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ARTICLE 12 AS AMENDED

RELATING TO REVENUES

SECTION 1. Chapter 31-3-6.1 of the General Laws entitled "Registration of Vehicles" is hereby amended by adding thereto the following section:

31-3-6.1.1. Denial of registration- Denial of transfer of registration -- Failure to file tax returns and/or pay taxes. -- (a) On or before October 31 in each year and at least quarterly thereafter, the tax administrator shall furnish the division of motor vehicles, with a list of the names, addresses and social security numbers of persons who have neglected or refused to file a tax return(s) and/or to pay any tax administered by the tax administrator and that there is no administrative or appellate review pending regarding such tax matter.

(b) Thereafter, the tax administrator, at the times and in the manner mutually agreed to by the tax administrator and the administrator of the division of motor vehicles, shall furnish to the division of motor vehicles the names, addresses and social security numbers of those persons whose names appear on that list but who have subsequently filed all required returns and paid all required taxes, interest and attendant penalties in full or entered into a time payment agreement satisfactory to the tax administrator. Upon receipt of said information, said names, addresses and social security numbers of said persons shall be removed from the list.

(c) The administrator of the division of motor vehicles shall not register any motor vehicle or transfer the registration of any motor vehicle for any person whose name appears on a list provided by the tax administrator pursuant to subsection (a) above until all state taxes, interest and attendant penalties have been paid in full and the payment has been certified to the division of motor vehicles by the tax administrator.

(d) If the person thereafter files an overdue return and/or remits past taxes due or enters into a satisfactory time payment agreement with respect to any and all returns due and taxes payable, the tax administrator shall, within five (5) business days of the person's request, provide the division of motor vehicles with a certificate of good standing specified in § 5-76-5. Within five (5) business days of receiving such a certificate, the division of motor vehicles shall register or transfer the person's registration.

(e) If a person files an overdue return and/or remits past due taxes in order to register a motor vehicle or transfer the registration of a motor vehicle, said late filing and/or payment shall

1 not be an admission of a violation of any criminal tax statute regarding late filing and/or late
2 payment. The tax administrator shall not refer such person to the attorney general for prosecution
3 based solely upon said late filing and/or payment of past due taxes.

4 SECTION 2. Chapter 44-30 of the General Laws entitled "Personal Income Tax" is
5 hereby amended by adding thereto the following section:

6 **44-30-100. Lookup table to report use tax on personal income tax return. -- (a) When**
7 reporting the amount of use tax obligation on the Rhode Island personal income return, the
8 taxpayer shall list either the actual amount (from books, records, and other sources), or an amount
9 using a lookup table established by the tax administrator.

10 (b) Establishment of lookup table. (1) The tax administrator shall create the lookup table
11 with reference to a taxpayer's federal adjusted gross income (AGI) as listed on the Rhode Island
12 personal income tax return before modifications, adjustments, or other changes. To determine the
13 amount of use tax from the lookup table, the taxpayer shall multiply 0.0008 by the amount of the
14 taxpayer's federal AGI as listed on the Rhode Island personal income tax return before
15 modifications, adjustments, or other changes.

16 (2) The AGI income ranges within the lookup table shall be adjusted by the tax
17 administrator by December 31 of each calendar year by the percentage, if any, by which the
18 Consumer Price Index for All Urban Consumers (CPI-U) as of the close of the 12-month period
19 ending on August 31 of that year, exceeds the CPI-U as of the close of the 12-month period
20 ending on August 31 of the immediately preceding year. For purposes of the annual calculation,
21 the tax administrator shall be free to substitute an inflation index which is substantially similar to
22 the CPI-U.

23 (3) If a taxpayer uses the lookup table, the taxpayer shall list on the return not only the
24 result from the lookup table, but also the actual amount of each single purchase whose purchase
25 price equals or exceeds one thousand dollars (\$1,000).

26 (4) Instructions for the personal income tax form shall indicate that the use of the lookup
27 table as described in this section is, for the taxpayer, a "safe harbor" alternative to listing the
28 actual amount of the taxpayer's use tax obligation.

29 (c) When completing and filing a Rhode Island personal income tax return, the taxpayer
30 shall check a box attesting to the amount of use tax listed on the return. The tax administrator
31 shall direct computer software providers to require the taxpayer or the taxpayer's preparer to
32 proactively check the box; software providers shall not program an automatically checked
33 attestation box.

34 (d) The tax administrator shall make clear on personal income tax forms and instructions

1 that use tax is typically due on internet, mail-order, and catalog out-of-state purchases.

2 SECTION 3. Title 44 of the General Laws entitled "TAXATION" is hereby amended by
3 adding thereto the following chapter:

4 CHAPTER 69

5 COMPLIANCE OF PUBLIC EMPLOYEES WITH STATE INCOME TAX ACT

6 **44-69-1. Short title.** -- This chapter shall be known as the "Public Employee Tax
7 Compliance Act".

8 **44-69-2. Definitions.** -- (a) "Appointing authority" means the person or group of persons
9 having the power by virtue of the constitution, a state statute, or lawfully delegated authority to
10 make appointments.

11 (b) "Employee" or "state or public employee" means an elected official, appointed officer
12 or employee of any political subdivision of this state.

13 (c) "State agency" means any office, department, board, commission or institution of the
14 executive, legislative, higher education or judicial branch of state government.

15 (d) "Political subdivision" means any office, department, board, commission or
16 institution of the executive, legislative, education, or, public safety, or judicial branch of any city,
17 town, or school district within the state.

18 **44-69-3. Administration.** -- (a) The department of administration and all political
19 subdivisions shall, not later than August 1, 2014, and August 1 of each year thereafter, provide to
20 the tax administrator a list of all public employees as of the preceding July 1 and such identifying
21 information as may be required by the tax administrator. Such list and information shall be used
22 by the tax administrator exclusively for the purpose of collection of income taxes due to the state
23 of Rhode Island.

24 (b) The tax administrator shall, not later than December 1, 2014, and December 1 of each
25 year thereafter, notify any public employee who is not in compliance with the income tax laws of
26 this state. Such notification shall include:

27 (1) A statement that the employee will be subject to mandatory garnishment of wages by
28 the state controller, unless the taxpayer is deemed by the tax administrator to be in compliance
29 with the income tax laws of this state;

30 (2) The reasons that the taxpayer is considered to be out of compliance with the income
31 tax laws of this state, including a statement of the amount of any tax, penalties and interest due, or
32 a list of the tax years for which income tax returns have not been filed, as required by law;

33 (3) An explanation of the rights of the taxpayer and the procedures which must be
34 followed by the taxpayer in order to come into compliance with the income tax laws of this state;

1 and

2 (4) Such other information as may be deemed necessary by the tax administrator.

3 (c) A public employee who has entered into and is abiding by a payment agreement, or
4 who has requested relief as an innocent spouse, which request is pending or has been granted,
5 shall be deemed to be in compliance with the state income tax laws for purposes of this section.

6 (d) If the tax administrator notifies a public employee who is not in compliance with the
7 income tax laws of this state as required in this section and such public employee does not
8 respond to such notification or fails to come into compliance with the income tax laws of this
9 state after an assessment has been made final or after the Tax Administrator determines that every
10 reasonable effort has been made to assist the public employee to come into compliance with the
11 income tax laws of this state, the tax administrator shall so notify the state controller or political
12 subdivision, which shall commence mandatory garnishment of the public employee's wages and
13 shall notify the employee of the reason for such action. If a public employee, who has been
14 previously reported by the tax administrator to a state agency or the political subdivision as being
15 out of compliance, comes into compliance, the tax administrator shall immediately notify the
16 state controller or the political subdivision. Neither a state agency or the political subdivision nor
17 an appointing authority shall be held liable for any action with respect to a public employee
18 pursuant to the provisions of this section.

19 SECTION 4. Section 44-33-3 of the General Laws in Chapter 44-33 entitled "Property
20 Tax Relief" is hereby amended to read as follows:

21 **44-33-3. Definitions.** -- As used in this chapter:

22 (1) "Claimant" means a homeowner or renter, sixty-five (65) years of age or older,
23 and/or disabled, who has filed a claim under this chapter and was domiciled in this state for the
24 entire calendar year for which he or she files a claim for relief under this chapter. In the case of
25 claim for rent constituting property taxes accrued, the claimant shall have rented property during
26 the preceding year for which he or she files for relief under this chapter. Claimant shall not mean
27 or include any person claimed as a dependent by any taxpayer under the Internal Revenue Code
28 of the United States, 26 U.S.C. section 1 et seq. When two (2) individuals of a household are able
29 to meet the qualifications for a claimant, they may determine between themselves as to who the
30 claimant is. If they are unable to agree, the matter is referred to the tax administrator and his or
31 her decision is final. If a homestead is occupied by two (2) or more individuals, and more than
32 one individual is able to qualify as a claimant, and some or all of the qualified individuals are not
33 related, the individuals may determine among themselves as to who the claimant is. If they are
34 unable to agree, the matter is referred to the tax administrator, and his or her decision is final.

1 (2) "Disabled" means those persons who are receiving a social security disability benefit.

2 (3) "Gross rent" means rental paid in cash or its equivalent solely for the right of
3 occupancy of a homestead, exclusive of charges for any utilities, services, furniture, furnishings,
4 or personal property appliances furnished by the landlord as a part of the rental agreement. If the
5 landlord and tenant have not dealt with each other at arm's length, and the tax administrator is
6 satisfied that the gross rent charged was excessive, he or she may adjust the gross rent to a
7 reasonable amount for purposes of this chapter. "Gross rent" includes the rental of space paid to a
8 landlord for parking of a mobile home, or docking or mooring a houseboat, exclusive of any
9 charges for utilities, services, furniture, furnishings, or personal appliances furnished by the
10 landlord as a part of the rental. Twenty percent (20%) of the annual gross rental plus the space
11 rental fees paid during the year are the annual "property taxes accrued."

12 (4) "Homestead" means the dwelling, whether owned or rented, and so much of the land
13 surrounding it, not exceeding one acre, as is reasonably necessary for use of the dwelling as a
14 home, and may consist of a part of the multi-dwelling or multi-purpose building and a part of the
15 land upon which it is built ("owned" includes a vendee in possession under a land contract and
16 one or more joint tenants or tenants in common). It does not include personal property such as
17 furniture, furnishings, or appliances, but a mobile home or a houseboat may be a homestead.

18 (5) "Household" means one or more persons occupying a dwelling unit and living as a
19 single nonprofit housekeeping unit. "Household" shall not include bona fide lessees, tenants, or
20 roomers, and boarders on contract.

21 (6) "Household income" means all income received by all persons of a household in a
22 calendar year while members of the household.

23 (7) "Income" means the sum of federal adjusted gross income as defined in the Internal
24 Revenue Code of the United States, 26 U.S.C. section 1 et seq., and all non-taxable income
25 including, but not limited to, the amount of capital gains excluded from adjusted gross income,
26 alimony, support money, non-taxable strike benefits, cash public assistance and relief (not
27 including relief granted under this chapter), the gross amount of any pension or annuity
28 (including Railroad Retirement Act (see 45 U.S.C. section 231 et seq.) benefits, all payments
29 received under the federal Social Security Act, 42 U.S.C. section 301 et seq., state unemployment
30 insurance laws, and veterans' disability pensions (see 38 U.S.C. section 301 et seq.), non-taxable
31 interest received from the federal government or any of its instrumentalities, workers'
32 compensation, and the gross amount of "loss of time" insurance. It shall not include gifts from
33 nongovernmental sources, or surplus foods or other relief in kind supplied by a public or private
34 agency. For the purpose of this chapter, the calculation of "income" shall not include any

1 deductions for rental losses, business losses, capital losses, exclusion for foreign income, and any
2 losses received from pass-through entities.

3 (8) "Property taxes accrued" means property taxes (exclusive of special assessments,
4 delinquent interest, and charges for service) levied on a claimant's homestead in this state in 1977
5 or any calendar year thereafter. If a homestead is owned by two (2) or more persons or entities as
6 joint tenants or tenants in common, and one or more persons or entities are not a member of
7 claimant's household, "property taxes accrued" is that part of property taxes levied on the
8 homestead which reflects the ownership percentage of the claimant and his or her household. For
9 purposes of this subdivision, property taxes are "levied" when the tax roll is certified by the city
10 or town assessor. When a homestead is sold during the calendar year of the levy, the "property
11 taxes accrued" for the seller and buyer is the amount of the tax levy prorated to each in the
12 closing agreement pertaining to the sale of the homestead or, if not provided for in the closing
13 agreement, the tax levy is prorated between seller and buyer based upon the delivery date of the
14 deed of conveyance. When a household owns and occupies two (2) or more homesteads in the
15 same calendar year, "property taxes accrued" is the sum of the prorated taxes attributable to the
16 household for each of the homesteads. If the household owns and occupies the homestead for the
17 part of the calendar year and rents a household for part of the calendar year, it may include both
18 the proration of taxes on the homestead owned and "rent constituting property taxes accrued"
19 with respect to the months the homestead is rented, in computing the amount of the claim. All
20 prorations are made on the basis of the gross tax levy after all exemptions. If a homestead is an
21 integral part of a larger unit such as a farm, or a multi-purpose or multi-dwelling building,
22 property taxes accrued is that percentage of the total property taxes accrued as the value of the
23 homestead is of the total value. For the purposes of this subdivision, "unit" refers to the parcel of
24 property covered by a single tax statement of which the homestead is a part.

25 (9) "Rent constituting property taxes accrued" means twenty percent (20%) of the gross
26 rent actually paid in cash or its equivalent in any calendar year by a claimant and his or her
27 household solely for the right of occupancy of their Rhode Island homestead in the calendar year,
28 and which rent constitutes the basis, in the succeeding calendar year, of a claim for relief under
29 this chapter by the claimant, but shall not include any part of the rent paid for occupancy of
30 premises which are legally exempt from the payment of property taxes.

31 SECTION 5. Section 44-25-1 of the General Laws in Chapter 44-25 entitled "Real Estate
32 Conveyance Tax" is hereby amended to read as follows:

33 **44-25-1. Tax imposed -- Payment -- Burden.** -- (a) There is imposed, on each deed,
34 instrument, or writing by which any lands, tenements, or other realty sold is granted, assigned,

1 transferred, or conveyed to, or vested in, the purchaser or purchasers, or any other person or
2 persons, by his or her or their direction, when the consideration paid exceeds one hundred dollars
3 (\$100), a tax at the rate of ~~two dollars (\$2.00)~~ two dollars and thirty cents (\$2.30) for each five
4 hundred dollars (\$500) or fractional part of it which is paid for the purchase of the property
5 (inclusive of the value of any lien or encumbrance remaining at the time of sale), which tax is
6 payable at the time of making, execution, delivery, acceptance or presenting for recording of the
7 instrument. In the absence of an agreement to the contrary, the tax shall be paid by the grantor.

