

2015 -- S 0468

=====  
LC000483  
=====

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY  
JANUARY SESSION, A.D. 2015

—————  
A N A C T  
RELATING TO TAXATION

Introduced By: Senator Adam J. Satchell

Date Introduced: February 27, 2015

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 45-13-1 of the General Laws in Chapter 45-13 entitled "State Aid"  
2 is hereby amended to read as follows:

3 **45-13-1. Apportionment of annual appropriation for state aid.** -- (a) As used in this  
4 chapter, the following words and terms have the following meanings:

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

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

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

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

1 expenses.

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

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

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

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

18 For fiscal year 2004, notwithstanding the provisions of subsection (a), aid calculations  
19 shall be based on a blended rate of ninety percent (90%) of the data from the 1990 census and ten  
20 percent (10%) of the data from the 2000 census. In each of the succeeding nine (9) fiscal years,  
21 the calculations shall be based on a blended rate that increases the percentage of data utilized  
22 from the 2000 census by ten percent (10%) from the previous year and decreases the percentage  
23 of the data utilized from the 1990 census by ten percent (10%) from the previous year.

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

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

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

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

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

34 (5) For the fiscal year ending June 30, 2002, the total amount of aid shall be based upon

1 two and four-tenths percent (2.4%) of total state tax revenues in the reference year.

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

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

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

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

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

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

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

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

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

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

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

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

25 [\(g\) For the fiscal year ending June 30, 2016 and thereafter, the total amount of aid shall](#)  
26 [be based upon three percent \(3%\) of total state tax revenues in the reference year.](#)

27 SECTION 2. Section 44-30-2.6 of the General Laws in Chapter 44-30 entitled "Personal  
28 Income Tax" is hereby amended to read as follows:

29 44-30-2.6. Rhode Island taxable income -- Rate of tax. -- (a) "Rhode Island taxable  
30 income" means federal taxable income as determined under the Internal Revenue Code, 26 U.S.C.  
31 § 1 et seq., not including the increase in the basic standard deduction amount for married couples  
32 filing joint returns as provided in the Jobs and Growth Tax Relief Reconciliation Act of 2003 and  
33 the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), and as modified by  
34 the modifications in § 44-30-12.

1 (b) Notwithstanding the provisions of §§ 44-30-1 and 44-30-2, for tax years beginning on  
2 or after January 1, 2001, a Rhode Island personal income tax is imposed upon the Rhode Island  
3 taxable income of residents and nonresidents, including estates and trusts, at the rate of twenty-  
4 five and one-half percent (25.5%) for tax year 2001, and twenty-five percent (25%) for tax year  
5 2002 and thereafter of the federal income tax rates, including capital gains rates and any other  
6 special rates for other types of income and an additional two percent (2%) for all income over two  
7 hundred fifty thousand dollars (\$250,000) in addition to rates imposed in this section, except as  
8 provided in § 44-30-2.7, which were in effect immediately prior to enactment of the Economic  
9 Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA); provided, rate schedules shall be  
10 adjusted for inflation by the tax administrator beginning in taxable year 2002 and thereafter in the  
11 manner prescribed for adjustment by the commissioner of Internal Revenue in 26 U.S.C. § 1(f).  
12 However, for tax years beginning on or after January 1, 2006, a taxpayer may elect to use the  
13 alternative flat tax rate provided in § 44-30-2.10 to calculate his or her personal income tax  
14 liability.

15 (c) For tax years beginning on or after January 1, 2001, if a taxpayer has an alternative  
16 minimum tax for federal tax purposes, the taxpayer shall determine if he or she has a Rhode  
17 Island alternative minimum tax. The Rhode Island alternative minimum tax shall be computed by  
18 multiplying the federal tentative minimum tax without allowing for the increased exemptions  
19 under the Jobs and Growth Tax Relief Reconciliation Act of 2003 (as redetermined on federal  
20 form 6251 Alternative Minimum Tax-Individuals) by twenty-five and one-half percent (25.5%)  
21 for tax year 2001, and twenty-five percent (25%) for tax year 2002 and thereafter, and comparing  
22 the product to the Rhode Island tax as computed otherwise under this section. The excess shall be  
23 the taxpayer's Rhode Island alternative minimum tax.

