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ARTICLE 9

RELATING TO TAXATION

SECTION 1. Chapter 42-64.3 of the General Laws entitled "Distressed Areas Economic Revitalization Act" is hereby amended by adding thereto the following section:

42-64.3-14. Sunset. -- The provisions of this chapter are hereby repealed for tax years beginning on or after January 1, 2014. Unused carry forward credits as well as other credits earned under this chapter prior to January 1, 2014 shall permanently expire as of January 1, 2014 and shall not be used to reduce tax for tax years beginning on or after January 1, 2014.

SECTION 2. Section 42-64.5-3 of the General Laws in Chapter 42-64.5 entitled "Jobs Development Act" is hereby amended to read as follows:

42-64.5-3. Tax rate reduction. -- (a) The rate of tax payable by an eligible company and each of its eligible subsidiaries for any taxable year ending on or after July 1, 1995, on its net income pursuant to the applicable income tax provisions of the general laws, including the provisions of sections 44-11-2(a), 44-14-3(a), 44-14-4 and 44-17-1, or on its gross earnings pursuant to section 44-13-4(4), shall be reduced by the amount specified in section 42-64.5-4; this rate reduction shall be applied annually once to those eligible companies which are permitted by law to file a consolidated state tax return and in the case of eligible companies not permitted by law to file consolidated state tax returns, then the rate reduction shall be applied annually to each eligible company and its eligible subsidiaries; provided, however, except as provided in section 42-64.5-7, should any eligible company fail to maintain in any taxable year after 1997 or, if applicable, the third taxable year following the base employment period election set forth in section 42-64.5-5, the number of units of new employment it reported for its 1997 tax year or, if applicable, the third taxable year following the base employment period election set forth in section 42-64.5-5; the rate reduction provided for in this chapter shall expire permanently.

(b) The rate of tax payable by an eligible company and each of its eligible subsidiaries making, an annual election for a rate reduction on its net income under the provisions of this chapter for the tax year beginning on or after January 1, 2014 and prior to January 1, 2015 and pursuant to the provisions of section 44-11-2(a), shall be the business corporations tax rate pursuant to section 44-11-2(a) in effect for tax year 2013, which is nine percent (9.0%), reduced by seventy-five (75.0%) of the total rate reduction calculated pursuant to section 42-64.5-4.

1 (c) The rate of tax payable by an eligible company and each of its eligible subsidiaries,
2 making an annual election for a rate reduction on its net income under the provisions of this
3 chapter for any tax year beginning on or after January 1, 2015 and pursuant to the provisions of
4 section 44-11-2(a), shall be the business corporations tax rate pursuant to section 44-11-2(a) in
5 effect for tax year 2013, reduced by fifty (50.0%) of the total rate reduction calculated pursuant to
6 section42-64.5-4.

7 SECTION 3. Section 44-11-2 of the General Laws in Chapter 44-11 entitled "Business
8 Corporations Tax" is hereby amended to read as follows:

9 **44-11-2. Imposition of tax. --** (a) For tax years beginning prior to January 1, 2014, each
10 ~~Each~~ corporation shall annually pay to the state a tax equal to nine percent (9%) of net income, as
11 defined in section 44-11-11, qualified in section 44-11-12, and apportioned to this state as
12 provided in sections 44-11-13 – 44-11-15, for the taxable year. For tax years beginning on or after
13 January 1, 2014 and prior to January 1, 2015, each corporation shall pay to the state a tax equal to
14 eight percent (8.0%) of net income, as defined in section 44-11-11, qualified in section 44-11-12,
15 and apportioned to this state as provided in sections 44-11-13 – 44-11-15, for the taxable year.
16 For tax years beginning on or after January 1, 2015 and prior to January 1, 2016 each corporation
17 shall annually pay to the state a tax equal to seven and one half percent (7.5%) of net income, as
18 defined in section 44-11-11, qualified in section 44-11-12, and apportioned to this state as
19 provided in sections 44-11-13 – 44-11-15, for the taxable year. For tax years beginning on or after
20 January 1, 2016 each corporation shall annually pay to the state a tax equal to seven percent
21 (7.0%) of net income, as defined in section 44-11-11, qualified in section 44-11-12, and
22 apportioned to this state as provided in sections 44-11-13 – 44-11-15, for each taxable year.

