption does not apply.

12 (52) Tangible personal property and supplies used in the processing or preparation of floral  
13 products and floral arrangements. From the sale, storage, use, or other consumption in this state of  
14 tangible personal property or supplies purchased by florists, garden centers, or other like producers  
15 or vendors of flowers, plants, floral products, and natural and artificial floral arrangements that are  
16 ultimately sold with flowers, plants, floral products, and natural and artificial floral arrangements  
17 or are otherwise used in the decoration, fabrication, creation, processing, or preparation of flowers,  
18 plants, floral products, or natural and artificial floral arrangements, including descriptive labels,  
19 stickers, and cards affixed to the flower, plant, floral product, or arrangement, artificial flowers,  
20 spray materials, floral paint and tint, plant shine, flower food, insecticide, and fertilizers.

21 (53) Horse food products. From the sale and from the storage, use, or other consumption  
22 in this state of horse food products purchased by a person engaged in the business of the boarding  
23 of horses.

24 (54) Non-motorized recreational vehicles sold to nonresidents.

25 (i) From the sale, subsequent to June 30, 2003, of a non-motorized recreational vehicle to  
26 a bona fide nonresident of this state who does not register the non-motorized recreational vehicle  
27 in this state, whether the sale or delivery of the non-motorized recreational vehicle is made in this  
28 state or at the place of residence of the nonresident; provided that a non-motorized recreational  
29 vehicle sold to a bona fide nonresident whose state of residence does not allow a like exemption to  
30 its nonresidents is not exempt from the tax imposed under § 44-18-20; provided, further, that in  
31 that event the bona fide nonresident pays a tax to Rhode Island on the sale at a rate equal to the rate  
32 that would be imposed in his or her state of residence not to exceed the rate that would have been  
33 imposed under § 44-18-20. Notwithstanding any other provisions of law, a licensed, non-motorized  
34 recreational vehicle dealer shall add and collect the tax required under this subdivision and remit

1 the tax to the tax administrator under the provisions of chapters 18 and 19 of this title. Provided,  
2 that when a Rhode Island licensed, non-motorized recreational vehicle dealer is required to add and  
3 collect the sales and use tax on the sale of a non-motorized recreational vehicle to a bona fide  
4 nonresident as provided in this section, the dealer in computing the tax takes into consideration the  
5 law of the state of the nonresident as it relates to the trade-in of motor vehicles.

6 (ii) The tax administrator, in addition to the provisions of §§ 44-19-27 and 44-19-28, may  
7 require any licensed, non-motorized recreational vehicle dealer to keep records of sales to bona fide  
8 nonresidents as the tax administrator deems reasonably necessary to substantiate the exemption  
9 provided in this subdivision, including the affidavit of a licensed, non-motorized recreational  
10 vehicle dealer that the purchaser of the non-motorized recreational vehicle was the holder of, and  
11 had in his or her possession a valid out-of-state non-motorized recreational vehicle registration or  
12 a valid out-of-state driver's license.

13 (iii) Any nonresident who registers a non-motorized recreational vehicle in this state within  
14 ninety (90) days of the date of its sale to him or her is deemed to have purchased the non-motorized  
15 recreational vehicle for use, storage, or other consumption in this state, and is subject to, and liable  
16 for, the use tax imposed under the provisions of § 44-18-20.

17 (iv) "Non-motorized recreational vehicle" means any portable dwelling designed and  
18 constructed to be used as a temporary dwelling for travel, camping, recreational, and vacation use  
19 that is eligible to be registered for highway use, including, but not limited to, "pick-up coaches" or  
20 "pick-up campers," "travel trailers," and "tent trailers" as those terms are defined in chapter 1 of  
21 title 31.

22 (55) Sprinkler and fire alarm systems in existing buildings. From the sale in this state of  
23 sprinkler and fire alarm systems; emergency lighting and alarm systems; and the materials  
24 necessary and attendant to the installation of those systems that are required in buildings and  
25 occupancies existing therein in July 2003 in order to comply with any additional requirements for  
26 such buildings arising directly from the enactment of the Comprehensive Fire Safety Act of 2003  
27 and that are not required by any other provision of law or ordinance or regulation adopted pursuant  
28 to that act. The exemption provided in this subdivision shall expire on December 31, 2008.