24 (1) For tax years beginning on or after January 1, 2005 and thereafter the exemption  
25 amount for alternative minimum tax, for Rhode Island purposes, shall be adjusted for inflation by  
26 the tax administrator in the manner prescribed for adjustment by the commissioner of Internal  
27 Revenue in 26 U.S.C. § 1(f).

28 (2) For the period January 1, 2007 through December 31, 2007, and thereafter, Rhode  
29 Island taxable income shall be determined by deducting from federal adjusted gross income as  
30 defined in 26 U.S.C. § 62 as modified by the modifications in § 44-30-12 the Rhode Island  
31 itemized deduction amount and the Rhode Island exemption amount as determined in this section.

32 (A) Tax imposed.

33 (1) There is hereby imposed on the taxable income of married individuals filing joint  
34 returns and surviving spouses a tax determined in accordance with the following table:

1	If taxable income is:	The tax is:
2	Not over \$53,150	3.75% of taxable income
3	Over \$53,150 but not over \$128,500	\$1,993.13 plus 7.00% of the excess over \$53,150
4	Over \$128,500 but not over \$195,850	\$7,267.63 plus 7.75% of the excess over \$128,500
5	Over \$195,850 but not over \$349,700	\$12,487.25 plus 9.00% of the excess over \$195,850
6	Over \$349,700	\$26,333.75 plus 9.90% of the excess over \$349,700

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

9	If taxable income is:	The tax is:
10	Not over \$42,650	3.75% of taxable income
11	Over \$42,650 but not over \$110,100	\$1,599.38 plus 7.00% of the excess over \$42,650
12	Over \$110,100 but not over \$178,350	\$6,320.88 plus 7.75% of the excess over \$110,100
13	Over \$178,350 but not over \$349,700	\$11,610.25 plus 9.00% of the excess over \$178,350
14	Over \$349,700	\$27,031.75 plus 9.90% of the excess over \$349,700

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

18	If taxable income is:	The tax is:
19	Not over \$31,850	3.75% of taxable income
20	Over \$31,850 but not over \$77,100	\$1,194.38 plus 7.00% of the excess over \$31,850
21	Over \$77,100 but not over \$160,850	\$4,361.88 plus 7.75% of the excess over \$77,100
22	Over \$160,850 but not over \$349,700	\$10,852.50 plus 9.00% of the excess over \$160,850
23	Over \$349,700	\$27,849.00 plus 9.90% of the excess over \$349,700

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

26	If taxable income is:	The tax is:
27	Not over \$26,575	3.75% of taxable income
28	Over \$26,575 but not over \$64,250	\$996.56 plus 7.00% of the excess over \$26,575
29	Over \$64,250 but not over \$97,925	\$3,633.81 plus 7.75% of the excess over \$64,250
30	Over \$97,925 but not over \$174,850	\$6,243.63 plus 9.00% of the excess over \$97,925
31	Over \$174,850	\$13,166.88 plus 9.90% of the excess over \$174,850

32 (5) There is hereby imposed a taxable income of an estate or trust a tax determined in  
33 accordance with the following table:

34	If taxable income is:	The tax is:
----	-----------------------	-------------

1	Not over \$2,150	3.75% of taxable income
2	Over \$2,150 but not over \$5,000	\$80.63 plus 7.00% of the excess over \$2,150
3	Over \$5,000 but not over \$7,650	\$280.13 plus 7.75% of the excess over \$5,000
4	Over \$7,650 but not over \$10,450	\$485.50 plus 9.00% of the excess over \$7,650
5	Over \$10,450	\$737.50 plus 9.90% of the excess over \$10,450

6 (6) Adjustments for inflation. The dollars amount contained in paragraph (A) shall be  
7 increased by an amount equal to:

- 8 (a) Such dollar amount contained in paragraph (A) in the year 1993, multiplied by;
- 9 (b) The cost-of-living adjustment determined under section (J) with a base year of 1993;
- 10 (c) The cost-of-living adjustment referred to in subparagraph (a) and (b) used in making  
11 adjustments to the nine percent (9%) and nine and nine tenths percent (9.9%) dollar amounts shall  
12 be determined under section (J) by substituting "1994" for "1993."