23 (b) A corporation shall pay the amount of any tax as computed in accordance with
24 subsection (a) of this section after deducting from "net income," as used in this section, fifty
25 percent (50%) of the excess of capital gains over capital losses realized during the taxable year, if
26 for the taxable year:

27 (1) The corporation is engaged in buying, selling, dealing in, or holding securities on its
28 own behalf and not as a broker, underwriter, or distributor;

29 (2) Its gross receipts derived from these activities during the taxable year amounted to at
30 least ninety percent (90%) of its total gross receipts derived from all of its activities during the
31 year. "Gross receipts" means all receipts, whether in the form of money, credits, or other valuable
32 consideration, received during the taxable year in connection with the conduct of the taxpayer's
33 activities.

34 (c) A corporation shall not pay the amount of the tax computed on the basis of its net

1 income under subsection (a) of this section, but shall annually pay to the state a tax equal to ten
2 cents (\$.10) for each one hundred dollars (\$100) of gross income for the taxable year or a tax of
3 one hundred dollars (\$100), whichever tax shall be the greater, if for the taxable year the
4 corporation is either a "personal holding company" registered under the federal Investment
5 Company Act of 1940, 15 U.S.C. section 80a-1 et seq., "regulated investment company", or a
6 "real estate investment trust" as defined in the federal income tax law applicable to the taxable
7 year. "Gross income" means gross income as defined in the federal income tax law applicable to
8 the taxable year, plus:

- 9 (1) Any interest not included in the federal gross income; minus
- 10 (2) Interest on obligations of the United States or its possessions, and other interest
11 exempt from taxation by this state; and minus
- 12 (3) Fifty percent (50%) of the excess of capital gains over capital losses realized during
13 the taxable year.

14 (d)(1) A small business corporation having an election in effect under subchapter S, 26
15 U.S.C. section 1361 et seq., shall not be subject to the Rhode Island income tax on corporations,
16 except that the corporation shall be subject to the provisions of subsection (a), to the extent of the
17 income that is subjected to federal tax under subchapter S.

18 (2) The shareholders of the corporation who are residents of Rhode Island shall include in
19 their income their proportionate share of the corporation's federal taxable income.

20 (e) *Minimum tax.* The tax imposed upon any corporation under this section shall not be
21 less than five hundred dollars (\$500).

22 SECTION 4. Chapter 44-1 of the General Laws entitled "State Tax Officials" is hereby
23 amended by adding thereto the following section:

24 **44-1-35. Outside Collection Agencies.** -- [The tax administrator may retain by written](#)
25 [contract collection agencies licensed under Rhode Island law, or licensed under the laws of](#)
26 [another state or the District of Columbia, for the purpose of collecting from sources outside the](#)
27 [state of Rhode Island taxes, interest and/or penalties assessed by the tax administrator.](#)

28 SECTION 5. Title 44 of the General Laws entitled "Taxation" is hereby amended by
29 adding thereto the following chapter:

30 [CHAPTER 68](#)
31 [TAX PREPARERS ACT OF 2013](#)

32 **44-68-1. Short title.** -- [This chapter shall be known as the "Tax Preparers Act".](#)

33 **44-68-2. Definitions.** -- [\(a\) "Tax return preparer" means an individual who prepares a](#)
34 [substantial portion of any return for compensation. Tax return preparers include individuals](#)

1 required to register with the Internal Revenue Service as a tax return preparer and who have a
2 Preparer Tax Identification Number (PTIN). For the purpose of this chapter the following
3 individuals shall not be considered tax return preparers:

4 (1) Volunteer tax return preparers; or

5 (2) Employees of a tax return preparer and employees of a commercial tax return
6 preparation business who provide only clerical, administration or other similar services.

7 (b) "Preparer Tax Identification Number" means the number issued by the Internal
8 Revenue Service (IRS) to paid preparers to use on all the returns they prepare.

9 (c) "Return" shall mean any tax report, return, claim for refund or attachment to any
10 report, return and/or claim for return filed with the tax administrator pursuant to the tax laws of
11 this state.

12 **44-68-3. Duties and Responsibilities.** -- (a) A tax return preparer who prepares any
13 return that is submitted to the tax administrator must comply with all state laws and all applicable
14 regulations promulgated by the tax administrator.

15 (b) A tax return preparer must sign and include his/her Preparer Tax Identification
16 Number on all returns prepared and filed with the Division of Taxation.

17 **44-68-4. Civil Penalties.** -- (a) Failure To Be Diligent in Determining Eligibility for or
18 Amount of Earned Income Credit. Upon a determination by the tax administrator that a tax return
19 preparer prepared a return(s) and failed to comply with due diligence requirements imposed by
20 regulations issued by the tax administrator with respect to determining eligibility for, or the
21 amount of, the credit allowable by section44-30-2.6(c)(2)(N), the tax return preparer shall pay a
22 penalty of five hundred dollars (\$500) for each such return and/or claim.

