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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2012

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A N A C T

RELATING TO TAXATION -- PERSONAL INCOME TAX

Introduced By: Representatives Guthrie, Bennett, Cimini, Tanzi, and Hull

Date Introduced: February 02, 2012

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-30-2.6 of the General Laws in Chapter 44-30 entitled "Personal
2 Income Tax" is hereby amended to read as follows:

3 **44-30-2.6. Rhode Island taxable income -- Rate of tax.** -- (a) "Rhode Island taxable
4 income" means federal taxable income as determined under the Internal Revenue Code, 26 U.S.C.
5 section 1 et seq., not including the increase in the basic standard deduction amount for married
6 couples filing joint returns as provided in the Jobs and Growth Tax Relief Reconciliation Act of
7 2003 and the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), and as
8 modified by the modifications in section 44-30-12.

9 (b) Notwithstanding the provisions of sections 44-30-1 and 44-30-2, for tax years
10 beginning on or after January 1, 2001, a Rhode Island personal income tax is imposed upon the
11 Rhode Island taxable income of residents and nonresidents, including estates and trusts, at the rate
12 of twenty-five and one-half percent (25.5%) for tax year 2001, and twenty-five percent (25%) for
13 tax year 2002 and thereafter of the federal income tax rates, including capital gains rates and any
14 other special rates for other types of income and an additional one percent (1%) for all income
15 over two hundred fifty thousand dollars (\$250,000) in addition to rates imposed in this section,
16 except as provided in section 44-30-2.7, which were in effect immediately prior to enactment of
17 the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA); provided, rate
18 schedules shall be adjusted for inflation by the tax administrator beginning in taxable year 2002
19 and thereafter in the manner prescribed for adjustment by the commissioner of Internal Revenue

1 in 26 U.S.C. section 1(f). However, for tax years beginning on or after January 1, 2006, a
2 taxpayer may elect to use the alternative flat tax rate provided in section 44-30-2.10 to calculate
3 his or her personal income tax liability.

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

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

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

22 (A) Tax imposed.

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

| 25 If taxable income is: | The tax is: |
|--|---|
| 26 Not over \$53,150 | 3.75% of taxable income |
| 27 Over \$53,150 but not over \$128,500 | \$1,993.13 plus 7.00% of the excess over \$53,150 |
| 28 Over \$128,500 but not over \$195,850 | \$7,267.63 plus 7.75% of the excess over \$128,500 |
| 29 Over \$195,850 but not over \$349,700 | \$12,487.25 plus 9.00% of the excess over \$195,850 |
| 30 Over \$349,700 | \$26,333.75 plus 9.90% of the excess over \$349,700 |

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

| 33 If taxable income is: | The tax is: |
|--------------------------|-------------------------|
| 34 Not over \$42,650 | 3.75% of taxable income |

| | | |
|---|---------------------------------------|---|
| 1 | Over \$42,650 but not over \$110,100 | \$1,599.38 plus 7.00% of the excess over \$42,650 |
| 2 | Over \$110,100 but not over \$178,350 | \$6,320.88 plus 7.75% of the excess over \$110,100 |
| 3 | Over \$178,350 but not over \$349,700 | \$11,610.25 plus 9.00% of the excess over \$178,350 |
| 4 | Over \$349,700 | \$27,031.75 plus 9.90% of the excess over \$349,700 |

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

| 8 | If taxable income is: | The tax is: |
|----|---------------------------------------|---|
| 9 | Not over \$31,850 | 3.75% of taxable income |
| 10 | Over \$31,850 but not over \$77,100 | \$1,194.38 plus 7.00% of the excess over \$31,850 |
| 11 | Over \$77,100 but not over \$160,850 | \$4,361.88 plus 7.75% of the excess over \$77,100 |
| 12 | Over \$160,850 but not over \$349,700 | \$10,852.50 plus 9.00% of the excess over \$160,850 |
| 13 | Over \$349,700 | \$27,849.00 plus 9.90% of the excess over \$349,700 |

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

| 16 | If taxable income is: | The tax is: |
|----|--------------------------------------|---|
| 17 | Not over \$26,575 | 3.75% of taxable income |
| 18 | Over \$26,575 but not over \$64,250 | \$996.56 plus 7.00% of the excess over \$26,575 |
| 19 | Over \$64,250 but not over \$97,925 | \$3,633.81 plus 7.75% of the excess over \$64,250 |
| 20 | Over \$97,925 but not over \$174,850 | \$6,243.63 plus 9.00% of the excess over \$97,925 |
| 21 | Over \$174,850 | 13,166.88 plus 9.90% of the excess over \$174,850 |