8 (b) In the event no consideration is actually paid for the lands, tenements, or realty, the
9 instrument of conveyance shall contain a statement to the effect that the consideration is such that
10 no documentary stamps are required.

11 (c) The tax administrator shall contribute to the distressed community relief program the
12 sum of thirty cents (\$.30) per ~~two dollars (\$2.00)~~ two dollars and thirty cents (\$2.30) of the face
13 value of the stamps to be distributed pursuant to section 45-13-12~~;~~ and to the housing resources
14 commission restricted receipts account the sum of thirty cents (\$.30) per two dollars and thirty
15 cents (\$2.30) of the face value of the stamps. Funds will be administered by the department of
16 administration, office of housing and community development, through the housing resources
17 commission. The state shall retain sixty cents (\$.60) for state use. The balance of the tax shall be
18 retained by the municipality collecting the tax. Provided, however, in fiscal years 2004 and 2005,
19 from the proceeds of this tax, the tax administrator shall deposit as general revenues the sum of
20 ninety cents (\$.90) per ~~two dollars (\$2.00)~~ two dollars and thirty cents (\$2.30) of the face value of
21 the stamps. The balance of the tax is retained by the municipality collecting the tax.

22 SECTION 6. Section 42-128-2 of the General Laws in Chapter 42-128 entitled "Rhode
23 Island Housing Resources Act of 1998" is hereby amended to read as follows:

24 **42-128-2. Rhode Island housing resources agency created.** -- There is created within
25 the executive department a housing resources agency with the following purposes, organization,
26 and powers:

- 27 (1) Purposes:
- 28 (i) To provide coherence to the housing programs of the state of Rhode Island and its
29 departments, agencies, commissions, corporations, and subdivisions.
- 30 (ii) To provide for the integration and coordination of the activities of the Rhode Island
31 housing and mortgage finance corporation and the Rhode Island housing resources commission.

- 32 (2) Coordinating committee -- Created -- Purposes and powers:
- 33 (i) The coordinating committee of the housing resources agency shall be comprised of
34 the chairperson of the Rhode Island housing and mortgage finance corporation, the chairperson of

1 the Rhode Island housing resources commission, the director of the department of administration,
2 or the designee of the director, and the executive director of the Rhode Island housing and
3 mortgage finance corporation. The chairperson of the Rhode Island housing resources
4 commission shall be chairperson of the coordinating committee.

5 (ii) The coordinating committee shall develop and shall implement, with the approval of
6 the Rhode Island housing and mortgage finance corporation and the Rhode Island housing
7 resources commission, a memorandum of agreement describing the fiscal and operational
8 relationship between the Rhode Island housing and mortgage finance corporation and the Rhode
9 Island housing resources commission and shall define which programs of federal assistance will
10 be applied for on behalf of the state by the Rhode Island housing and mortgage finance
11 corporation and the Rhode Island housing resources commission.

12 [\(3\) There is hereby established a restricted receipt account within the general fund of the](#)
13 [state. Funds from this account shall be used to provide for the lead hazard abatement program,](#)
14 [housing rental subsidy, and homeless prevention assistance and housing retention assistance.](#)

15 SECTION 7. Section 44-30-2.6 of the General Laws in Chapter 44-30 entitled "Personal
16 Income Tax" is hereby amended to read as follows:

17 **44-30-2.6. Rhode Island taxable income -- Rate of tax. --** (a) "Rhode Island taxable
18 income" means federal taxable income as determined under the Internal Revenue Code, 26 U.S.C.
19 section 1 et seq., not including the increase in the basic standard deduction amount for married
20 couples filing joint returns as provided in the Jobs and Growth Tax Relief Reconciliation Act of
21 2003 and the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), and as
22 modified by the modifications in section 44-30-12.

23 (b) Notwithstanding the provisions of sections 44-30-1 and 44-30-2, for tax years
24 beginning on or after January 1, 2001, a Rhode Island personal income tax is imposed upon the
25 Rhode Island taxable income of residents and nonresidents, including estates and trusts, at the rate
26 of twenty-five and one-half percent (25.5%) for tax year 2001, and twenty-five percent (25%) for
27 tax year 2002 and thereafter of the federal income tax rates, including capital gains rates and any
28 other special rates for other types of income, except as provided in section 44-30-2.7, which were
29 in effect immediately prior to enactment of the Economic Growth and Tax Relief Reconciliation
30 Act of 2001 (EGTRRA); provided, rate schedules shall be adjusted for inflation by the tax
31 administrator beginning in taxable year 2002 and thereafter in the manner prescribed for
32 adjustment by the commissioner of Internal Revenue in 26 U.S.C. section 1(f). However, for tax
33 years beginning on or after January 1, 2006, a taxpayer may elect to use the alternative flat tax
34 rate provided in section 44-30-2.10 to calculate his or her personal income tax liability.

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

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

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

19 (A) Tax imposed.

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

22 If taxable income is:	The tax is:
23 Not over \$53,150	3.75% of taxable income
24 Over \$53,150 but not over \$128,500	\$1,993.13 plus 7.00% of the excess over 25 \$53,150
26 Over \$128,500 but not over \$195,850	\$7,267.63 plus 7.75% of the excess over 27 \$128,500
28 Over \$195,850 but not over \$349,700	\$12,487.25 plus 9.00% of the excess over 29 \$195,850
30 Over \$349,700	\$26,333.75 plus 9.90% of the excess over 31 \$349,700

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

34 If taxable income is:	The tax is:
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1	Not over \$42,650	3.75% of taxable income
2	Over \$42,650 but not over \$110,100	\$1,599.38 plus 7.00% of the excess over
3	\$42,650	
4	Over \$110,100 but not over \$178,350	\$6,320.88 plus 7.75% of the excess over
5	\$110,100	
6	Over \$178,350 but not over \$349,700	\$11,610.25 plus 9.00% of the excess over
7	\$178,350	
8	Over \$349,700	\$27,031.75 plus 9.90% of the excess over
9	\$349,700	

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

13	If taxable income is:	The tax is:
14	Not over \$31,850	3.75% of taxable income
15	Over \$31,850 but not over \$77,100	\$1,194.38 plus 7.00% of the excess over
16	\$31,850	
17	Over \$77,100 but not over \$160,850	\$4,361.88 plus 7.75% of the excess over
18	\$77,100	
19	Over \$160,850 but not over \$349,700	\$10,852.50 plus 9.00% of the excess over
20	\$160,850	
21	Over \$349,700	\$27,849.00 plus 9.90% of the excess over
22	\$349,700	

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

25	If taxable income is:	The tax is:
26	Not over \$26,575	3.75% of taxable income
27	Over \$26,575 but not over \$64,250	\$996.56 plus 7.00% of the excess over \$26,575
28	Over \$64,250 but not over \$97,925	\$3,633.81 plus 7.75% of the excess over
29	\$64,250	
30	Over \$97,925 but not over \$174,850	\$6,243.63 plus 9.00% of the excess over
31	\$97,925	
32	Over \$174,850	\$13,166.88 plus 9.90% of the excess over
33	\$174,850	

34 (5) There is hereby imposed a taxable income of an estate or trust a tax determined in

1 accordance with the following table:

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

8 (6) Adjustments for inflation.

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

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

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

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

13 adjustments to the nine percent (9%) and nine and nine tenths percent (9.9%) dollar amounts shall

14 be determined under section (J) by substituting "1994" for "1993."

15 (B) Maximum capital gains rates

16 (1) In general

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

19 (a) 2.5 % of the net capital gain as reported for federal income tax purposes under section
20 26 U.S.C. 1(h)(1)(a) and 26 U.S.C. 1(h)(1)(b).

21 (b) 5% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.
22 1(h)(1)(c).

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

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

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

29 (C) Itemized deductions.

30 (1) In general

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

33 (2) Individuals who do not itemize their deductions

34 In the case of an individual who does not elect to itemize his deductions for the taxable

1 year, they may elect to take a standard deduction.

2 (3) Basic standard deduction.

3 The Rhode Island standard deduction shall be allowed in accordance with the following
4 table:

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

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

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

14 (5) Limitation on basic standard deduction in the case of certain dependents.

15 In the case of an individual to whom a deduction under section (E) is allowable to another
16 taxpayer, the basic standard deduction applicable to such individual shall not exceed the greater
17 of:

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

21 In the case of:

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

25 The standard deduction shall be zero.

26 (7) Adjustments for inflation.

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

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

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

32 (D) Overall limitation on itemized deductions

33 (1) General rule.

34 In the case of an individual whose adjusted gross income as modified by section 44-30-12

1 exceeds the applicable amount, the amount of the itemized deductions otherwise allowable for the
2 taxable year shall be reduced by the lesser of:

3 (a) Three percent (3%) of the excess of adjusted gross income as modified by section 44-
4 30-12 over the applicable amount; or

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

7 (2) Applicable amount.

8 (a) In general.

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

11 (b) Adjustments for inflation.

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

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

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

15 (3) Phase-out of Limitation.

16 (a) In general.

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

20 (b) Applicable fraction.

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

23 For taxable years beginning in	24 The applicable fraction is
25 calendar year	
26 2006 and 2007	2/3
27 2008 and 2009	1/3

(E) Exemption amount

28 (1) In general.

29 Except as otherwise provided in this subsection, the term "exemption amount" mean
30 \$3,400.

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

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

1 (3) Adjustments for inflation.

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

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

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

5 (4) Limitation.

6 (a) In general.

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

9 (b) Applicable percentage.

10 In the case of any taxpayer whose adjusted gross income for the taxable year exceeds the
11 threshold amount, the exemption amount shall be reduced by two (2) percentage points for each
12 \$2,500 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year
13 exceeds the threshold amount. In the case of a married individual filing a separate return, the
14 preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In no event shall the
15 applicable percentage exceed one hundred percent (100%).

16 (c) Threshold Amount.

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

19 Filing status	Amount
20 Single	\$156,400
21 Married filing jointly of qualifying widow(er)	\$234,600
22 Married filing separately	\$117,300
23 Head of Household	\$195,500

24 (d) Adjustments for inflation.

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

26 (i) Such dollar amount contained in paragraph (b) in the year 1991, multiplied
27 by

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

30 (5) Phase-out of Limitation.

31 (a) In general.

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

1 (b) Applicable fraction.

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

4	For taxable years beginning in	The applicable fraction is
5	calendar year	
6	2006 and 2007	2/3
7	2008 and 2009	1/3

8 (F) Alternative minimum tax

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

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

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

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

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

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

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

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

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

23 (6) Exemption amount.

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

25	Filing status	Amount
26	Single	\$39,150
27	Married filing jointly or qualifying widow(er)	\$53,700
28	Married filing separately	\$26,850
29	Head of Household	\$39,150
30	Estate or trust	\$24,650

31 (7) Treatment of unearned income of minor children

32 (a) In general.

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

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

2 (ii) \$6,000.

3 (8) Adjustments for inflation.

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

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

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

9 (9) Phase-out.

10 (a) In general.

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

14 (b) Threshold amount.

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

17 Filing status	Amount
18 Single	\$123,250
19 Married filing jointly or qualifying widow(er)	\$164,350
20 Married filing separately	\$82,175
21 Head of Household	\$123,250
22 Estate or Trust	\$82,150

23 (c) Adjustments for inflation

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

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

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

27 (G) Other Rhode Island taxes

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

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

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

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

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

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

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

3 Averaging of farm income

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

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

7 (J) Cost-of-living adjustment

8 (1) In general.

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

10 (a) The CPI for the preceding calendar year exceeds

11 (b) The CPI for the base year.

12 (2) CPI for any calendar year.

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

16 (3) Consumer Price Index

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

21 (4) Rounding.

22 (a) In general.

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

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

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

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

31 (2) Child and dependent care credit;

32 (3) General business credits;

33 (4) Credit for elderly or the disabled;

34 (5) Credit for prior year minimum tax;

1 (6) Mortgage interest credit;

2 (7) Empowerment zone employment credit;

3 (8) Qualified electric vehicle credit.

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

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

15 (N) Rhode Island earned income credit

16 (1) In general.

17 A taxpayer entitled to a federal earned income credit shall be allowed a Rhode Island
18 earned income credit equal to ~~twenty-five percent (25%)~~ ten percent (10%) of the federal earned
19 income credit. Such credit shall not exceed the amount of the Rhode Island income tax.

20 (2) Refundable portion.

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

23 (a) For purposes of paragraph (2) refundable earned income credit means ~~fifteen percent~~
24 ~~(15%)~~ one hundred percent (100%) of the amount by which the Rhode Island earned income
25 credit exceeds the Rhode Island income tax.

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

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

1 (A) Tax imposed.

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

6 Over	But not over	Pay + Excess	on the amount over
7 \$ 0 -	\$ 55,000	\$ 0 + 3.75%	\$ 0
8 55,000 - 125,000		2,063 + 4.75%	55,000
9 125,000 -		5,388 + 5.99%	125,000

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

12 Over	But not over	Pay + % on Excess	on the amount over
13 \$ 0 -	\$ 2,230	\$ 0 + 3.75%	\$ 0
14 2,230 -	7,022	84 + 4.75%	2,230
15 7,022 -		312 + 5.99%	7,022

16 (B) Deductions: (I) Rhode Island Basic Standard Deduction. Only the Rhode Island
17 standard deduction shall be allowed in accordance with the following table:

18 Filing status:	Amount
19 Single	\$7,500
20 Married filing jointly or qualifying widow(er)	\$15,000
21 Married filing separately	\$7,500
22 Head of Household	\$11,250

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

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

31 (C) Exemption Amount:

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

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

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

11 (E) Adjustment for inflation. - The dollar amount contained in subparagraphs 44-30-
12 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
13 equal to:

14 (I) Such dollar amount contained in subparagraphs 44-30-2.6(c)(3)(A), 44-30-
15 2.6(c)(3)(B) and 44-30-2.6(c)(3)(C) adjusted for inflation using a base tax year of 2000,
16 multiplied by;

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

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

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

27 (V) If any increase determined under this section is not a multiple of fifty dollars
28 (\$50.00), such increase shall be rounded to the next lower multiple of fifty dollars (\$50.00). In the
29 case of a married individual filing separate return, if any increase determined under this section is
30 not a multiple of twenty-five dollars (\$25.00), such increase shall be rounded to the next lower
31 multiple of twenty-five dollars (\$25.00).

32 (E) Credits against tax.

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

1 as follows:

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

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

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

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

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

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

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

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

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

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

28 SECTION 8. Chapter 44-19 of the General Laws entitled "Sales and Use Taxes -
29 Enforcement and Collection" is hereby amended by adding thereto the following section:

30 **44-19-42. Sales suppression devices -- Definitions and applicability.** -- [\(a\) As used in](#)
31 [this section:](#)

32 [\(1\) Automated sales suppression device," also known as a "zapper," means a software](#)
33 [program, carried on a memory stick or removable compact disc, accessed through an Internet](#)
34 [link, or accessed through any other means, that falsifies transaction data, transaction reports, or](#)

1 any other electronic records of electronic cash registers and other point-of-sale systems.