13 (B) Maximum capital gains rates

14 (1) In general If a taxpayer has a net capital gain for tax years ending prior to January 1,  
15 2010, the tax imposed by this section for such taxable year shall not exceed the sum of:

- 16 (a) 2.5 % of the net capital gain as reported for federal income tax purposes under section  
17 26 U.S.C. 1(h)(1)(a) and 26 U.S.C. 1(h)(1)(b).
- 18 (b) 5% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.  
19 1(h)(1)(c).
- 20 (c) 6.25% of the net capital gain as reported for federal income tax purposes under 26  
21 U.S.C. 1(h)(1)(d).
- 22 (d) 7% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.  
23 1(h)(1)(e).

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

26 (C) Itemized deductions.

27 (1) In general

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

30 (2) Individuals who do not itemize their deductions In the case of an individual who does  
31 not elect to itemize his deductions for the taxable year, they may elect to take a standard  
32 deduction.

33 (3) Basic standard deduction. The Rhode Island standard deduction shall be allowed in  
34 accordance with the following table:

1	Filing status	Amount
2	Single	\$5,350
3	Married filing jointly or qualifying widow(er)	\$8,900
4	Married filing separately	\$4,450
5	Head of Household	\$7,850

6 (4) Additional standard deduction for the aged and blind. An additional standard  
7 deduction shall be allowed for individuals age sixty-five (65) or older or blind in the amount of  
8 \$1,300 for individuals who are not married and \$1,050 for individuals who are married.

9 (5) Limitation on basic standard deduction in the case of certain dependents. In the case  
10 of an individual to whom a deduction under section (E) is allowable to another taxpayer, the basic  
11 standard deduction applicable to such individual shall not exceed the greater of:

12 (a) \$850;

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

14 (6) Certain individuals not eligible for standard deduction. In the case of:

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

16 (b) Nonresident alien individual;

17 (c) An estate or trust;

18 The standard deduction shall be zero.

19 (7) Adjustments for inflation. Each dollars amount contained in paragraphs (3), (4) and  
20 (5) shall be increased by an amount equal to:

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

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

24 (D) Overall limitation on itemized deductions

25 (1) General rule.

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

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

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

33 (2) Applicable amount.

34 (a) In general.

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

3 (b) Adjustments for inflation. Each dollar amount contained in paragraph (a) shall be  
4 increased by an amount equal to:

- 5 (i) Such dollar amount contained in paragraph (a) in the year 1991, multiplied by
- 6 (ii) The cost-of-living adjustment determined under section (J) with a base year of 1991.
- 7 (3) Phase-out of Limitation.

8 (a) In general.

9 In the case of taxable year beginning after December 31, 2005, and before January 1,  
10 2010, the reduction under section (1) shall be equal to the applicable fraction of the amount which  
11 would be the amount of such reduction.

12 (b) Applicable fraction. For purposes of paragraph (a), the applicable fraction shall be  
13 determined in accordance with the following table:

14 For taxable years beginning in calendar year	The applicable fraction is
15 2006 and 2007	2/3
16 2008 and 2009	1/3

17 (E) Exemption amount

18 (1) In general.

19 Except as otherwise provided in this subsection, the term "exemption amount" mean  
20 \$3,400.

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

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

25 (3) Adjustments for inflation.

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

- 27 (a) Such dollar amount contained in paragraph (1) in the year 1989, multiplied by
- 28 (b) The cost-of-living adjustment determined under section (J) with a base year of 1989.
- 29 (4) Limitation.

30 (a) In general.

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

33 (b) Applicable percentage. In the case of any taxpayer whose adjusted gross income for  
34 the taxable year exceeds the threshold amount, the exemption amount shall be reduced by two (2)



1 percentage points for each \$2,500 (or fraction thereof) by which the taxpayer's adjusted gross  
 2 income for the taxable year exceeds the threshold amount. In the case of a married individual  
 3 filing a separate return, the preceding sentence shall be applied by substituting "\$1,250" for  
 4 "\$2,500." In no event shall the applicable percentage exceed one hundred percent (100%).

5 (c) Threshold Amount. For the purposes of this paragraph, the term "threshold amount"  
 6 shall be determined with the following table:

7 Filing status	Amount
8 Single	\$156,400
9 Married filing jointly of qualifying widow(er)	\$234,600
10 Married filing separately	\$117,300
11 Head of Household	\$195,500

12 (d) Adjustments for inflation.