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

| 24 | If taxable income is: | The tax is: |
|----|------------------------------------|---|
| 25 | Not over \$2,150 | 3.75% of taxable income |
| 26 | Over \$2,150 but not over \$5,000 | \$80.63 plus 7.00% of the excess over \$2,150 |
| 27 | Over \$5,000 but not over \$7,650 | \$280.13 plus 7.75% of the excess over \$5,000 |
| 28 | Over \$7,650 but not over \$10,450 | \$485.50 plus 9.00% of the excess over \$7,650 |
| 29 | Over \$10,450 | \$737.50 plus 9.90% of the excess over \$10,450 |

30 (6) Adjustments for inflation.

31 The dollars amount contained in paragraph (A) shall be increased by an amount equal to:

32 (a) Such dollar amount contained in paragraph (A) in the year 1993, multiplied by;

33 (b) The cost-of-living adjustment determined under section (J) with a base year of 1993;

34 (c) The cost-of-living adjustment referred to in subparagraph (a) and (b) used in making

1 adjustments to the nine percent (9%) and nine and nine tenths percent (9.9%) dollar amounts shall
2 be determined under section (J) by substituting "1994" for "1993."

3 (B) Maximum capital gains rates

4 (1) In general

5 If a taxpayer has a net capital gain for tax years ending prior to January 1, 2010, the tax
6 imposed by this section for such taxable year shall not exceed the sum of:

7 (a) 2.5 % of the net capital gain as reported for federal income tax purposes under section
8 26 U.S.C. 1(h)(1)(a) and 26 U.S.C. 1(h)(1)(b).

9 (b) 5% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.
10 1(h)(1)(c).

11 (c) 6.25% of the net capital gain as reported for federal income tax purposes under 26
12 U.S.C. 1(h)(1)(d).

13 (d) 7% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.
14 1(h)(1)(e).

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

17 (C) Itemized deductions.

18 (1) In general

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

21 (2) Individuals who do not itemize their deductions

22 In the case of an individual who does not elect to itemize his deductions for the taxable
23 year, they may elect to take a standard deduction.

24 (3) Basic standard deduction.

25 The Rhode Island standard deduction shall be allowed in accordance with the following
26 table:

| 27 Filing status: | Amount: |
|---|---------|
| 28 Single | \$5,350 |
| 29 Married filing jointly or qualifying widow(er) | \$8,900 |
| 30 Married filing separately | \$4,450 |
| 31 Head of Household | \$7,850 |

32 (4) Additional standard deduction for the aged and blind.

33 An additional standard deduction shall be allowed for individuals age sixty-five (65) or
34 older or blind in the amount of \$1,300 for individuals who are not married and \$1,050 for

1 individuals who are married.

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

- 5 (a) \$850;
- 6 (b) The sum of \$300 and such individual's earned income;
- 7 (6) Certain individuals not eligible for standard deduction.

8 In the case of:

- 9 (a) A married individual filing a separate return where either spouse itemizes deductions;
- 10 (b) Nonresident alien individual;
- 11 (c) An estate or trust;

12 The standard deduction shall be zero.

13 (7) Adjustments for inflation.

14 Each dollars amount contained in paragraphs (3), (4) and (5) shall be increased by an
15 amount equal to:

- 16 (a) Such dollar amount contained in paragraphs (3), (4) and (5) in the year 1988,
17 multiplied by
- 18 (b) The cost-of-living adjustment determined under section (J) with a base year of 1988.
- 19 (D) Overall limitation on itemized deductions
- 20 (1) General rule.

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

- 24 (a) Three percent (3%) of the excess of adjusted gross income as modified by section 44-
25 30-12 over the applicable amount; or
- 26 (b) Eighty percent (80%) of the amount of the itemized deductions otherwise allowable
27 for such taxable year.

28 (2) Applicable amount.

29 (a) In general.

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

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

- 34 (i) Such dollar amount contained in paragraph (a) in the year 1991, multiplied by

1 (ii) The cost-of-living adjustment determined under section (J) with a base year of 1991.

2 (3) Phase-out of Limitation.

3 (a) In general.

4 In the case of taxable year beginning after December 31, 2005, and before January 1,
5 2010, the reduction under section (1) shall be equal to the applicable fraction of the amount which
6 would be the amount of such reduction.

7 (b) Applicable fraction.