2 (2) "Electronic cash register" means a device that keeps a register or supporting
3 documents through the means of an electronic device or computer system designed to record
4 transaction data for the purpose of computing, compiling, or processing retail sales transaction
5 data in any manner.

6 (3)"Phantom-ware" means a hidden programming option, whether preinstalled or
7 installed at a later time, embedded in the operating system of an electronic cash register or
8 hardwired into the electronic cash register that:

- 9 (i) Can be used to create a virtual second till; or
- 10 (ii) May eliminate or manipulate transaction records.

11 (4) "Transaction data" includes items purchased by a customer, the price for each item. A
12 taxability determination for each item, a segregated tax amount for each of the taxed items, the
13 amount of cash or credit tendered, the net amount returned to the customer in change, the date
14 and time of the purchase, the name, address, and identification number of the vendor, and the
15 receipt or invoice number of the transaction.

16 (5)"Transaction reports" means a report documenting, but not limited to, the sales, taxes
17 collected, media totals, and discount voids at an electronic cash register that is printed on cash
18 register tape at the end of a day or shift, or a report documenting every action at an electronic
19 cash register that is stored electronically.

20 (b) A person shall not knowingly sell, purchase, install, transfer or possess an automated
21 sales suppression device or phantom-ware.

22 (c) Any person who violates subdivision (b) of this section shall be guilty of a felony and,
23 upon conviction, shall be subject to a fine not exceeding fifty-thousand dollars (\$50,000) or
24 imprisonment not exceeding five (5) years, or both.

25 (d) In addition, a person who violates subdivision (b) of this section shall be liable to the
26 state for:

27 (1) All taxes, interest, and penalties due as the result of the person's use of an automated
28 sales suppression device or phantom-ware; and

29 (2) All profits associated with the person's sale of an automated sales suppression device
30 or phantom-ware.

31 (e) An automated sales suppression device or phantom-ware and any device containing
32 such device or software shall be deemed contraband and shall be subject to seizure by the tax
33 administrator or by a law enforcement officer when directed to do so by the tax administrator.

34 (f) Safe harbor. A person shall not be subject to prosecution under Rhode Island general

1 laws § 44-19-4 2, if by October 1, 20 14, the person:

2 (1) Notifies the division of taxation of the person's possession of an automated sales
3 suppression device;

4 (2) Provides any information requested by the division of taxation, including transaction
5 records, software specifications, encryption keys, passwords, and other data; and

6 (3) Corrects any underreported sales tax records and fully pays the division of taxation
7 any amounts previously owed.

8 (g) This section shall not be construed to limit the person's civil or criminal liability under
9 any other provision of law.

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

12 **44-18-30. Gross receipts exempt from sales and use taxes. --** There are exempted from
13 the taxes imposed by this chapter the following gross receipts:

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

18 (2) Newspapers.

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

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

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

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

31 (4) Containers.

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

33 (A) Non-returnable containers, including boxes, paper bags, and wrapping materials
34 which are biodegradable and all bags and wrapping materials utilized in the medical and healing

1 arts, when sold without the contents to persons who place the contents in the container and sell
2 the contents with the container.

3 (B) Containers when sold with the contents if the sale price of the contents is not
4 required to be included in the measure of the taxes imposed by this chapter.

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

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

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

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
28 purchase such materials and supplies (materials and/or supplies are defined as those which are
29 essential to the project) that are to be utilized in the construction of the projects being performed
30 under the contracts without payment of the tax.

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

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

3 (6) Gasoline. - From the sale and from the storage, use, or other consumption in this state
4 of: (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
8 computer software, tangible personal property, electricity, natural gas, artificial gas, steam,
9 refrigeration, and water, when the property or service is purchased for the purpose of being
10 manufactured into a finished product for resale, and becomes an ingredient, component, or
11 integral part of the manufactured, compounded, processed, assembled, or prepared product, or if
12 the property or service is consumed in the process of manufacturing for resale computer software,
13 tangible personal 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
20 in 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, sales promotion, nor does it mean or include
26 distribution operations which occur subsequent to production operations, such as handling,
27 storing, 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.
31 Every redevelopment agency created pursuant to chapter 31 of title 45 is deemed to be a
32 subdivision of the municipality where it is located.

33 (9) Food and food ingredients. - From the sale and storage, use, or other consumption in
34 this state of food and food ingredients as defined in section 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 section 44-18-7.1, unless the prepared
4 food is:

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

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

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

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

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

14 (i) "Drugs" as defined in section 44-18-7.1(h)(i), sold on prescriptions, medical oxygen,
15 and insulin whether or not sold on prescription. For purposes of this exemption drugs shall not
16 include over-the-counter drugs and grooming and hygiene products as defined in section 44-18-
17 7.1(h)(iii).

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

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

30 (12) Coffins, caskets, and burial garments. - From the sale and from the storage, use, or
31 other consumption in this state of coffins or caskets, and shrouds or other burial garments which
32 are ordinarily sold by a funeral director as part of the business of funeral directing.

33 (13) Motor vehicles sold to nonresidents.

34 (i) From the sale, subsequent to June 30, 1958, of a motor vehicle to a bona fide

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

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

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

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

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

1 extent that that portion has as its primary purpose the control of the pollution or contamination of
2 the waters or air of this state. As used in this subdivision, "facility" means any land, facility,
3 device, building, machinery, or equipment.

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

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

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

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

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

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

32 (iii) From the sale of: (a) special adaptations, (b) the component parts of the special
33 adaptations, for a "wheelchair accessible taxicab" as defined in section 39-14-1 and/or a
34 "wheelchair accessible public motor vehicle" as defined in section 39-14.1-1.

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

5 (20) Heating fuels. - From the sale and from the storage, use, or other consumption in
6 this state of every type of fuel used in the heating of homes and residential premises.

7 (21) Electricity and gas. - From the sale and from the storage, use, or other consumption
8 in this state of electricity and gas furnished for domestic use by occupants of residential premises.

9 (22) Manufacturing machinery and equipment.

10 (i) From the sale and from the storage, use, or other consumption in this state of tools,
11 dies, and molds, and machinery and equipment (including replacement parts), and related items to
12 the extent used in an industrial plant in connection with the actual manufacture, conversion, or
13 processing of tangible personal property, or to the extent used in connection with the actual
14 manufacture, conversion or processing of computer software as that term is utilized in industry
15 numbers 7371, 7372, and 7373 in the standard industrial classification manual prepared by the
16 technical committee on industrial classification, office of statistical standards, executive office of
17 the president, United States bureau of the budget, as revised from time to time, to be sold, or that
18 machinery and equipment used in the furnishing of power to an industrial manufacturing plant.
19 For the purposes of this subdivision, "industrial plant" means a factory at a fixed location
20 primarily engaged in the manufacture, conversion, or processing of tangible personal property to
21 be sold in the regular course of business;

22 (ii) Machinery and equipment and related items are not deemed to be used in connection
23 with the actual manufacture, conversion, or processing of tangible personal property, or in
24 connection with the actual manufacture, conversion or processing of computer software as that
25 term is utilized in industry numbers 7371, 7372, and 7373 in the standard industrial classification
26 manual prepared by the technical committee on industrial classification, office of statistical
27 standards, executive office of the president, United States bureau of the budget, as revised from
28 time to time, to be sold to the extent the property is used in administration or distribution
29 operations;

30 (iii) Machinery and equipment and related items used in connection with the actual
31 manufacture, conversion, or processing of any computer software or any tangible personal
32 property which is not to be sold and which would be exempt under subdivision (7) or this
33 subdivision if purchased from a vendor or machinery and equipment and related items used
34 during any manufacturing, converting or processing function is exempt under this subdivision

1 even if that operation, function, or purpose is not an integral or essential part of a continuous
2 production flow or manufacturing process;

3 (iv) Where a portion of a group of portable or mobile machinery is used in connection
4 with the actual manufacture, conversion, or processing of computer software or tangible personal
5 property to be sold, as previously defined, that portion, if otherwise qualifying, is exempt under
6 this subdivision even though the machinery in that group is used interchangeably and not
7 otherwise identifiable as to use.

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

16 (24) Precious metal bullion.

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

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

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

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

31 (26) Commercial fishing vessels. - From the sale and from the storage, use, or other
32 consumption in this state of vessels and other water craft which are in excess of five (5) net tons
33 and which are used exclusively for "commercial fishing", as defined in this subdivision, and from
34 the repair, alteration, or conversion of those vessels and other watercraft, and from the sale of

1 property purchased for the use of those vessels and other watercraft including provisions,
2 supplies, and material for the maintenance and/or repair of the vessels and other watercraft and
3 the boats nets, cables, tackle, and other fishing equipment appurtenant to or used in connection
4 with the commercial fishing of the vessels and other watercraft. "Commercial fishing" means the
5 taking or the attempting to take any fish, shellfish, crustacea, or bait species with the intent of
6 disposing of them for profit or by sale, barter, trade, or in commercial channels. The term does
7 not include subsistence fishing, i.e., the taking for personal use and not for sale or barter; or sport
8 fishing; but shall include vessels and other watercraft with a Rhode Island party and charter boat
9 license issued by the department of environmental management pursuant to section 20-2-27.1
10 which meet the following criteria: (i) the operator must have a current U.S.C.G. license to carry
11 passengers for hire; (ii) U.S.C.G. vessel documentation in the coast wide fishery trade; (iii)
12 U.S.C.G. vessel documentation as to proof of Rhode Island home port status or a Rhode Island
13 boat registration to prove Rhode Island home port status; (iv) the vessel must be used as a
14 commercial passenger carrying fishing vessel to carry passengers for fishing. The vessel must be
15 able to demonstrate that at least fifty percent (50%) of its annual gross income derives from
16 charters or provides documentation of a minimum of one hundred (100) charter trips annually; (v)
17 the vessel must have a valid Rhode Island party and charter boat license. The tax administrator
18 shall implement the provisions of this subdivision by promulgating rules and regulations relating
19 thereto.

20 (27) Clothing and footwear. - From the sales of articles of clothing, including footwear,
21 intended to be worn or carried on or about the human body for sales prior to October 1, 2012.
22 Effective October 1, 2012, the exemption will apply to the sales of articles of clothing, including
23 footwear, intended to be worn or carried on or about the human body up to two hundred and fifty
24 dollars (\$250) of the sales price per item. For the purposes of this section, "clothing or footwear"
25 does not include clothing accessories or equipment or special clothing or footwear primarily
26 designed for athletic activity or protective use as these terms are defined in section 44-18-7.1(f).
27 In recognition of the work being performed by the Streamlined Sales and Use Tax Governing
28 Board, upon passage of any federal law which authorizes states to require remote sellers to collect
29 and remit sales and use taxes, this unlimited exemption will apply as it did prior to October 1,
30 2012. The unlimited exemption on sales of clothing and footwear shall take effect on the date that
31 the state requires remote sellers to collect and remit sales and use taxes.

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

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

5 (30) Boats.

6 (i) From the sale of a boat or vessel to a bona fide nonresident of this state who does not
7 register the boat or vessel in this state, or document the boat or vessel with the United States
8 government at a home port within the state, whether the sale or delivery of the boat or vessel is
9 made in this state or elsewhere; provided, that the nonresident transports the boat within thirty
10 (30) days after delivery by the seller outside the state for use thereafter solely outside the state.

11 (ii) The tax administrator, in addition to the provisions of sections 44-19-17 and 44-19-
12 28, may require the seller of the boat or vessel to keep records of the sales to bona fide
13 nonresidents as the tax administrator deems reasonably necessary to substantiate the exemption
14 provided in this subdivision, including the affidavit of the seller that the buyer represented
15 himself or herself to be a bona fide nonresident of this state and of the buyer that he or she is a
16 nonresident of this state.

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

22 (32) Farm equipment. - From the sale and from the storage or use of machinery and
23 equipment used directly for commercial farming and agricultural production; including, but not
24 limited to, tractors, ploughs, harrows, spreaders, seeders, milking machines, silage conveyors,
25 balers, bulk milk storage tanks, trucks with farm plates, mowers, combines, irrigation equipment,
26 greenhouses and greenhouse coverings, graders and packaging machines, tools and supplies and
27 other farming equipment, including replacement parts, appurtenant to or used in connection with
28 commercial farming and tools and supplies used in the repair and maintenance of farming
29 equipment. "Commercial farming" means the keeping or boarding of five (5) or more horses or
30 the production within this state of agricultural products, including, but not limited to, field or
31 orchard crops, livestock, dairy, and poultry, or their products, where the keeping, boarding, or
32 production provides at least two thousand five hundred dollars (\$2,500) in annual gross sales to
33 the operator, whether an individual, a group, a partnership, or a corporation for exemptions issued
34 prior to July 1, 2002; for exemptions issued or renewed after July 1, 2002, there shall be two (2)

1 levels. Level I shall be based on proof of annual gross sales from commercial farming of at least
2 twenty-five hundred dollars (\$2,500) and shall be valid for purchases subject to the exemption
3 provided in this subdivision except for motor vehicles with an excise tax value of five thousand
4 dollars (\$5,000) or greater; Level II shall be based on proof of annual gross sales from
5 commercial farming of at least ten thousand dollars (\$10,000) or greater and shall be valid for
6 purchases subject to the exemption provided in this subdivision including motor vehicles with an
7 excise tax value of five thousand dollars (\$5,000) or greater. For the initial issuance of the
8 exemptions, proof of the requisite amount of annual gross sales from commercial farming shall be
9 required for the prior year; for any renewal of an exemption granted in accordance with this
10 subdivision at either Level I or Level II, proof of gross annual sales from commercial farming at
11 the requisite amount shall be required for each of the prior two (2) years. Certificates of
12 exemption issued or renewed after July 1, 2002, shall clearly indicate the level of the exemption
13 and be valid for four (4) years after the date of issue. This exemption applies even if the same
14 equipment is used for ancillary uses, or is temporarily used for a non-farming or a non-
15 agricultural purpose, but shall not apply to motor vehicles acquired after July 1, 2002, unless the
16 vehicle is a farm vehicle as defined pursuant to section 31-1-8 and is eligible for registration
17 displaying farm plates as provided for in section 31-3-31.

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

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

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

28 (36) Textbooks. - From the sale and from the storage, use, or other consumption in this
29 state of textbooks by an "educational institution" as defined in subdivision (18) of this section and
30 as well as any educational institution within the purview of section 16-63-9(4) and used textbooks
31 by any purveyor.