13 Each dollars amount contain in paragraph (b) shall be increased by an amount equal to:

- 14 (i) Such dollar amount contained in paragraph (b) in the year 1991, multiplied by
- 15 (ii) The cost-of-living adjustment determined under section (J) with a base year of 1991.

16 (5) Phase-out of Limitation.

17 (a) In general.

18 In the case of taxable years beginning after December 31, 2005, and before January 1,  
 19 2010, the reduction under section 4 shall be equal to the applicable fraction of the amount which  
 20 would be the amount of such reduction.

21 (b) Applicable fraction. For the purposes of paragraph (a), the applicable fraction shall  
 22 be determined in accordance with the following table:

23 For taxable years beginning in calendar year	The applicable fraction is
24 2006 and 2007	2/3
25 2008 and 2009	1/3

26 (F) Alternative minimum tax

27 (1) General rule. - There is hereby imposed (in addition to any other tax imposed by this  
 28 subtitle) a tax equal to the excess (if any) of:

- 29 (a) The tentative minimum tax for the taxable year, over
- 30 (b) The regular tax for the taxable year.

31 (2) The tentative minimum tax for the taxable year is the sum of:

- 32 (a) 6.5 percent of so much of the taxable excess as does not exceed \$175,000, plus
- 33 (b) 7.0 percent of so much of the taxable excess above \$175,000.

34 (3) The amount determined under the preceding sentence shall be reduced by the

1 alternative minimum tax foreign tax credit for the taxable year.

2 (4) Taxable excess. - For the purposes of this subsection the term "taxable excess" means  
3 so much of the federal alternative minimum taxable income as modified by the modifications in §  
4 44-30-12 as exceeds the exemption amount.

5 (5) In the case of a married individual filing a separate return, subparagraph (2) shall be  
6 applied by substituting "\$87,500" for \$175,000 each place it appears.

7 (6) Exemption amount. For purposes of this section "exemption amount" means:

8 Filing status	Amount
9 Single	\$39,150
10 Married filing jointly or qualifying widow(er)	\$53,700
11 Married filing separately	\$26,850
12 Head of Household	\$39,150
13 Estate or trust	\$24,650

14 (7) Treatment of unearned income of minor children

15 (a) In general.

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

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

19 (ii) \$6,000.

20 (8) Adjustments for inflation.

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

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

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

26 (9) Phase-out.

27 (a) In general.

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

31 (b) Threshold amount. For purposes of this paragraph, the term "threshold amount" shall  
32 be determined with the following table:

33 Filing status	Amount
34 Single	\$123,250

1	Married filing jointly or qualifying widow(er)	\$164,350
2	Married filing separately	\$82,175
3	Head of Household	\$123,250
4	Estate or Trust	\$82,150

5 (c) Adjustments for inflation

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

- 7 (i) Such dollar amount contained in paragraph (9) in the year 2004, multiplied by
- 8 (ii) The cost-of-living adjustment determined under section (J) with a base year of 2004.

9 (G) Other Rhode Island taxes

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

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

16 (H) Tax for children under 18 with investment income

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

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

19 (I) Averaging of farm income

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

- 22 (a) The Federal averaging of farm income as determined in IRC section 1301.

23 (J) Cost-of-living adjustment

24 (1) In general.

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

- 26 (a) The CPI for the preceding calendar year exceeds
- 27 (b) The CPI for the base year.

28 (2) CPI for any calendar year. For purposes of paragraph (1), the CPI for any calendar  
29 year is the average of the Consumer Price Index as of the close of the twelve (12) month period  
30 ending on August 31 of such calendar year.

31 (3) Consumer Price Index

32 For purposes of paragraph (2), the term "consumer price index" means the last consumer  
33 price index for all urban consumers published by the department of labor. For purposes of the  
34 preceding sentence, the revision of the consumer price index which is most consistent with the

1 consumer price index for calendar year 1986 shall be used.

2 (4) Rounding.

3 (a) In general.

4 If any increase determined under paragraph (1) is not a multiple of \$50, such increase  
5 shall be rounded to the next lowest multiple of \$50.

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

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

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

12 (2) Child and dependent care credit;

13 (3) General business credits;

14 (4) Credit for elderly or the disabled;

15 (5) Credit for prior year minimum tax;

16 (6) Mortgage interest credit;

17 (7) Empowerment zone employment credit;

18 (8) Qualified electric vehicle credit.