8 For purposes of paragraph (a), the applicable fraction shall be determined in accordance
9 with the following table:

10 For taxable years beginning in calendar year: The applicable fraction is:

11 2006 and 2007 2/3

12 2008 and 2009 1/3

13 (E) Exemption amount

14 (1) In general.

15 Except as otherwise provided in this subsection, the term "exemption amount" mean
16 \$3,400.

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

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

21 (3) Adjustments for inflation.

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

23 (a) Such dollar amount contained in paragraph (1) in the year 1989, multiplied by

24 (b) The cost-of-living adjustment determined under section (J) with a base year of 1989.

25 (4) Limitation.

26 (a) In general.

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

29 (b) Applicable percentage. In the case of any taxpayer whose adjusted gross income for
30 the taxable year exceeds the threshold amount, the exemption amount shall be reduced by two (2)
31 percentage points for each \$2,500 (or fraction thereof) by which the taxpayer's adjusted gross
32 income for the taxable year exceeds the threshold amount. In the case of a married individual
33 filing a separate return, the preceding sentence shall be applied by substituting "\$1,250" for
34 "\$2,500." In no event shall the applicable percentage exceed one hundred percent (100%).

1 (c) Threshold Amount.

2 For the purposes of this paragraph, the term "threshold amount" shall be determined with
3 the following table:

| 4 Filing status: | Amount: |
|--|-----------|
| 5 Single | \$156,400 |
| 6 Married filing jointly of qualifying widow(er) | \$234,600 |
| 7 Married filing separately..... | \$117,300 |
| 8 Head of Household | \$195,500 |

9 (d) Adjustments for inflation.

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

11 Such dollar amount contained in paragraph (b) in the year 1991, multiplied by

12 (ii) The cost-of-living adjustment determined under section (J) with a base year of 1991.

13 (5) Phase-out of Limitation.

14 (a) In general.

15 In the case of taxable years beginning after December 31, 2005, and before January 1,
16 2010, the reduction under section 4 shall be equal to the applicable fraction of the amount which
17 would be the amount of such reduction.

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

20 For taxable years beginning in calendar year: The applicable fraction is:

| | |
|------------------------|-----|
| 21 2006 and 2007 | 2/3 |
| 22 2008 and 2009 | 1/3 |

23 (F) Alternative minimum tax

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

26 (a) The tentative minimum tax for the taxable year, over

27 (b) The regular tax for the taxable year.

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

29 (a) 6.5 percent of so much of the taxable excess as does not exceed \$175,000, plus

30 (b) 7.0 percent of so much of the taxable excess above \$175,000.

31 (3) The amount determined under the preceding sentence shall be reduced by the
32 alternative minimum tax foreign tax credit for the taxable year.

33 (4) Taxable excess. - For the purposes of this subsection the term "taxable excess" means
34 so much of the federal alternative minimum taxable income as modified by the modifications in

1 section 44-30-12 as exceeds the exemption amount.

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

4 (6) Exemption amount.

5 For purposes of this section "exemption amount" means:

| 6 Filing status: | Amount: |
|--|----------|
| 7 Single | \$39,150 |
| 8 Married filing jointly of qualifying widow(er) | \$53,700 |
| 9 Married filing separately | \$26,850 |
| 10 Head of Household | \$39,150 |
| 11 Estate or trust | \$24,650 |

12 (7) Treatment of unearned income of minor children

13 (a) In general.

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

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

17 (ii) \$6,000.

18 (8) Adjustments for inflation.

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

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

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

24 (9) Phase-out.

25 (a) In general.

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

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

| 31 Filing status | Amount |
|---|-----------|
| 32 Single | \$123,250 |
| 33 Married filing jointly or qualifying widow(er) | \$164,350 |
| 34 Married filing separately | \$82,175 |

1 Head of Household \$123,250
2 Estate or Trust..... \$82,150

3 (c) Adjustments for inflation

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

5 (i) Such dollar amount contained in paragraph (9) in the year 2004, multiplied by

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

7 (G) Other Rhode Island taxes

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

10 (a) The Federal income tax on lump-sum distributions.

11 (b) The Federal income tax on parents' election to report child's interest and dividends.

12 (c) The recapture of Federal tax credits that were previously claimed on Rhode Island
13 return.

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

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

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

17 (I) Averaging of farm income

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

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

21 (J) Cost-of-living adjustment

22 (1) In general.

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

24 (a) The CPI for the preceding calendar year exceeds (b) The CPI for the base year.