29 (56) Aircraft. Notwithstanding the provisions of this chapter, the tax imposed by §§ 44-18-  
30 18 and 44-18-20 shall not apply with respect to the sale and to the storage, use, or other consumption  
31 in this state of any new or used aircraft or aircraft parts.

32 (57) Renewable energy products. Notwithstanding any other provisions of Rhode Island  
33 general laws, the following products shall also be exempt from sales tax: solar photovoltaic  
34 modules or panels, or any module or panel that generates electricity from light; solar thermal

1    collectors, including, but not limited to, those manufactured with flat glass plates, extruded plastic,  
2    sheet metal, and/or evacuated tubes; geothermal heat pumps, including both water-to-water and  
3    water-to-air type pumps; wind turbines; towers used to mount wind turbines if specified by or sold  
4    by a wind turbine manufacturer; DC to AC inverters that interconnect with utility power lines; and  
5    manufactured mounting racks and ballast pans for solar collector, module, or panel installation. Not  
6    to include materials that could be fabricated into such racks; monitoring and control equipment, if  
7    specified or supplied by a manufacturer of solar thermal, solar photovoltaic, geothermal, or wind  
8    energy systems or if required by law or regulation for such systems but not to include pumps, fans  
9    or plumbing or electrical fixtures unless shipped from the manufacturer affixed to, or an integral  
10   part of, another item specified on this list; and solar storage tanks that are part of a solar domestic  
11   hot water system or a solar space heating system. If the tank comes with an external heat exchanger  
12   it shall also be tax exempt, but a standard hot water tank is not exempt from state sales tax.

13               (58) Returned property. The amount charged for property returned by customers upon  
14    rescission of the contract of sale when the entire amount exclusive of handling charges paid for the  
15    property is refunded in either cash or credit, and where the property is returned within one hundred  
16    twenty (120) days from the date of delivery.

17               (59) Dietary supplements. From the sale and from the storage, use, or other consumption  
18    of dietary supplements as defined in § 44-18-7.1(l)(v), sold on prescriptions.

19               (60) Blood. From the sale and from the storage, use, or other consumption of human blood.

20               (61) Agricultural products for human consumption. From the sale and from the storage,  
21    use, or other consumption of livestock and poultry of the kinds of products that ordinarily constitute  
22    food for human consumption and of livestock of the kind the products of which ordinarily constitute  
23    fibers for human use.

24               (62) Diesel emission control technology. From the sale and use of diesel retrofit technology  
25    that is required by § 31-47.3-4.

26               (63) Feed for certain animals used in commercial farming. From the sale of feed for animals  
27    as described in subsection (61) of this section.

28               (64) Alcoholic beverages. From the sale and storage, use, or other consumption in this state  
29    by a Class A licensee of alcoholic beverages, as defined in § 44-18-7.1, excluding beer and malt  
30    beverages; provided, further, notwithstanding § 6-13-1 or any other general or public law to the  
31    contrary, alcoholic beverages, as defined in § 44-18-7.1, shall not be subject to minimum markup.

32               (65) Seeds and plants used to grow food and food ingredients. From the sale, storage, use,  
33    or other consumption in this state of seeds and plants used to grow food and food ingredients as  
34    defined in § 44-18-7.1(l)(i). “Seeds and plants used to grow food and food ingredients” shall not

1 include marijuana seeds or plants.

2 (66) Feminine hygiene products. From the sale and from the storage, use, or other  
3 consumption of tampons, panty liners, menstrual cups, sanitary napkins, and other similar products  
4 the principal use of which is feminine hygiene in connection with the menstrual cycle.