32 (37) Tangible personal property and supplies used in on-site hazardous waste recycling,
33 reuse, or treatment. - From the sale, storage, use, or other consumption in this state of tangible
34 personal property or supplies used or consumed in the operation of equipment, the exclusive

1 function of which is the recycling, reuse, or recovery of materials (other than precious metals, as
2 defined in subdivision (24)(ii) of this section) from the treatment of "hazardous wastes", as
3 defined in section 23-19.1-4, where the "hazardous wastes" are generated in Rhode Island solely
4 by the same taxpayer and where the personal property is located at, in, or adjacent to a generating
5 facility of the taxpayer in Rhode Island. The taxpayer shall procure an order from the director of
6 the department of environmental management certifying that the equipment and/or supplies as
7 used, or consumed, qualify for the exemption under this subdivision. If any information relating
8 to secret processes or methods of manufacture, production, or treatment is disclosed to the
9 department of environmental management only to procure an order, and is a "trade secret" as
10 defined in section 28-21-10(b), it is not open to public inspection or publicly disclosed unless
11 disclosure is required under chapter 21 of title 28 or chapter 24.4 of title 23.

12 (38) Promotional and product literature of boat manufacturers. - From the sale and from
13 the storage, use, or other consumption of promotional and product literature of boat
14 manufacturers shipped to points outside of Rhode Island which either: (i) accompany the product
15 which is sold, (ii) are shipped in bulk to out of state dealers for use in the sale of the product, or
16 (iii) are mailed to customers at no charge.

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

21 (40) Transportation charges. - From the sale or hiring of motor carriers as defined in
22 section 39-12-2(1) to haul goods, when the contract or hiring cost is charged by a motor freight
23 tariff filed with the Rhode Island public utilities commission on the number of miles driven or by
24 the number of hours spent on the job.

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

30 (42) Equipment used for research and development. - From the sale and from the
31 storage, use, or other consumption of equipment to the extent used for research and development
32 purposes by a qualifying firm. For the purposes of this subdivision, "qualifying firm" means a
33 business for which the use of research and development equipment is an integral part of its
34 operation, and "equipment" means scientific equipment, computers, software, and related items.

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

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

10 (45) Telecommunications carrier access service. - Carrier access service or
11 telecommunications service when purchased by a telecommunications company from another
12 telecommunications company to facilitate the provision of telecommunications service.

13 (46) Boats or vessels brought into the state exclusively for winter storage, maintenance,
14 repair or sale. - Notwithstanding the provisions of sections 44-18-10, 44-18-11, 44-18-20, the tax
15 imposed by section 44-18-20 is not applicable for the period commencing on the first day of
16 October in any year to and including the 30th day of April next succeeding with respect to the use
17 of any boat or vessel within this state exclusively for purposes of: (i) delivery of the vessel to a
18 facility in this state for storage, including dry storage and storage in water by means of apparatus
19 preventing ice damage to the hull, maintenance, or repair; (ii) the actual process of storage,
20 maintenance, or repair of the boat or vessel; or (iii) storage for the purpose of selling the boat or
21 vessel.

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

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

32 (49) Banks and Regulated investment companies interstate toll-free calls. -
33 Notwithstanding the provisions of this chapter, the tax imposed by this chapter does not apply to
34 the furnishing of interstate and international, toll-free terminating telecommunication service that

1 is used directly and exclusively by or for the benefit of an eligible company as defined in this
2 subdivision; provided, that an eligible company employs on average during the calendar year no
3 less than five hundred (500) "full-time equivalent employees", as that term is defined in section
4 42-64.5-2. For purposes of this section, an "eligible company" means a "regulated investment
5 company" as that term is defined in the Internal Revenue Code of 1986, 26 U.S.C. section 1 et
6 seq., or a corporation to the extent the service is provided, directly or indirectly, to or on behalf of
7 a regulated investment company, an employee benefit plan, a retirement plan or a pension plan or
8 a state chartered bank.

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

12 (51) Manufacturing business reconstruction materials.

13 (i) From the sale and from the storage, use or other consumption in this state of lumber,
14 hardware, and other building materials used in the reconstruction of a manufacturing business
15 facility which suffers a disaster, as defined in this subdivision, in this state. "Disaster" means any
16 occurrence, natural or otherwise, which results in the destruction of sixty percent (60%) or more
17 of an operating manufacturing business facility within this state. "Disaster" does not include any
18 damage resulting from the willful act of the owner of the manufacturing business facility.

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

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

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

25 (52) Tangible personal property and supplies used in the processing or preparation of
26 floral products and floral arrangements. - From the sale, storage, use, or other consumption in this
27 state of tangible personal property or supplies purchased by florists, garden centers, or other like
28 producers or vendors of flowers, plants, floral products, and natural and artificial floral
29 arrangements which are ultimately sold with flowers, plants, floral products, and natural and
30 artificial floral arrangements or are otherwise used in the decoration, fabrication, creation,
31 processing, or preparation of flowers, plants, floral products, or natural and artificial floral
32 arrangements, including descriptive labels, stickers, and cards affixed to the flower, plant, floral
33 product or arrangement, artificial flowers, spray materials, floral paint and tint, plant shine, flower
34 food, insecticide and fertilizers.

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

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

5 (i) From the sale, subsequent to June 30, 2003, of a non-motorized recreational vehicle to
6 a bona fide nonresident of this state who does not register the non-motorized recreational vehicle
7 in this state, whether the sale or delivery of the non-motorized recreational vehicle is made in this
8 state or at the place of residence of the nonresident; provided, that a non-motorized recreational
9 vehicle sold to a bona fide nonresident whose state of residence does not allow a like exemption
10 to its nonresidents is not exempt from the tax imposed under section 44-18-20; provided, further,
11 that in that event the bona fide nonresident pays a tax to Rhode Island on the sale at a rate equal
12 to the rate that would be imposed in his or her state of residence not to exceed the rate that would
13 have been imposed under section 44-18-20. Notwithstanding any other provisions of law, a
14 licensed non-motorized recreational vehicle dealer shall add and collect the tax required under
15 this subdivision and remit the tax to the tax administrator under the provisions of chapters 18 and
16 19 of this title. Provided, that when a Rhode Island licensed non-motorized recreational vehicle
17 dealer is required to add and collect the sales and use tax on the sale of a non-motorized
18 recreational vehicle to a bona fide nonresident as provided in this section, the dealer in computing
19 the tax takes into consideration the law of the state of the nonresident as it relates to the trade-in
20 of motor vehicles.

21 (ii) The tax administrator, in addition to the provisions of sections 44-19-27 and 44-19-
22 28, may require any licensed non-motorized recreational vehicle dealer to keep records of sales to
23 bona fide nonresidents as the tax administrator deems reasonably necessary to substantiate the
24 exemption provided in this subdivision, including the affidavit of a licensed non-motorized
25 recreational vehicle dealer that the purchaser of the non-motorized recreational vehicle was the
26 holder of, and had in his or her possession a valid out-of-state non-motorized recreational vehicle
27 registration or a valid out-of-state driver's license.

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

32 (iv) "Non-motorized recreational vehicle" means any portable dwelling designed and
33 constructed to be used as a temporary dwelling for travel, camping, recreational, and vacation use
34 which is eligible to be registered for highway use, including, but not limited to, "pick-up coaches"

1 or "pick-up campers," "travel trailers," and "tent trailers" as those terms are defined in chapter 1
2 of title 31.

3 (55) Sprinkler and fire alarm systems in existing buildings. - From the sale in this state of
4 sprinkler and fire alarm systems, emergency lighting and alarm systems, and from the sale of the
5 materials necessary and attendant to the installation of those systems, that are required in
6 buildings and occupancies existing therein in July 2003, in order to comply with any additional
7 requirements for such buildings arising directly from the enactment of the Comprehensive Fire
8 Safety Act of 2003, and that are not required by any other provision of law or ordinance or
9 regulation adopted pursuant to that Act. The exemption provided in this subdivision shall expire
10 on December 31, 2008.

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

14 (57) Renewable energy products. - Notwithstanding any other provisions of Rhode
15 Island general laws the following products shall also be exempt from sales tax: solar photovoltaic
16 modules or panels, or any module or panel that generates electricity from light; solar thermal
17 collectors, including, but not limited to, those manufactured with flat glass plates, extruded
18 plastic, sheet metal, and/or evacuated tubes; geothermal heat pumps, including both water-to-
19 water and water-to-air type pumps; wind turbines; towers used to mount wind turbines if
20 specified by or sold by a wind turbine manufacturer; DC to AC inverters that interconnect with
21 utility power lines; manufactured mounting racks and ballast pans for solar collector, module or
22 panel installation. Not to include materials that could be fabricated into such racks; monitoring
23 and control equipment, if specified or supplied by a manufacturer of solar thermal, solar
24 photovoltaic, geothermal, or wind energy systems or if required by law or regulation for such
25 systems but not to include pumps, fans or plumbing or electrical fixtures unless shipped from the
26 manufacturer affixed to, or an integral part of, another item specified on this list; and solar storage
27 tanks that are part of a solar domestic hot water system or a solar space heating system. If the tank
28 comes with an external heat exchanger it shall also be tax exempt, but a standard hot water tank is
29 not exempt from state sales tax.

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

34 (59) Dietary Supplements. - From the sale and from the storage, use or other

1 consumption of dietary supplements as defined in section 44-18-7.1(l)(v), sold on prescriptions.

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

4 (61) Agricultural products for human consumption. - From the sale and from the storage,
5 use or other consumption of livestock and poultry of the kinds of products of which ordinarily
6 constitute food for human consumption and of livestock of the kind the products of which
7 ordinarily constitute fibers for human use.

8 (62) Diesel emission control technology. - From the sale and use of diesel retrofit
9 technology that is required by section 31-47.3-4 of the general laws.

10 (63) Feed for certain animals used in commercial farming. - From the sale of feed for
11 animals as described in subsection 44-18-30(61).

12 (64) Alcoholic beverages. - From the sale and storage, use, or other consumption in this
13 state by a Class A licensee of alcoholic beverages, as defined in section 44-18-7.1, excluding beer
14 and malt beverages from December 1, 2013 through ~~March 31, 2015~~ June 30, 2015; provided,
15 further, notwithstanding section 6-13-1 or any other general or public law to the contrary,
16 alcoholic beverages, as defined in section 44-18-7.1, shall not be subject to minimum markup
17 from December 1, 2013 through ~~March 31, 2015~~ June 30, 2015.

18 SECTION 10. Section 3-10-1 of the General Laws in Chapter 3-10 entitled "Taxation of
19 Beverages" is hereby amended to read as follows:

20 **3-10-1. Manufacturing tax rates -- Exemption of religious uses.** -- (a) There shall be
21 assessed and levied by the tax administrator on all beverages manufactured, rectified, blended, or
22 reduced for sale in this state a tax of ~~three dollars and thirty cents (\$3.30)~~ three dollars (\$3.00) on
23 every thirty-one (31) gallons, and a tax at a like rate for any other quantity or fractional part. On
24 any beverage manufactured, rectified, blended, or reduced for sale in this state consisting in
25 whole or in part of wine, whiskey, rum, gin, brandy spirits, ethyl alcohol, or other strong liquors
26 (as distinguished from beer or other brewery products) the tax to be assessed and levied is as
27 follows:

28 (1) Still wines (whether fortified or not), ~~one dollar and forty cents (\$1.40)~~ sixty cents
29 (\$.60) per gallon;

30 (2) Still wines (whether fortified or not) made entirely from fruit grown in this state,
31 thirty cents (\$.30) per gallon;

32 (3) Sparkling wines (whether fortified or not), seventy five cents (\$.75) per gallon;

33 (4) Whiskey, rum, gin, brandy spirits, cordials, and other beverages consisting in whole
34 or in part of alcohol which is the product of distillation, ~~five dollars and forty cents (\$5.40)~~ three

1 [dollars and seventy-five cents \(\\$3.75\)](#) per gallon, except that whiskey, rum, gin, brandy spirits,
2 cordials, and other beverages consisting in whole or in part of alcohol which is the product of
3 distillation but which contains alcohol measuring thirty (30) proof or less, one dollar and ten cents
4 (\$1.10) per gallon;

5 (5) Ethyl alcohol to be used for beverage purposes, seven dollars and fifty cents (\$7.50)
6 per gallon; and

7 (6) Ethyl alcohol to be used for nonbeverage purposes, eight cents (\$.08) per gallon.

8 (b) Sacramental wines are not subject to any tax if sold directly to a member of the
9 clergy for use by the purchaser, or his or her congregation for sacramental or other religious
10 purposes.

11 (c) A brewer who brews beer in this state which is actively and directly owned,
12 managed, and operated by an authorized legal entity which has owned, managed, and operated a
13 brewery in this state for at least twelve (12) consecutive months, shall receive a tax exemption on
14 the first one hundred thousand (100,000) barrels of beer that it produces and distributes in this
15 state in any calendar year. A barrel of beer is thirty one (31) gallons.

16 SECTION 11. Section 16 of Article 9 of Chapter 144 of the 2013 Public Laws entitled
17 "AN ACT RELATING TO MAKING APPROPRIATIONS FOR THE SUPPORT OF THE
18 STATE FOR THE FISCAL YEAR ENDING JUNE 30, 2014" is hereby amended to read to as
19 follows:

20 SECTION 16. Section 1 of this article shall take effect on January 1, 2014, and shall
21 apply to all assets placed in service on or after January 1, 2014. Section 2 of this article shall take
22 effect upon passage and shall apply to tax years beginning on or after January 1, 2014. Section 4
23 of this article shall take effect July 1, 2013. Section 8 of this article shall take effect on July 1,
24 2013 and shall expire on ~~March 31, 2015~~ [June 30, 2015](#). Section 15 of this article shall take effect
25 on December 1, 2013. The remainder of this article shall take effect upon passage.

26 SECTION 12. Section 44-22-1.1 of the General Laws in Chapter 44-22 entitled "Estate
27 and Transfer Taxes - Liability and Computation" is hereby amended to read as follows:

28 **44-22-1.1. Tax on net estate of decedent.** -- (a) (1) For decedents whose death occurs on
29 or after January 1, 1992, but prior to January 1, 2002, a tax is imposed upon the transfer of the net
30 estate of every resident or nonresident decedent as a tax upon the right to transfer. The tax is a
31 sum equal to the maximum credit for state death taxes allowed by 26 U.S.C. section 2011.

32 (2) For decedents whose death occurs on or after January 1, 2002, but prior to January 1,
33 2010 a tax is imposed upon the transfer of the net estate of every resident or nonresident decedent
34 as a tax upon the right to transfer. The tax is a sum equal to the maximum credit for state death

1 taxes allowed by 26 U.S.C. section 2011 as it was in effect as of January 1, 2001; provided,
2 however, that the tax shall be imposed only if the net taxable estate shall exceed six hundred
3 seventy-five thousand dollars (\$675,000). Any scheduled increase in the unified credit provided
4 in 26 U.S.C. section 2010 in effect on January 1, 2001, or thereafter, shall not apply.