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

28 (3) Consumer Price Index

29 For purposes of paragraph (2), the term "consumer price index" means the last consumer
30 price index for all urban consumers published by the department of labor. For purposes of the
31 preceding sentence, the revision of the consumer price index which is most consistent with the
32 consumer price index for calendar year 1986 shall be used.

33 (4) Rounding.

34 (a) In general.

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

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

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

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

9 (2) Child and dependent care credit;

10 (3) General business credits;

11 (4) Credit for elderly or the disabled;

12 (5) Credit for prior year minimum tax;

13 (6) Mortgage interest credit;

14 (7) Empowerment zone employment credit;

15 (8) Qualified electric vehicle credit.

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

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

27 (N) Rhode Island earned income credit

28 (1) In general.

29 A taxpayer entitled to a federal earned income credit shall be allowed a Rhode Island
30 earned income credit equal to twenty-five percent (25%) of the federal earned income credit.
31 Such credit shall not exceed the amount of the Rhode Island income tax.

32 (2) Refundable portion.

33 In the event the Rhode Island earned income credit allowed under section (J) exceeds the
34 amount of Rhode Island income tax, a refundable earned income credit shall be allowed.

1 (a) For purposes of paragraph (2) refundable earned income credit means fifteen percent
 2 (15%) of the amount by which the Rhode Island earned income credit exceeds the Rhode Island
 3 income tax.

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

7 (3) For the period ~~January 1, 2011~~ January 1, 2012 through ~~December 31, 2011~~
 8 December 31, 2012, and thereafter, "Rhode Island taxable income" means federal adjusted gross
 9 income as determined under the Internal Revenue Code, 26 U.S.C. 1 et seq., and as modified for
 10 Rhode Island purposes pursuant to section 44-30-12 less the amount of Rhode Island Basic
 11 Standard Deduction allowed pursuant to subparagraph 44-30-2.6(c)(3)(B), and less the amount of
 12 personal exemption allowed pursuant of subparagraph 44-30-2.6(c)(3)(C).

13 (A) Tax imposed.

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

| RI Taxable Income | | RI Income Tax | |
|---------------------|----------------|-----------------------|--------------------|
| Over | But not over | Pay + % on Excess | On the amount over |
| 19 \$ 0 - | \$ 55,000 | \$ 0 + 3.75% | \$ 0 |
| 21 55,000 - | 125,000 | 2,063 + 4.75% | 55,000 |
| 22 125,000 - | <u>250,000</u> | 5,388 + 5.99% | 125,000 |
| 23 <u>250,000 -</u> | | <u>12,875 + 6.99%</u> | <u>250,000</u> |

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

| RI Taxable Income | | RI Income Tax | |
|-------------------|--------------|-------------------|--------------------|
| Over | But not over | Pay + % on Excess | On the amount over |
| 28 \$ 0 - | \$ 2,230 | \$ 0 + 3.75% | \$ 0 |
| 29 2,230 - | 7,022 | 84 + 4.75% | 2,230 |
| 30 7,022 - | | 312 + 5.99% | 7,022 |

31 (B) Deductions:

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

| Filing status | Amount |
|---------------|--------|
|---------------|--------|

| | | |
|---|--|----------|
| 1 | Single | \$7,500 |
| 2 | Married filing jointly or qualifying widow(er) | \$15,000 |
| 3 | Married filing separately | \$7,500 |
| 4 | Head of Household | \$11,250 |

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

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

13 (C) Exemption Amount:

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

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

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

27 (E) Adjustment for inflation. - The dollar amount contained in subparagraphs 44-30-
28 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
29 equal to:

30 (I) Such dollar amount contained in subparagraphs 44-30-2.6(c)(3)(A), 44-30-
31 2.6(c)(3)(B) and 44-30-2.6(c)(3)(C) adjusted for inflation using a base tax year of 2000,
32 multiplied by;

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

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

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

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

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

14 (E) Credits against tax.

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

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

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

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

24 (d) Credit for income taxes of other states. - Credit shall be allowed for income tax paid
25 to other states pursuant to section 44-30-74.

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

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

30 (g) Child and Dependent Care: Credit shall be allowed for twenty-five percent (25%) of
31 the federal child and dependent care credit allowable for the taxable year for federal purposes;
32 provided, however, such credit shall not exceed the Rhode Island tax liability.

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

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

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

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

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO TAXATION -- PERSONAL INCOME TAX

1 This act would impose an additional one percent (1%) tax increase for all personal
2 income over \$250,000 for residents, non-residents, including estates and credits and other special
3 rates for other types of income.

4 This act would take effect upon passage.

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LC00766
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