5 (67) "Breast pump collection and storage supplies" means items of tangible personal  
6 property used in conjunction with a breast pump to collect milk expressed from a human breast and  
7 to store collected milk until it is ready for consumption. "Breast pump collection and storage  
8 supplies" include, but are not limited to, breast shields and breast shield connectors; breast pump  
9 tubes and tubing adaptors; breast pump valves and membranes; backflow protectors and backflow  
10 protector adaptors; bottles and bottle caps specific to the operation of the breast pump; breast milk  
11 storage bags; and related items sold as part of a breast pump kit pre-packaged by the breast pump  
12 manufacturer. "Breast pump collection and storage supplies" does not include: bottles and bottle  
13 caps not specific to the operation of the breast pump; breast pump travel bags and other similar  
14 carrying accessories, including ice packs, labels, and other similar products, unless sold as part of  
15 a breast pump kit pre-packed by the breast pump manufacturer; breast pump cleaning supplies,  
16 unless sold as part of a breast pump kit pre-packaged by the breast pump manufacturer; nursing  
17 bras, bra pads, breast shells, and other similar products; and creams, ointments, and other similar  
18 products that relieve breastfeeding-related symptoms or conditions of the breasts or nipples.

19 (68) Trade-in value of motorcycles. From the sale and from the storage, use, or other  
20 consumption in this state of so much of the purchase price paid for a new or used motorcycle as is  
21 allocated for a trade-in allowance on the motorcycle of the buyer given in trade to the seller, or of  
22 the proceeds applicable only to the motorcycle as are received from the manufacturer of  
23 motorcycles for the repurchase of the motorcycle whether the repurchase was voluntary or not  
24 towards the purchase of a new or used motorcycle by the buyer. For the purpose of this subsection,  
25 the word "motorcycle" means a motorcycle not used for hire and does not refer to any other type  
26 of motor vehicle.

27 (69) From the sale and from the storage, use, or other consumption in this state of materials  
28 used in the renovations of affordable rental housing properties.

29 SECTION 3. Chapter 44-30 of the General Laws entitled "Personal Income Tax" is hereby  
30 amended by adding thereto the following section:

31 **44-30-8. Exemption for the sale of deed restricted affordable property.**

32 Any income derived from the sale of residential property that has been issued an occupancy  
33 permit on or after January 1, 1995, after renovations as defined by the U.S. Department of Housing  
34 and Urban Development, and that is encumbered by a covenant recorded in the land records in

1 favor of a governmental unit or the Rhode Island housing and mortgage finance corporation  
2 restricting either or both the rents that may be charged to tenants of the property or the incomes of  
3 the occupants of the property, shall not be subject to any taxation under this title.

4 SECTION 4. Chapter 44-5 of the General Laws entitled "Levy and Assessment of Local  
5 Taxes" is hereby amended by adding thereto the following section:

6 **44-5-91. Tax valuation freeze on newly renovated affordable rental housing**  
7 **properties.**

8 The assessed tax valuation of any residential property that has been issued an occupancy  
9 permit on or after January 1, 1995, after renovations as defined by the U.S. Department of Housing  
10 and Urban Development, and that is encumbered by a covenant recorded in the land records in  
11 favor of a governmental unit or the Rhode Island housing and mortgage finance corporation  
12 restricting either or both the rents that may be charged to tenants of the property or the incomes of  
13 the occupants of the property, shall remain at the most recent assessed tax valuation prior to the  
14 completion of the renovation for ten (10) years following the completion of the renovation.

15 SECTION 5. 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 -- BUSINESS CORPORATION TAX -- AFFORDABLE  
HOUSING TAX CREDIT ACT

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- 1        This act would create an affordable housing business tax credit as well as eliminate sale
- 2        tax on any materials purchased for use in the renovation of affordable rental housing.
- 3        This act would also eliminate the income tax on any income derived from the sale of any
- 4        real property deed restricted as affordable housing and would establish a ten (10)-year freeze on
- 5        the tax valuation of newly renovated affordable rental housing at pre-renovations valuation.
- 6        This act would also provide for the recapture of any tax savings or issued credits if the deed
- 7        restriction is removed from the housing unit.
- 8        This act would take effect upon passage.

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