5 (3) For decedents whose death occurs on or after January 1, 2010, and prior to January 1,
6 2015 a tax is imposed upon the transfer of the net estate of every resident or nonresident decedent
7 as a tax upon the right to transfer. The tax is a sum equal to the maximum credit for state death
8 taxes allowed by 26 U.S.C. section 2011 as it was in effect as of January 1, 2001; provided,
9 however, that the tax shall be imposed only if the net taxable estate shall exceed eight hundred
10 and fifty thousand dollars (\$850,000); provided, further, beginning on January 1, 2011 and each
11 January 1 thereafter, until January 1, 2015, said amount shall be adjusted by the percentage of
12 increase in the Consumer Price Index for all Urban Consumers (CPI-U) as published by the
13 United States Department of Labor Statistics determined as of September 30 of the prior calendar
14 year; said adjustment shall be compounded annually and shall be rounded up to the nearest five
15 dollar (\$5.00) increment. Any scheduled increase in the unified credit provided in 26 U.S.C.
16 section 2010 in effect on January 1, 2003, or thereafter, shall not apply.

17 (4) For decedents whose death occurs on or after January 1, 2015, a tax is imposed upon
18 the transfer of the net estate of every resident or nonresident decedent as a tax upon the right to
19 transfer. The tax is a sum equal to the maximum credit for state death taxes allowed by 26 U.S.C.
20 Section 2011, as it was in effect as of January 1, 2001; provided, however, that a Rhode Island
21 credit shall be allowed against any tax so determined in the amount of sixty-four thousand four
22 hundred (\$64,400). Any scheduled increase in the unified credit provided in 26 U.S.C. Section
23 2010 in effect on January 1, 2003, or thereafter, shall not apply; provided, further, beginning on
24 January 1, 2016 and each January 1 thereafter, said Rhode Island credit amount under this section
25 shall be adjusted by the percentage of increase in the Consumer Price Index for all Urban
26 Consumers (CPI-U) as published by the United States Department of Labor Statistics determined
27 as of September 30 of the prior calendar year; said adjustment shall be compounded annually and
28 shall be rounded up to the nearest five dollar (\$5.00) increment.

29 (b) If the decedent's estate contains property having a tax situs not within the state, then
30 the tax determined by this section is reduced to an amount determined by multiplying the tax by a
31 fraction whose numerator is the gross estate excluding all property having a tax situs not within
32 the state at the decedent's death and whose denominator is the gross estate. In determining the
33 fraction, no deductions are considered and the gross estate is not reduced by a mortgage or other
34 indebtedness for which the decedent's estate is not liable.

1 (c) (1) The terms "gross taxable estate", "federal gross estate" or "net taxable estate" used
2 in this chapter or chapter 23 of this title has the same meaning as when used in a comparable
3 context in the laws of the United States, unless a different meaning is clearly required by the
4 provisions of this chapter or chapter 23 of this title. Any reference in this chapter or chapter 23 of
5 this title to the Internal Revenue Code or other laws of the United States means the Internal
6 Revenue Code of 1954, 26 U.S.C. section 1 et seq.

7 (2) For decedents whose death occurs on or after January 1, 2002, the terms "gross
8 taxable estate" "federal gross estate" or "net taxable estate" used in this chapter or chapter 23 of
9 this title has the same meaning as when used in a comparable context in the laws of the United
10 States, unless a different meaning is clearly required by the provisions of this chapter or chapter
11 23 of this title. Any reference in this chapter or chapter 23 of this title to the Internal Revenue
12 Code or other laws of the United States means the Internal Revenue Code of 1954, 26 U.S.C.
13 section 1 et seq., as they were in effect as of January 1, 2001, unless otherwise provided.

14 (d) All values are as finally determined for federal estate tax purposes.

15 (e) Property has a tax situs within the state of Rhode Island:

16 (1) If it is real estate or tangible personal property and has actual situs within the state of
17 Rhode Island; or

18 (2) If it is intangible personal property and the decedent was a resident.

19 SECTION 13. Sections 42-64.5-3 and 42-64.5-4 of the General Laws in Chapter 42-64.5
20 entitled "Jobs Development Act" are hereby amended to read as follows:

21 **42-64.5-3. Tax rate reduction.** -- The rate of tax payable by an eligible company and
22 each of its eligible subsidiaries for any taxable year ending on or after July 1, 1995, on its net
23 income pursuant to the applicable income tax provisions of the general laws, including the
24 provisions of sections 44-11-2(a), 44-14-3(a), 44-14-4 and 44-17-1, or on its gross earnings
25 pursuant to section 44-13-4(4), shall be reduced by the amount specified in section 42-64.5-4; this
26 rate reduction shall be applied annually once to those eligible companies which are permitted by
27 law to file a consolidated state tax return [or as part of a combined group](#) and in the case of eligible
28 companies not ~~permitted~~ [required](#) by law to file [as part of a combined group](#) ~~consolidated-state~~
29 ~~tax returns~~, then the rate reduction shall be applied annually to each eligible company and its
30 eligible subsidiaries; provided, however, except as provided in section 42-64.5-7, should any
31 eligible company fail to maintain in any taxable year after 1997 or, if applicable, the third taxable
32 year following the base employment period election set forth in section 42-64.5-5, the number of
33 units of new employment it reported for its 1997 tax year or, if applicable, the third taxable year
34 following the base employment period election set forth in section 42-64.5-5; the rate reduction

1 provided for in this chapter shall expire permanently.

2 **42-64.5-4. Reduction rate schedule.** -- (a) (i) The amount of the rate reduction specified
3 in section 42-64.5-3 for any eligible company that is not a telecommunications company for each
4 taxable year ending on or after July 1, 1995, shall be based upon the aggregate amount of new
5 employment of the eligible company and its eligible subsidiaries for each taxable year, and shall
6 be determined by multiplying the numerical equivalent of one-quarter of one percent (.25%) by
7 the number of units of new employment for each taxable year through the taxable year ending in
8 1997 or, if applicable, the third taxable year following the base employment period election set
9 forth in section 42-64.5-5; and for each taxable year thereafter, the number of units of new
10 employment reported for the taxable year 1997 or, if applicable, the third taxable year following
11 the base employment period election set forth in section 42-64.5-5; provided, however, the
12 amount of each rate reduction shall in no event be greater than six percent (6%).

13 (ii) For the tax years beginning on or after January 1, 2015, the amount of the rate
14 reduction specified in § 42-64.5-3 for any eligible company required to file and pay taxes
15 pursuant to § 44-11-2, shall be based upon the aggregate amount of new employment of the
16 eligible company and its eligible subsidiaries for each taxable year, and shall be determined by
17 multiplying the numerical equivalent of two tenths of one percent (.20%) by the number of units
18 of new employment for each taxable year through the taxable year ending in 1997 or, if
19 applicable, the third taxable year following the base employment period election set forth in § 42-
20 64.5-5; and for each taxable year thereafter, the number of units of new employment reported for
21 the taxable year 1997 or, if applicable, the third taxable year following the base employment
22 period election set forth in § 42-64.5-5; provided, however, the amount of each rate reduction
23 shall in no event be greater than four percent (4.0%).

24 (b) The amount of the rate reduction specified in section 42-64.5-3 for any eligible
25 company that is a telecommunications company shall be based upon the aggregate amount of new
26 employment of the eligible company and its eligible subsidiaries for each taxable year and shall
27 be determined in the same manner as set forth in subsection (a) of this section, except that it shall
28 be determined by multiplying the numerical equivalent of one-hundredth of one percent (.01%)
29 by the number of units of new employment and the amount of each rate reduction shall in no
30 event be greater than one percent (1%).

31 (c) Notwithstanding any of the provisions of this chapter, where an eligible
32 telecommunications company has one or more affiliated entities that is an eligible company, the
33 eligible company entitled to a rate reduction may assign its rate reduction, to be determined in the
34 manner as provided in subsection (b) of this section, to the eligible telecommunications company.

1 An entity that assigns the rate reduction shall not be eligible for the rate reduction.

2 SECTION 14. Sections 42-64.14-10 and 42-64.14-11 of the General Laws in Chapter 42-
3 64.14 entitled "The I-195 Redevelopment Act of 2011" are hereby amended to read as follows:

4 **42-64.14-10. Life sciences tax rate reduction.** -- The rate of tax payable by an eligible
5 life sciences company and each of its eligible subsidiaries for any taxable year beginning on or
6 after January 1, 2011, on its net income pursuant to the provisions of subsection 44-11-2(a), shall
7 be reduced by the amount specified in section 42-64.14-11; this rate reduction shall be applied
8 annually once to those eligible life sciences companies which are permitted by law to file a
9 consolidated state tax return or as part of a combined group and in the case of eligible companies
10 not ~~permitted~~ required by law to file consolidated state tax returns or as part of a combined group,
11 then the rate reduction shall be applied annually to each eligible life sciences company and its
12 eligible subsidiaries; provided, however, should any eligible life sciences company fail to
13 maintain in any taxable year after 2014 or, if applicable, the third taxable year following the base
14 employment period election set forth in section 42-64.14-12, the number of units of new
15 employment it reported for its 2014 tax year or, if applicable, the third taxable year following the
16 base employment period election set forth in section 42-64.14-12, the rate reduction provided for
17 in this chapter shall expire permanently.

18 **42-64.14-11. Reduction rate schedule.** -- (a) The amount of the rate reduction specified
19 in section 42-64.14-10 for any eligible life sciences company for each taxable year beginning on
20 or after January 1, 2012, shall be based upon the aggregate amount of new employment of the
21 eligible life sciences company and its eligible subsidiaries for each taxable year, and shall be
22 determined by multiplying the numerical equivalent of one-quarter of one percent (.25%) by the
23 number of units of new employment for each taxable year through the taxable year ending in
24 2014 or, if applicable, the third taxable year following the base employment period election set
25 forth in section 42-64.14-12; and for each taxable year thereafter, the number of units of new
26 employment reported for the taxable year 2014 or, if applicable, the third taxable year following
27 the base employment period election set forth in section 42-64.14-12; ~~provided, however, the~~
28 ~~amount of each rate reduction shall in no event be lower than three percent (3%).~~ provided,
29 however, the amount of each rate reduction shall in no event be greater than six percent (6%).

30 (b) For tax years beginning on or after January 1, 2015, the amount of the rate reduction
31 specified in § 42-64.14-10 for any eligible company required to file and pay taxes pursuant to §
32 44-11-2, shall be based upon the aggregate amount of new employment of the eligible company
33 and its eligible subsidiaries for each taxable year, and shall be determined by multiplying the
34 numerical equivalent of two tenths of one percent (.20%) by the number of units of new

1 employment for each taxable year through the taxable year ending in 1997 or, if applicable, the
2 third taxable year following the base employment period election set forth in § 42-64.14-12; and
3 for each taxable year thereafter, the number of units of new employment reported for the taxable
4 year 1997 or, if applicable, the third taxable year following the base employment period election
5 set forth in § 42-64.14-12; provided, however, the amount of each rate reduction shall in no event
6 be greater than four percent (4.0%).

7 SECTION 15. Sections 44-11-1, 44-11-2 and 44-11-4 of the General Laws in Chapter 44-
8 11 entitled "Business Corporation Tax" are hereby amended to read as follows:

9 **44-11-1. Definitions.** -- For the purpose of this chapter:

10 (1) (a) "Captive REIT" means a corporation, trust or association:

11 (i) That is considered a real estate investment trust for the taxable year under section 856
12 of the Internal Revenue Code;

13 (ii) That is not regularly traded on an established securities market; and

14 (iii) More than fifty percent (50%) of the voting power or value of the beneficial interests
15 or shares of which at any time during the last half of the taxable year, is owned or controlled,
16 directly or indirectly, by a single entity that is subject to the provisions of Subchapter C of
17 Chapter 1 of the Internal Revenue Code; and

18 (b) "Captive REIT" does not include:

19 (i) A corporation, trust or association more than fifty percent (50%) of the voting power
20 or value of the beneficial interests or shares of which, at any time during which the corporation,
21 trust or association satisfies item (1)(iii) of this subsection, is owned or controlled, directly or
22 indirectly, by:

23 (A) A real estate investment trust other than a real estate investment trust described in
24 item (i) of this subsection; or

25 (B) A person exempt from taxation under section 501(a) of the Internal Revenue Code;
26 or

27 (C) A listed Australian Property Trust; and

28 (ii) Subject to regulations that the tax administrator adopts, a real estate investment trust
29 that is intended to become regularly traded on an established securities market and that satisfies
30 the requirements of section 865(A)(5) and (6) of the Internal Revenue Code by reason of section
31 856(h)(2) of the Internal Revenue Code; and

32 (c) For purposes of this section, the constructive ownership rules prescribed under
33 section 318(a) of the Internal Revenue Code, as modified by section 856(d)(5) of the Internal
34 Revenue Code, shall apply in determining the ownership of stock, assets or net profits of any

1 person.

2 (2) "Combined group" means a group of two or more corporations in which more than
3 fifty percent (50%) of the voting stock of each member corporation is directly or indirectly owned
4 by a common owner or owners, either corporate or non-corporate, or by one or more of the
5 member corporations, and that are engaged in a unitary business.

6 (3) "Common ownership" means more than fifty percent (50%) of the voting control of
7 each member of the group is directly or indirectly owned by a common owner or owners, either
8 corporate or non-corporate, whether or not owner or owners are members of the combined group.

9 .

10 ~~(2)~~(4) "Corporation" means every corporation, joint-stock company, or association,
11 wherever incorporated, a real estate investment trust, a regulated investment company, a personal
12 holding company registered under the Federal Investment Company Act of 1940, 15 U.S.C.
13 section 80a-1 et seq., and also a trustee or trustees conducting a business where interest or
14 ownership is evidenced by certificates or other written instruments, deriving any income from
15 sources within this state or engaging in any activities or transactions within this state for the
16 purpose of profit or gain, whether or not an office or place of business is maintained in this state,
17 or whether or not the income, activities, or transactions are connected with intrastate, interstate, or
18 foreign commerce, except:

19 (i) State banks, mutual savings banks, federal savings banks, trust companies, national
20 banking associations, building and loan associations, credit unions, and loan and investment
21 companies;

22 (ii) Public service corporations included in chapter 13 of this title, except as otherwise
23 provided in section 44-13-2.2;

24 (iii) Insurance and surety companies;

25 (iv) Corporations specified in section 7-6-4, incorporated hospitals, schools, colleges,
26 and other institutions of learning not organized for business purposes and not doing business for
27 profit and no part of the net earnings of which inures to the benefit of any private stockholder or
28 individual, whether incorporated under any general law of this state or by any special act of the
29 general assembly of this state;

30 (v) Fraternal beneficiary societies as set forth in section 27-25-1;

31 (vi) Any corporation expressly exempt from taxation by charter;

32 (vii) Corporations which together with all corporations under direct or indirect common
33 ownership that satisfies the other requirements of this paragraph employ not less than five (5)
34 full-time equivalent employees in the state; which maintain an office in the state; and activities

1 within the state which are confined to the maintenance and management of their intangible
2 investments or of the intangible investments of corporations or business trusts registered as
3 investment companies under the Investment Company Act of 1940, 15 U.S.C. section 80a-1 et
4 seq., and the collection and distribution of the income from those investments or from tangible
5 property physically located outside the state. For purposes of this paragraph, "intangible
6 investments" includes, without limitation, investments in stocks, bonds, notes, and other debt
7 obligations, including debt obligations of affiliated corporations, patents, patent applications,
8 trademarks, trade names, copyrights, and similar types of intangible assets.