23 (b) Failure To Be Diligent in Determining Eligibility for Property Tax Relief Credit.
24 Upon a determination by the tax administrator that a tax return preparer prepared a return(s) and
25 failed to comply with due diligence requirements imposed by regulations issued by the tax
26 administrator with respect to determining eligibility for, or the amount of, the property tax relief
27 credit allowable by section44-33-1 et seq., the tax return preparer shall pay a penalty of five
28 hundred dollars (\$500) for each such return.

29 (c) Tax Return Preparer Civil Penalties. Upon a determination by the tax administrator
30 that a tax return preparer willfully prepared, assisted in preparing, or caused the preparation of a
31 return(s) filed with the division of taxation with intent to wrongfully obtain a property tax relief
32 credit or with the intent to evade or reduce a tax obligation, the tax return preparer shall be liable
33 for a penalty of one thousand dollars (\$1,000), or five hundred (\$500) for each return so filed
34 during any calendar year, whichever is greater.

1 (d) The tax administrator may suspend or revoke the privilege of a tax return preparer to
2 prepare and/or file returns with the division of taxation upon a determination that the tax return
3 preparer has failed to comply with or violated any provision of this section, any regulations issued
4 by the tax administrator, or with any provision of any other laws relative to the preparation of tax
5 returns. Any tax return preparer receiving a notice of intent to suspend or revoke the privilege to
6 file tax returns with the division of taxation may request a hearing on the notice of intent to
7 suspend or revoke; provided that said request for a hearing must be made within thirty (30) days
8 of such notice to suspend or revoke. If, after hearing, the tax return preparer is aggrieved by a
9 decision of the tax administrator (or his or her designated hearing officer), the tax return preparer
10 may, within thirty (30) days after notice of the decision is sent to the tax return preparer by
11 certified or registered mail, directed to their last known address, petition the sixth division of the
12 district court pursuant to chapter 8 of title 8, setting forth the reasons why the decision is alleged
13 to be erroneous and praying for relief therefrom.

14 **44-68-5. Criminal Penalties. --** Any tax return preparer who has previously been
15 assessed a penalty by the tax administrator under section 44-68-4(c) who is found by a court of
16 competent jurisdiction to have thereafter willfully prepared, assisted in preparing, or caused a
17 preparation of another false tax return or claim for refund which was filed with the division of
18 taxation with the intent to wrongfully obtain a property relief credit or the intent to wrongfully
19 evade or reduce a tax obligation shall be guilty of a felony and, on conviction, shall be subject to
20 a fine not exceeding fifty-thousand dollars (\$50,000) or imprisonment not exceeding five (5)
21 years or both.

22 **44-68-6. Regulations. --** The tax administrator shall promulgate rules and regulations in
23 order to implement the provisions of this chapter.

24 **44-68-7. Severability. --** If any provision of this chapter or the application of this chapter
25 to any tax return preparer is held invalid, the remainder of this chapter and the application of the
26 provisions to other tax return preparers or circumstances shall not be affected.

27 SECTION 6. Section 28-21-16 of the General Laws entitled "Hazardous Substances
28 Right to Know Act - Funding" is hereby amended to read as follows:

29 **28-21-16. Funding -- Contracts for services -- Exemption for copiers -- Appeals. --**

30 (a) The director of labor and training shall determine which employers are subject to the
31 provisions of this chapter. ~~and shall assess and collect an annual assessment of forty two dollars~~
32 ~~(\$42.00) which shall be levied against all those employers, which result in the funding for the~~
33 ~~implementation of this chapter. The employer shall be obligated to pay the assessment.~~ No
34 employer shall be exempt from the provisions of this chapter unless and until a request for

1 exemption is filed and approval is granted; provided that public and private libraries shall be
2 ~~exempted~~ exempt from this requirement. ~~The funds shall be deposited as general revenue.~~

3 (b) The director of labor and training may contract with qualified agencies and/or parties
4 for technical services performed in conjunction with this chapter.

5 (c) The director of labor and training shall exempt from this chapter all employers whose
6 contact with the designated substances is entirely limited to copier machine powders or liquids
7 where the exposure is incidental to the business operation.

8 (d) Any employer who contests the determination of the director may appeal the
9 determination under the provisions set forth in sections 28-20-19 and 28-20-20.

10 SECTION 7. This article shall take effect upon passage.