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

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

30 (N) Rhode Island earned income credit

31 (1) In general.

32 A taxpayer entitled to a federal earned income credit shall be allowed a Rhode Island  
33 earned income credit equal to ten percent (10%) of the federal earned income credit. Such credit  
34 shall not exceed the amount of the Rhode Island income tax.

1 (2) Refundable portion. In the event the Rhode Island earned income credit allowed  
 2 under section (J) exceeds the amount of Rhode Island income tax, a refundable earned income  
 3 credit shall be allowed.

4 (a) For purposes of paragraph (2) refundable earned income credit means one hundred  
 5 percent (100%) of the amount by which the Rhode Island earned income credit exceeds the  
 6 Rhode Island income tax.

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

10 (3) For the period January 1, ~~2011~~ 2016 through December 31, ~~2011~~ 2016, and thereafter,  
 11 "Rhode Island taxable income" means federal adjusted gross income as determined under the  
 12 Internal Revenue Code, 26 U.S.C. 1 et seq., and as modified for Rhode Island purposes pursuant  
 13 to § 44-30-12 less the amount of Rhode Island Basic Standard Deduction allowed pursuant to  
 14 subparagraph 44-30-2.6(c)(3)(B), and less the amount of personal exemption allowed pursuant of  
 15 subparagraph 44-30-2.6(c)(3)(C).

16 (A) Tax imposed.

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

RI Taxable Income		RI Income Tax		
Over	But not Over	Pay	+ % On Excess	On The Amount Over
22 \$0 -	\$55,000	\$0	+ 3.75%	\$0
24 55,000 -	125,000	2,063	+ 4.75%	55,000
25 125,000 -	<u>250,000</u>	5,388	+ 5.99%	125,000
26 <u>250,000 -</u>		<u>12,857</u>	<u>+ 7.99%</u>	<u>250,000</u>

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

RI Taxable Income		RI Income Tax		
Over	But not Over	Pay	+ % On Excess	On The Amount Over
30 \$0 -	\$2,230	\$0	+ 3.75%	\$0
32 2,230 -	7,022	84	+ 4.75%	2,230
33 7,022 -		312	+ 5.99%	7,022

34 (B) Deductions:

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

3 Filing status:	Amount
4 Single	\$7,500
5 Married filing jointly or qualifying widow(er)	\$15,000
6 Married filing separately	\$7,500
7 Head of Household	\$11,250

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

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

16 (C) Exemption Amount:

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

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

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

30 (E) Adjustment for inflation. - The dollar amount contained in subparagraphs 44-30-  
31 2.6(c)(3)(A), 44-30-2.6(c)(3)(B) and 44-30-2.6(c)(3)(C) shall be increased annually by an amount  
32 equal to:

33 (I) Such dollar amount contained in subparagraphs 44-30-2.6(c)(3)(A), 44-30-  
34 2.6(c)(3)(B) and 44-30-2.6(c)(3)(C) adjusted for inflation using a base tax year of 2000,

1 multiplied by;

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

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

8 (IV) For the purpose of this section the term "consumer price index" means the last  
9 consumer price index for all urban consumers published by the department of labor. For the  
10 purpose of this section the revision of the consumer price index which is most consistent with the  
11 consumer price index for calendar year 1986 shall be used.

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

17 (E) Credits against tax.

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

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

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

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

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

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

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

33 (g) Child and Dependent Care: Credit shall be allowed for twenty-five percent (25%) of  
34 the federal child and dependent care credit allowable for the taxable year for federal purposes;

1 provided, however, such credit shall not exceed the Rhode Island tax liability.

2 (h) Tax credits for contributions to Scholarship Organizations: Credit shall be allowed for  
3 contributions to scholarship organizations as provided in § 44-62 et seq.

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

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

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

=====  
LC000483  
=====



EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
A N A C T  
RELATING TO TAXATION

\*\*\*

1           This act would provide for revenue sharing with municipalities commencing in fiscal  
2 year 2016, based upon three percent (3%) of total state tax revenues. It would also impose a two  
3 percent (2%) tax increase on personal income over two hundred fifty thousand dollars (\$250,000)  
4 commencing January 1, 2016.

5           This act would take effect upon passage.

=====  
LC000483  
=====