9 ~~(3)~~(5) "Fiscal year" means an accounting period of twelve (12) months ending on the last
10 day of any month other than December.

11 (6) "Member" means a corporation included in a unitary business.

12 ~~(4)~~(7) "Place of business" means a regular place of business, which, in turn, means any
13 bona fide office, other than a statutory office, factory, warehouse, or other space which is
14 regularly used by the taxpayer in carrying on its business. Where, as a regular course of business,
15 property of the taxpayer is stored by it in a public warehouse until it is shipped to customers, the
16 warehouse is considered a regular place of business of the taxpayer and, where as a regular course
17 of business, raw material or partially furnished goods of a taxpayer are delivered to an
18 independent contractor to be converted, processed, finished, or improved and the finished goods
19 remain in the possession of the independent contractor until shipped to customers, the plant of the
20 independent contractor is considered a regular place of business of the taxpayer. The mere
21 consignment of goods by the taxpayer to an independent factor outside this state for sale at the
22 consignee's discretion does not constitute the taxpayer as having a regular place of business
23 outside this state.

24 (8) "Tax haven" means a jurisdiction that, during the tax year in question has no or
25 nominal effective tax on the relevant income and;

26 (i) Has laws or practices that prevent effective exchange of information for tax purposes
27 with other governments on taxpayers benefiting from the tax regime;

28 (ii) Has a tax regime which lacks transparency. A tax regime lacks transparency if the
29 details of legislative, legal, or administrative provisions are not open and apparent; or are not
30 consistently applied among similarly situated taxpayers; or if the information needed by tax
31 authorities to determine a taxpayer's correct tax liability, such as accounting records and
32 underlying documentation is not adequately available;

33 (iii) Facilitates the establishment of foreign-owned entities without the need for a local
34 substantive presence or prohibits these entities from having any commercial impact on the local

1 economy:

2 (iv) Explicitly or implicitly excluded the jurisdictions's resident taxpayers from taking
3 advantage of the tax regime benefits or prohibits enterprisers that benefit from the regime from
4 operating in the jurisdiction's domestic market; or

5 (v) Has created a tax regime which is favorable for tax avoidance, based upon an overall
6 assessment of relevant factors, including whether the jurisdiction has a significant untaxed
7 offshore financial/other services sector relative to its overall economy.

8 ~~(5)~~(9) "Taxable year" means the calendar year or the fiscal year ending during the
9 calendar year upon the basis of which the net income is computed under this chapter. "Taxable
10 year" means, in the case of a return made for a fractional part of a year under the provisions of
11 this chapter or under regulations prescribed by the tax administrator, the period for which the
12 return is made.

13 ~~(6)~~(10) "Taxpayer" means and includes any corporation subject to the provisions of this
14 chapter.

15 (11) "Unitary business" means the activities of a group of two (2) or more corporations
16 under common ownership that are sufficiently interdependent, integrated, or interrelated through
17 their activities so as to provide mutual benefit and produce a significant sharing or exchange of
18 value among them or a significant flow of value between the separate parts. The term unitary
19 business shall be construed to the broadest extent permitted under the United States Constitution.

20 (12) "United States" means the fifty (50) states of the United States, the District of
21 Columbia, the United States' territories and possessions.

22 **44-11-2. Imposition of tax.** -- (a) Each corporation shall annually pay to the state a tax
23 equal to nine percent (9%) of net income, as defined in section 44-11-11, qualified in section 44-
24 11-12, and apportioned to this state as provided in sections 44-11-13 -- 44-11-15, for the taxable
25 year. For tax years beginning on or after January 1, 2015, each corporation shall annually pay to
26 the state a tax equal to seven percent (7.0%) of net income, as defined in § 44-11-13 – 44-11-15,
27 for the taxable year.

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

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

34 (2) Its gross receipts derived from these activities during the taxable year amounted to at

1 least ninety percent (90%) of its total gross receipts derived from all of its activities during the
2 year. "Gross receipts" means all receipts, whether in the form of money, credits, or other valuable
3 consideration, received during the taxable year in connection with the conduct of the taxpayer's
4 activities.

5 (c) A corporation shall not pay the amount of the tax computed on the basis of its net
6 income under subsection (a) of this section, but shall annually pay to the state a tax equal to ten
7 cents (\$.10) for each one hundred dollars (\$100) of gross income for the taxable year or a tax of
8 one hundred dollars (\$100), whichever tax shall be the greater, if for the taxable year the
9 corporation is either a "personal holding company" registered under the federal Investment
10 Company Act of 1940, 15 U.S.C. section 80a-1 et seq., "regulated investment company", or a
11 "real estate investment trust" as defined in the federal income tax law applicable to the taxable
12 year. "Gross income" means gross income as defined in the federal income tax law applicable to
13 the taxable year, plus:

14 (1) Any interest not included in the federal gross income; minus

15 (2) Interest on obligations of the United States or its possessions, and other interest
16 exempt from taxation by this state; and minus

17 (3) Fifty percent (50%) of the excess of capital gains over capital losses realized during
18 the taxable year.

19 (d) (1) A small business corporation having an election in effect under subchapter S, 26
20 U.S.C. section 1361 et seq., shall not be subject to the Rhode Island income tax on corporations,
21 except that the corporation shall be subject to the provisions of subsection (a), to the extent of the
22 income that is subjected to federal tax under subchapter S. [Effective for tax years beginning on or
23 after January 1, 2015, a small business corporation having an election in effect under subchapter
24 S, 26 U.S.C. § 1261 et seq., shall be subject to the minimum tax under § 44-11-2\(e\).](#)

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

27 (3) [Deleted by P.L. 2004, ch. 595, art. 29, section 1.]

28 (4) [Deleted by P.L. 2004, ch. 595, art. 29, section 1.]

29 (e) Minimum tax. - The tax imposed upon any corporation under this section, [including a
30 small business corporation having an election in effect under subchapter S, 26 U.S.C. § 1361 et
31 seq.](#) shall not be less than five hundred dollars (\$500).

32 **44-11-4. Returns of affiliated groups of corporations.** - [For tax years beginning before
33 January 1, 2015, An an](#) affiliated group of corporations may file a consolidated return for the
34 taxable year in lieu of separate returns; provided, that all the corporations which constitute the

1 affiliated group at any time during the period for which the return is made and which are subject
2 to taxation under this chapter shall consent to the making of the consolidated return. The tax
3 administrator may prescribe rules and regulations as he or she may deem necessary in order that
4 the tax liability of any affiliated group of corporations making a consolidated return and of each
5 corporation in the group, liable to taxation under this chapter, both during and after the period of
6 affiliation, may be determined, computed, assessed, collected, and adjusted in a manner as clearly
7 to reflect the net income and the corporate excess and to prevent avoidance of tax liability.

8 SECTION 16. Chapter 44-11 of the General Laws entitled "Business Corporation Tax" is
9 hereby amended by adding thereto the following section:

10 **44-11-4.1. Combined reporting.** -- (a) For tax years beginning on or after January 1,
11 2015, each C corporation which is part of an unitary business with one or more other
12 corporations must file a return, in a manner prescribed by the tax administrator, for the combined
13 group containing the combined income, determined under this section, of the combined group.

14 (b) An affiliated group of C corporations, as defined in section 1504 of the Internal
15 Revenue Code, may elect to be treated as a combined group with respect to the combined
16 reporting requirement imposed by § 44-11-4.1 (a) for the taxable year in lieu of an unitary
17 business group. The election shall be upon the condition that all C corporations which at any time
18 during the taxable year have been members of the affiliated group consent to be included in such
19 group. The filing of a consolidated return for the combined group shall be considered as such
20 consent. Such election may not be revoked in less than five (5) years unless approved by the tax
21 administrator.

22 (c) The use of a combined report does not disregard the separate identities of the taxpayer
23 members of the combined group. Each taxpayer member is responsible for tax based on its
24 taxable income or loss apportioned to this state.

25 (d) Members of a combined group shall exclude as a member and disregard the income
26 and apportionment factors of any corporation not incorporated in the United States (a "non US
27 corporation") if the sales factors outside the United States is eighty percent (80%) or more. If a
28 non US corporation is includible as a member in the combined group, to the extent that such non
29 US corporation's income is subject to the provisions of a federal income tax treaty, such income is
30 not includible in the combined group net income. Such member shall also not include in the
31 combined report any expenses or apportionment factors attributable to income that is subject to
32 the provisions of a federal income tax treaty. For purposes of this chapter, "federal income tax
33 treaty" means a comprehensive income tax treaty between the United States and a foreign
34 jurisdiction, other than a foreign jurisdiction which is defined as a tax haven; provided, however,

1 that if the tax administrator determines that a combined group member non US corporation is
2 organized in a tax haven that has a federal income treaty with the United States, its income
3 subject to a federal income tax treaty, and any expenses or apportionment factors attributable to
4 such income, shall not be included in the combined group net income or combined report if: (i)
5 the transactions conducted between such non US corporation and other members of the combined
6 group are done on an arm's length basis and not with the principal purpose to avoid the payment
7 of taxes due under this chapter; or (ii) the member establishes that the inclusion of such net
8 income in combined group net income is unreasonable.

9 (e) Net Operating Losses. A tracing protocol shall apply to net operating losses created
10 before January 1, 2015. Such net operating losses shall be allowed to offset only the income of the
11 corporation that created the net operating loss; the net operating loss cannot be shared with other
12 members of the combined group. No deduction is allowable for a net operating loss sustained
13 during any taxable year in which a taxpayer was not subject to Rhode Island business corporation
14 tax. For net operating losses created in tax years beginning on or after January 1, 2015 such loss
15 allowed shall be the same as the net operating loss deduction allowed under section 172 of the
16 internal revenue code for the combined group, except that:

17 (1) Any net operating loss included in determining the deduction shall be adjusted to
18 reflect the inclusions and exclusions from entire net income required by §44-11-11 (a) and § 44-
19 11-11.1;

20 (2) The deduction shall not include any net operating loss sustained during any taxable
21 year in which the member was not subject to the tax imposed by this chapter; and

22 (3) The deduction shall not exceed the deduction for the taxable year allowable under
23 section 172 of the internal revenue code; provided, that the deduction for a taxable year may not
24 be carried back to any other taxable year for Rhode Island purposes but shall only be allowable
25 on a carry forward basis for the five (5) succeeding taxable years.

26 (f) Tax Credits and Tax Rate Reduction.

27 (1) A tracing protocol shall apply to Rhode Island tax credits earned before tax years
28 beginning on or before January 1, 2015. Such Rhode Island tax credits shall be allowed to offset
29 only the tax liability of the corporation that earned the credits; the Rhode Island tax credits cannot
30 be shared with other members of the combined group. Rhode Island tax credits earned in tax
31 years beginning on or after January 1, 2015, may be applied to other members of the group.

32 (2) The tax rate reductions authorized under § 42-64.5 (Jobs Development Act) and § 42-
33 2 64.14 (1-195 Redevelopment Act of 2011) shall be allowed against the net income of the entire
34 combined group.

1 (g) The tax administrator shall prescribe and amend, from time to time, rules and
2 regulations as he or she may deem necessary in order that the tax liability of any group of
3 corporations filing as a combined group and each corporation in the combined group, liable to
4 taxation under this chapter, may be determined, computed, assessed, collected, and adjusted in a
5 manner as to clearly reflect the combined income of the combined group and the individual
6 income of each member of the combined group. Such rules and regulations, shall include but are
7 not be limited to, issues such as the inclusion or exclusion of a corporation in the combined
8 group, the characterization and sourcing of each member's income, and whether certain common
9 activities constitute the conduct of a unitary business.

10 (h) The tax administrator shall on or before March 15, 2018, based upon the actual tax
11 filings of companies under this act for a two year period, submit a report to the chairperson of the
12 house finance committee and the senate finance committee and the house fiscal advisor and the
13 senate fiscal advisor analyzing the policy and fiscal ramifications of the changes enacted to
14 business corporations tax statutes, as enacted in budget article 12 of the Fiscal Year 2015
15 appropriations act. The report shall include but not be limited to the impact upon categories of
16 business, size of business and similar information as contained in Rhode Island General Laws 44-
17 11-45, which required the original report.

18 SECTION 17. Sections 44-11-11 and 44-11-14 of the General Laws in Chapter 44-11
19 entitled "Business Corporation Tax" are hereby amended to read as follows:

20 **44-11-11. "Net income" defined.** -- (a) (1) "Net income" means, for any taxable year
21 and for any corporate taxpayer, the taxable income of the taxpayer for that taxable year under the
22 laws of the United States, plus:

23 (i) Any interest not included in the taxable income;

24 (ii) Any specific exemptions;

25 ~~(iii) For a captive REIT, an amount equal to the amount of the dividends paid deduction~~
26 ~~allowed under the Internal Revenue Code for the taxable year;~~

27 ~~(iv)~~(iii) The tax imposed by this chapter; and minus

28 ~~(v) Any deductions required to be added back to net income under the provisions of~~
29 ~~paragraph (f) of this section, and minus~~

30 ~~(vi)~~(iv) Interest on obligations of the United States or its possessions, and other interest
31 exempt from taxation by this state; and

32 ~~(vii)~~(v) The federal net operating loss deduction.

33 (2) All binding federal elections made by or on behalf of the taxpayer applicable either
34 directly or indirectly to the determination of taxable income shall be binding on the taxpayer

1 except where this chapter or its attendant regulations specifically modify or provide otherwise.
2 Rhode Island taxable income shall not include the "gross-up of dividends" required by the federal
3 Internal Revenue Code to be taken into taxable income in connection with the taxpayer's election
4 of the foreign tax credit.

5 (b) A net operating loss deduction shall be allowed which shall be the same as the net
6 operating loss deduction allowed under 26 U.S.C. section 172, except that:

7 (1) Any net operating loss included in determining the deduction shall be adjusted to
8 reflect the inclusions and exclusions from entire net income required by subsection (a) of this
9 section and section 44-11-11.1;

10 (2) The deduction shall not include any net operating loss sustained during any taxable
11 year in which the taxpayer was not subject to the tax imposed by this chapter; and

12 (3) The deduction shall not exceed the deduction for the taxable year allowable under 26
13 U.S.C. section 172; provided, that the deduction for a taxable year may not be carried back to any
14 other taxable year for Rhode Island purposes but shall only be allowable on a carry forward basis
15 for the five (5) succeeding taxable years.

16 (c) "Domestic international sales corporations" (referred to as DISCs), for the purposes
17 of this chapter, will be treated as they are under federal income tax law and shall not pay the
18 amount of the tax computed under section 44-11-2(a). Any income to shareholders of DISCs is to
19 be treated in the same manner as it is treated under federal income tax law as it exists on
20 December 31, 1984.

21 (d) A corporation which qualifies as a "foreign sales corporation" (FSC) under the
22 provisions of subchapter N, 26 U.S.C. section 861 et seq., and which has in effect for the entire
23 taxable year a valid election under federal law to be treated as a FSC, shall not pay the amount of
24 the tax computed under section 44-11-2(a). Any income to shareholders of FSCs is to be treated
25 in the same manner as it is treated under federal income tax law as it exists on January 1, 1985.

26 ~~(e) As used in this section:~~

27 ~~(1) "Affiliated group" has the same meaning as in section 1504 of the Internal Revenue~~
28 ~~Code.~~

29 ~~(2) "Intangible expenses and costs" includes: (A) expenses, losses and costs for, related~~
30 ~~to, or in connection directly or indirectly with the direct or indirect acquisition, use, maintenance~~
31 ~~or management, ownership, sale, exchange, or any other disposition of intangible property to the~~
32 ~~extent such amounts are allowed as deductions or costs in determining taxable income before~~
33 ~~operating loss deduction and special deductions for the taxable year under the Internal Revenue~~
34 ~~Code; (B) losses related to or incurred in connection directly or indirectly with factoring~~

1 ~~transactions or discounting transactions; (C) royalty, patent, technical and copyright fees; (D)~~
2 ~~licensing fees; and (E) other similar expenses and costs.~~

3 ~~(3) "Intangible property" means patents, patent applications, trade names, trademarks,~~
4 ~~service marks, copyrights and similar types of intangible assets.~~

5 ~~(4) "Interest expenses and costs" means amounts directly or indirectly allowed as~~
6 ~~deductions under section 163 of the Internal Revenue Code for purposes of determining taxable~~
7 ~~income under the Internal Revenue Code to the extent such expenses and costs are directly or~~
8 ~~indirectly for, related to, or in connection with the direct or indirect acquisition, maintenance,~~
9 ~~management, ownership, sale, exchange or disposition of intangible property.~~

10 ~~(5) "Related member" means a person that, with respect to the taxpayer during all or any~~
11 ~~portion of the taxable year, is a related entity, as defined in this subsection, a component member~~
12 ~~as defined in section 1563(b) of the Internal Revenue Code, or is a person to or from whom there~~
13 ~~is attribution of stock ownership in accordance with section 1563(e) of the Internal Revenue~~
14 ~~Code.~~

15 ~~(6) "Related entity" means: (A) a stockholder who is an individual, or a member of the~~
16 ~~stockholder's family enumerated in section 318 of the Internal Revenue Code, if the stockholder~~
17 ~~and the members of the stockholder's family own directly, indirectly, beneficially or~~
18 ~~constructively, in the aggregate, at least fifty percent (50%) of the value of the taxpayer's~~
19 ~~outstanding stock; (B) a stockholder, or a stockholder's partnership, limited liability company,~~
20 ~~estate, trust or corporation, if the stockholder and the stockholder's partnership, limited liability~~
21 ~~companies, estates, trusts and corporations own directly, indirectly, beneficially or constructively,~~
22 ~~in the aggregate, at least fifty percent (50%) of the value of the taxpayer's outstanding stock; or~~
23 ~~(C) a corporation, or a party related to the corporation in a manner that would require an~~
24 ~~attribution of stock from the corporation to the party or from the party to the corporation under~~
25 ~~the attribution rules of section 318 of the Internal Revenue Code, if the taxpayer owns, directly,~~
26 ~~indirectly, beneficially or constructively, at least fifty percent (50%) of the value of the~~
27 ~~corporation's outstanding stock. The attribution rules on section 318 of the Internal Revenue Code~~
28 ~~shall apply for purposes of determining whether the ownership requirements of this subdivision~~
29 ~~have been met.~~

30 ~~(f) For purposes of computing its net income under this section, a corporation shall add~~
31 ~~back otherwise deductible interest expenses and costs and intangible expenses and costs directly~~
32 ~~or indirectly paid, accrued or incurred to, or in connection directly or indirectly with one or more~~
33 ~~direct or indirect transactions with, one or more related members.~~

34 ~~(1) The adjustments required in subsection (f) of this section shall not apply if the~~

1 ~~corporation establishes by clear and convincing evidence that the adjustments are unreasonable,~~
2 ~~as determined by the tax administrator or the corporation and the tax administrator agree in~~
3 ~~writing to the application or use of an alternative method of apportionment under section 44-11-~~
4 ~~15. Nothing in this subsection shall be construed to the limit or negate the tax administrator's~~
5 ~~authority to otherwise enter into agreements and compromises otherwise allowed by law.~~

6 ~~(2) The adjustments required in subsection (f) of this section shall not apply to such~~
7 ~~portion of interest expenses and costs and intangible expenses and costs that the corporation can~~
8 ~~establish by the preponderance of the evidence meets both of the following: (A) the related~~
9 ~~member during the same income year directly or indirectly paid, accrued or incurred such portion~~
10 ~~to a person who is not a related member; and (B) the transaction giving rise to the interest~~
11 ~~expenses and costs or the intangible expenses and costs between the corporation and the related~~
12 ~~member did not have as a significant purpose the avoidance of any portion of the tax due under~~
13 ~~chapter 44-11.~~

14 ~~(3) The adjustments required in subsection (f) shall not apply if the corporation~~
15 ~~establishes by clear and convincing evidence, as determined by the tax administrator, that: (i) a~~
16 ~~principal purpose of the transaction giving rise to the payment of interest was not to avoid~~
17 ~~payment of taxes due under this chapter; (ii) the interest is paid pursuant to a contract that reflects~~
18 ~~an arm's length rate of interest and terms; and (iii) (A) the related member was subject to tax on~~
19 ~~its net income in this state or another state or possession of the United States or a foreign nation;~~
20 ~~(B) a measure of said tax included the interest received from the taxpayer; and (C) the effective~~
21 ~~rate of tax applied to the interest received by the related member is no less than the effective rate~~
22 ~~of tax applied to the taxpayer under this chapter minus 3 percentage points.~~

23 ~~(4) Partial Adjustments.—The add back required in subsection (f) shall not be required in~~
24 ~~part if a portion of the add back would be unreasonable. A portion of the add back will be~~
25 ~~considered unreasonable to the extent that the taxpayer establishes to the tax administrator by~~
26 ~~clear and convincing evidence that interest or intangible expense was paid, accrued or incurred to~~
27 ~~a related member that is taxed on the corresponding income by a state, U.S. possession or foreign~~
28 ~~jurisdiction. An adjustment to the add back will be allowed based on a factor determined by the~~
29 ~~apportioned tax rate of the related member in the other jurisdiction compared to the apportioned~~
30 ~~tax rate of the taxpayer in this state. A taxpayer that seeks to claim this adjustment must file a~~
31 ~~schedule that sets forth the information required by the tax administrator.~~

32 ~~(g) Nothing in this section shall require a corporation to add to its net income more than~~
33 ~~once any amount of interest expenses and costs or intangible expenses and costs that the~~
34 ~~corporation pays, accrues or incurs to a related member described in subsection (b) of this~~

1 ~~section.~~

2 ~~(h) Any taxpayer required to make an adjustment required in subsection (f) for tax years~~
3 ~~beginning on or after January 1, 2008, is additionally required to report to the tax administrator,~~
4 ~~on forms required by him, the amount of any adjustments that would have been required if the~~
5 ~~law applied to tax years beginning on or after January 1, 2007.~~

6 ~~(i) Nothing in this section shall be construed to limit or negate the tax administrator~~
7 ~~authority to make adjustments under section 44-11-15.~~

8 **44-11-14. Allocation of income from business partially within state.** -- (a) In the case
9 of a taxpayer deriving its income from sources both within and outside of this state or engaging in
10 any activities or transactions both within and outside of this state for the purpose of profit or gain,
11 its net income shall be apportioned to this state by means of an allocation fraction to be computed
12 as a simple arithmetical mean of three (3) fractions:

13 (1) The first of these fractions shall represent that part held or owned within this state of
14 the average net book value of the total tangible property (real estate and tangible personal
15 property) held or owned by the taxpayer during the taxable year, without deduction on account of
16 any encumbrance thereon;

17 (2) The second fraction shall represent that part of the taxpayer's total receipts from sales
18 or other sources during the taxable year which is attributable to the taxpayer's activities or
19 transactions within this state during the taxable year; meaning and including within that part, as
20 being thus attributable, receipts from:

21 (i) Gross sales of its tangible personal property (inventory sold in the ordinary course of
22 business) where:

- 23 (A) Shipments are made to points within this state; or
- 24 (B) Shipments are made from an office, store, warehouse, factory or other place of
25 storage in this state and the taxpayer is not taxable in the state of the purchase.

26 (ii) Gross income from services performed within the state;

27 (iii) Gross income from rentals from property situated within the state;

28 (iv) Net income from the sale of real and personal property, other than inventory sold in
29 the ordinary course of business as described in paragraph (i) of this subdivision, or other capital
30 assets located in the state;

31 (v) Net income from the sale or other disposition of securities or financial obligations;
32 and

33 (vi) Gross income from all other receipts within the state;

34 (3) The third fraction shall represent that part of the total wages, salaries, and other

1 compensation to officers, employees, and agents paid or incurred by the taxpayer during the
2 taxable year which is attributable to services performed in connection with the taxpayer's
3 activities or transactions within this state during the taxable year.

4 (b) For tax years beginning on or after January 1, 2015, all taxpayers organized under
5 subchapter C of the Internal Revenue Code deriving income from sources both within and outside
6 of this state, or engaging in any activities or transactions both within and outside of this state for
7 the purpose of profit or gain, its net income shall be apportioned to this state by means of an
8 allocation fraction to be computed as a simple arithmetical of the following factors:

9 (1) The factor shall represent that part of the taxpayer's total receipts from sales or other
10 sources during the taxable year which is attributable to the taxpayer's activities or transactions
11 within this state during the taxable year; meaning and including within that part, as being thus
12 attributable, receipts from:

13 (i) Gross sales of its tangible personal property (inventory sold in the ordinary course of
14 business) where:

15 (A) Shipments are made to points within this state; or

16 (B) Shipments are made from an office, store, warehouse, factory or other place of
17 storage in this state and the taxpayer is not taxable in the state of the purchase.

18 (ii) Gross income from the performance of services where the recipient of the service
19 receives all of the benefit of the service in this state. If the recipient of the service receives some
20 of the benefit of the service in this state, gross income which shall be included in the numerator of
21 the apportionment factor in proportion to the extent the recipient receives benefit of the service in
22 this state;

23 (iii) Gross income from rentals from property situated within the state;

24 (iv) Net income from the sale of real and personal property, other than inventory sold in
25 the ordinary course of business as described in subsection (b)(1)(i) of this section, or other capital
26 assets located in the state;

27 (v) Net income from the sale or other disposition of securities or financial obligations;

28 and

29 (vi) Gross income from all other receipts within the state.

30 (vii) Except as otherwise provided under this section, each unitary business group
31 member shall include all receipts in this state without regard to whether the member has nexus in
32 this state. Receipts between members included in a unitary business group must be eliminated in
33 calculating the receipts factor.

34 ~~(b)~~(c) Notwithstanding any of the provisions of this section, revenue and expenses

1 subject to the gross earnings tax pursuant to chapter 13 of this title shall not be included in the
2 calculation described in this section.

3 SECTION 18. Section 44-11-45 of the General Laws in Chapter 44-11 entitled "Business
4 Corporation Tax" is hereby repealed.

5 ~~**44-11-45. Combined reporting study.**~~ -- (a) For the purpose of this section:

6 ~~(1) "Common ownership" means more than fifty percent (50%) of the voting control of~~
7 ~~each member of the group is directly or indirectly owned by a common owner or owners, either~~
8 ~~corporate or non corporate, whether or not owner or owners are members of the combined group.~~

9 ~~(2) "Member" means a corporation included in a unitary business.~~

10 ~~(3) "Unitary business" means the activities of a group of two (2) or more corporations~~
11 ~~under common ownership that are sufficiently interdependent, integrated or interrelated through~~
12 ~~their activities so as to provide mutual benefit and produce a significant sharing or exchange of~~
13 ~~value among them or a significant flow of value between the separate parts. The term unitary~~
14 ~~business shall be construed to the broadest extent permitted under the United States Constitution.~~

15 ~~(4) "United States" means the fifty (50) states of the United States, the District of~~
16 ~~Columbia, the United States' territories and possessions.~~

17 ~~(b) Combined reporting.~~

18 ~~(1) As part of its tax return for a taxable year beginning after December 31, 2010 but~~
19 ~~before January 1, 2013, each corporation which is part of an unitary business must file a report, in~~
20 ~~a manner prescribed by the tax administrator, for the combined group containing the combined~~
21 ~~net income of the combined group. The use of a combined report does not disregard the separate~~
22 ~~identities of the members of the combined group. The report shall include, at minimum, for each~~
23 ~~taxable year the following:~~

24 ~~(i) The difference in tax owed as a result of filing a combined report compared to the tax~~
25 ~~owed under the current filing requirements;~~

26 ~~(ii) The difference in tax owed as a result of using the single sales factor apportionment~~
27 ~~method under this paragraph as compared to the tax owed using the current three (3) factor~~
28 ~~apportionment method under section 44-11-14;~~

29 ~~(iii) Volume of sales in the state and worldwide; and~~

30 ~~(iv) Taxable income in the state and worldwide.~~

31 ~~(2) The combined reporting requirement required pursuant to this section shall not~~
32 ~~include any persons that engage in activities enumerated in sections 44-13-4, 44-14-3, 44-14-4 or~~
33 ~~44-17-1, whether within or outside this state. Neither the income or loss nor the apportionment~~
34 ~~factors of such a person shall be included, directly or indirectly, in the combined report.~~

1 ~~(3) Members of a combined group shall exclude as a member and disregard the income~~
2 ~~and apportionment factors of any corporation incorporated in a foreign jurisdiction (a "foreign~~
3 ~~corporation") if the average of its property, payroll and sales factors outside the United States is~~
4 ~~eighty percent (80%) or more. If a foreign corporation is includible as a member in the combined~~
5 ~~group, to the extent that such foreign corporation's income is subject to the provisions of a federal~~
6 ~~income tax treaty, such income is not includible in the combined group net income. Such member~~
7 ~~shall also not include in the combined report any expenses or apportionment factors attributable~~
8 ~~to income that is subject to the provisions of a federal income tax treaty. For purposes of this~~
9 ~~chapter, "federal income tax treaty" means a comprehensive income tax treaty between the United~~
10 ~~States and a foreign jurisdiction, other than a foreign jurisdiction which the organization for~~
11 ~~economic co-operation and development has determined has not committed to the internationally~~
12 ~~agreed tax standard, or has committed to the international agreed tax standard but has not yet~~
13 ~~substantially implemented that standard, as identified in the then current organization for~~
14 ~~economic co-operation and development progress report.~~

15 ~~(c) Any corporation which is required to file a report under this section which fails to file~~
16 ~~a timely report or which files a false report shall be assessed a penalty not to exceed ten thousand~~
17 ~~dollars (\$10,000). The penalty may be waived for good cause shown for failure to timely file.~~

18 ~~(d) The tax administrator shall on or before March 15, 2014, based on the information~~
19 ~~provided in income tax returns and the data submitted under this section, submit a report to the~~
20 ~~chairpersons of the house finance committee and senate finance committee, and the house fiscal~~
21 ~~advisor and the senate fiscal advisor analyzing the policy and fiscal ramifications of changing the~~
22 ~~business corporation tax statute to a combined method of reporting.~~

23 SECTION 19. Section 44-26-2.1 of the General Laws in Chapter 44-26 entitled
24 "Declaration of Estimated Tax by Corporations" is hereby amended to read as follows:

25 **44-26-2.1. Declaration -- Due date -- Payment -- Interest.** -- (a) Notwithstanding any
26 general or specific statute to the contrary, every corporation having a taxable year ending
27 December 31, 1990, or thereafter, shall file a declaration of its estimated tax for the taxable year
28 ending December 31, 1990, or thereafter, if its estimated tax can reasonably be expected to
29 exceed five hundred dollars (\$500). The declaration, sworn to by the officer of the corporation
30 who is required to sign its return under any of the chapters and section mentioned in section 44-
31 26-1 shall contain the pertinent information and be in the form that the tax administrator may
32 prescribe. The entire amount of the estimated tax shall constitute the amount of the advance
33 required to be paid. (b) (1) Except as provided in subdivision (2) of this subsection, the
34 declaration of estimated tax required of corporations by subsection (a) of this section shall be

1 filed as follows:

2 If the requirements of subsection (a) are first met: The declaration shall be filed on
3 or before:
4 before the first day of the of the third month of
5 the taxable year the fifteenth day of the third
6 month of the taxable year;
7 after the first day of the third month and before the fifteenth day of the sixth
8 the first day of the sixth month of the taxable year..... month of the taxable year.

9 (2) The declaration of estimated tax required of corporations subject to section 27-3-38
10 relating to surplus line brokers premium tax or under any special act or acts in lieu of the
11 provisions of that section or in amendment of or in addition to that section shall be filed as
12 follows:

13 If the requirements of subsection (a) are first met: The declaration shall be filed on
14 or before:
15 Before the first day of the fourth month of the thirtieth day of the fourth month
16 of the taxable year
17 After the first day of the fourth month and
18 before the first day of the sixth month of the
19 taxable year the thirtieth day of the sixth
20 month of the taxable year
21 After the first day of the sixth month and before the thirtieth day of the tenth
22 the first day of the tenth month of the taxable year month of the taxable year
23 After the first day of the tenth month and before
24 the first day of the twelfth month of the taxable the thirty-first day of the twelfth
25 year month of the taxable year

26 (c) An amendment of a declaration may be filed in any interval between installment dates
27 prescribed for the taxable year, but only one amendment may be filed in each interval.

28 (d) The tax administrator may grant a reasonable extension of time, not to exceed thirty
29 (30) days, for filing a declaration.

30 (e) (1) The amount of the advance based on the estimated tax declared under subsection
31 (a) of this section by corporations described in subdivision (b)(1) of this section shall be paid as
32 follows:

33 (i) If the declaration is filed on or before the fifteenth (15th) day of the third (3rd) month
34 of the taxable year, the advance shall be paid in two (2) installments. The first installment in the

1 amount of forty percent (40%) of the estimated tax shall be paid at the time of the filing of the
2 declaration. The second and last installment in the amount of sixty percent (60%) of the estimated
3 tax shall be paid on or before the fifteenth (15th) day of the sixth (6th) month of the taxable year.

4 (ii) If the declaration is filed after the fifteenth (15th) day of the third (3rd) month of the
5 taxable year and is not required by subsection (b) of this section to be filed on or before the
6 fifteenth (15th) day of the third (3rd) month of the taxable year, but is required to be filed on or
7 before the fifteenth (15th) day of the sixth (6th) month, the advance shall be paid in full at the
8 time of filing.

9 (2) The amount of the advance based in the estimated tax declared under subsection (a) of
10 this section by corporations listed in subdivision (b)(2) of this section shall be paid as follows:

11 (i) If the declaration is filed on or before the thirtieth (30th) day of the fourth (4th) month
12 of the taxable year, the advance shall be paid in four (4) equal installments. The first installment
13 shall be paid on or before the thirtieth (30th) day of the fourth (4th) month of the taxable year,
14 and the second (2nd), third (3rd), and fourth (4th) installments shall be paid on or before the
15 thirtieth (30th) day of the sixth (6th) month, the thirtieth (30th) day of the tenth (10th) month, and
16 the thirty-first (31st) day of the twelfth (12th) month of the taxable year, respectively.

17 (ii) If the declaration is filed before the thirtieth (30th) day of the sixth (6th) month of the
18 taxable year, the advance shall be paid in three (3) equal installments. The first installment shall
19 be paid on or before the thirtieth (30th) day of the sixth (6th) month of the taxable year and the
20 second (2nd) and third (3rd) installments shall be paid on or before the thirtieth (30th) day of the
21 tenth (10th) month and the thirty-first (31st) day of the twelfth (12th) month of the taxable year
22 respectively.

23 (iii) If the declaration is filed on or before the thirtieth (30th) day of the tenth (10th)
24 month of the taxable year, the advance shall be paid in two (2) equal installments. The first
25 installment shall be paid on or before the thirtieth (30th) day of the tenth (10th) month of the
26 taxable year and the second installment shall be paid on or before the thirty-first (31st) day of the
27 twelfth (12th) month of the taxable year.

28 (iv) If the declaration is filed after the time prescribed in subdivision (b)(2) of this
29 section, including cases in which an extension of time for filing the declaration has been granted,
30 there shall be paid at the time of the filing all installments of the advance which would have been
31 payable on or before that time if the declaration had been filed within the time prescribed in
32 subdivision (b)(2) of this section.

33 (f) If the declaration is filed after the time prescribed in subsection (b) of this section
34 including cases in which an extension of time for filing the declaration has been granted,

1 paragraph (e)(1)(ii) of this section does not apply, and there shall be paid at the time of the filing
2 all installments of the advance which would have been payable on or before that time if the
3 declaration had been filed within the time prescribed in subsection (b).

4 (g) If any amendment of a declaration is filed, the installment payable on or before the
5 fifteenth (15th) day of the sixth (6th) month, if any, or in the case of corporations licensed as
6 surplus line brokers under section 27-3-38, the installments payable on or before the thirtieth
7 (30th) days of the sixth (6th) or tenth (10th) month and thirty-first (31st) day of the twelfth (12th)
8 month are ratably increased or decreased, as the case may be, to reflect the increase or decrease,
9 as the case may be, in the estimated tax by reason of the amendment.

10 (h) At the election of the corporation, any installment of the advance may be paid prior to
11 the date prescribed for payment.

12 (i) In the case of any underpayment of the advance by a corporation, except as provided
13 in this section, there is added to the tax due under chapters 11 -- 15 and 17 of this title, or section
14 27-3-38, for the taxable year an amount determined at the rate described in section 44-1-7 upon
15 the amount of the underpayment for the period of the underpayment. For the purpose of this
16 subsection, the "amount of the underpayment" is the excess of the amount of the installment or
17 installments which would be required to be paid if the advance payments were equal to eighty
18 percent (80%) of the tax shown on the return for the taxable year. For the purposes of this
19 subsection, the "period of the underpayment" is the period from the date the installment was
20 required to be paid to the date prescribed under any of the chapters previously mentioned in this
21 section for the payment of the tax for the taxable year or, with respect to any portion of the
22 underpayment, the date on which the portion is paid, whichever date is the earlier. A payment of
23 the advance on the fifteenth (15th) day of the sixth (6th) month, or for section 27-3-38 on the
24 thirtieth (30th) day of the sixth (6th) month, of the taxable year is considered a payment of any
25 previous underpayment only to the extent that the payment exceeds the amount of the installment
26 due on the fifteenth (15th) day of the sixth (6th) month, or for section 27-3-38 on the thirtieth
27 (30th) day of the sixth (6th) month, of the taxable year.

28 (j) Notwithstanding the provisions of this section, the addition to the tax with respect to
29 any underpayment of any installment is not imposed if the total amount of all payments of the
30 advance made on or before the last date prescribed for payment of the installment equals or
31 exceeds the amount which would have been required to be paid on or before that date if the
32 amount of the advance was an amount equal to one hundred percent (100%) of the tax computed
33 at the rates applicable to the taxable year but otherwise on the basis of the fact shown on the
34 return of the corporation for and the law applicable to the preceding taxable year.

1 (k) This section is effective for estimated payments being made by corporations for
2 taxable years ending on or after December 31, 1990.

3 (l) Notwithstanding any other provisions of this section any taxpayer required to make an
4 adjustment in accordance with section 44-11-11(f) in a tax year beginning in calendar year 2008
5 shall compute estimated payments for that tax year as follows:

6 (1) The installments must equal 100% of the tax due for the prior year plus any additional
7 tax due for the current year adjustment under section 44-11-11(f), or

8 (2) That installments must equal 100% of the current year tax liability.

9 (m) Notwithstanding any other provisions of this section any taxpayer required to file a
10 combined report in accordance with § 44-11-4.1 in a tax year beginning on or after January 1,
11 2015, shall compute estimated payments for that tax year as follows:

12 (1) The installments must equal one hundred percent (100%) of the tax due for the prior
13 year plus any additional tax due to the combined report provisions under § 44-1-4.1; or

14 (2) The installments must equal one hundred percent (100%) of the current year tax
15 liability.

16 SECTION 20. Chapter 44-12 of the General Laws entitled "Franchise Tax" is hereby
17 repealed in its entirety.

18 **CHAPTER 44-12**

19 **Franchise Tax**

20 ~~**44-12-1. Tax imposed -- Corporations liable -- Credit for tax on income -- Reduced**~~
21 ~~**rate where no business done.**~~ (a) Every corporation, joint stock company, or association
22 incorporated in this state or qualified to do business in this state, whether or not doing business
23 for profit, all referred to in this section under the term "corporation", except those enumerated in
24 section 44-12-11, shall pay an annual franchise tax to the state upon its authorized capital stock of
25 two dollars fifty cents (\$2.50) for each ten thousand dollars (\$10,000) or fractional part, or the
26 sum of five hundred dollars (\$500), whichever is greater.

27 (b) In the case of corporations liable to a tax under chapter 11 of this title, only the
28 amount by which the franchise tax exceeds the tax payable under that chapter shall be assessed.

29 (c) If a corporation shall show by supplemental affidavit attached to the prescribed return
30 and signed in the manner provided for each return that it has not, at any time during its preceding
31 taxable year, been engaged within the state in any business activities, it shall only pay an annual
32 franchise tax upon its authorized capital stock at the following rates: five hundred dollars (\$500)
33 where the stock does not exceed one million dollars (\$1,000,000); and the further sum of twelve
34 dollars fifty cents (\$12.50) for each additional one million dollars (\$1,000,000) or fractional part

1 of the stock.

2 ~~**44-12-2. Filing of returns -- Contents.** -- Every corporation shall, on or before the date~~
3 ~~fixed for filing returns under section 44-11-3, file with the tax administrator as of the last day of~~
4 ~~its next preceding taxable year a return, under oath or affirmation, signed by its treasurer or by an~~
5 ~~authorized officer or agent of the corporation, if organized, and if not organized, under oath of~~
6 ~~some one authorized to act by the incorporators, containing information as the tax administrator~~
7 ~~may require, including:~~

8 ~~(1) The name of the corporation and the location of its principal office.~~

9 ~~(2) The amount of its capital stock authorized, and the par value thereof.~~

10 ~~(3) The amount of its capital stock authorized, without par value.~~

11 ~~**44-12-3. Valuation of no-par stock.** -- In the case of corporations having capital stock of~~
12 ~~no-par value, one hundred dollars (\$100) per share shall be deemed to be the par value for the~~
13 ~~purposes of this chapter.~~

14 ~~**44-12-4. Assessment of tax -- Notice of amount.** -- The tax administrator, as soon as~~
15 ~~possible after the filing of the return, shall assess, as of the last day of its next preceding taxable~~
16 ~~year, a tax upon each corporation as provided in this chapter and shall mail a notice of the amount~~
17 ~~of the tax to each corporation, but failure to receive the notice shall not invalidate the tax or~~
18 ~~excuse the nonpayment of the tax.~~

19 ~~**44-12-4.1. Hearing by tax administrator on application.** -- Any corporation aggrieved~~
20 ~~by the action of the tax administrator in determining the amount of any tax or penalty imposed~~
21 ~~under the provisions of this chapter may apply to the tax administrator, in writing, within thirty~~
22 ~~(30) days after the notice of the action is mailed to it, for a hearing relative thereto. The tax~~
23 ~~administrator shall fix a time and place for the hearing and shall so notify the applicant. At the~~
24 ~~hearing the tax administrator shall correct manifest errors, if any, disclosed at the hearing and~~
25 ~~assess and collect the lawfully due tax together with any penalty or interest on the tax.~~

26 ~~**44-12-5. Payment of tax -- Collection powers.** -- The tax shall be payable within fifteen~~
27 ~~(15) days after its assessment and, if not paid when due, shall bear interest from the date of its~~
28 ~~assessment at the annual rate provided by section 44-1-7 until paid. The tax administrator shall~~
29 ~~receive and collect the taxes so assessed in the same manner and with the same powers as are~~
30 ~~prescribed for, and given to, collectors of taxes by chapters 7--9 of this title.~~

31 ~~**44-12-5.1. Claims for refund -- Hearing upon denial.** -- (a) Any corporation subject to~~
32 ~~the provisions of this chapter may file a claim for refund with the tax administrator at any time~~
33 ~~within two (2) years after the tax has been paid. If the tax administrator shall determine that the~~
34 ~~tax has been overpaid, he or she shall make a refund with interest at the annual rate provided by~~

1 ~~section 44-1-7.1 from the date of overpayment.~~

2 ~~(b) Any corporation whose claim for refund has been denied may, within thirty (30) days~~
3 ~~from the date of the mailing by the tax administrator of the notice of the decision, request a~~
4 ~~hearing, and the tax administrator shall, as soon as practicable, set a time and place for the~~
5 ~~hearing and shall notify the applicant.~~

6 ~~**44-12-6. Penalty for failure to make return.** -- If the return that is required to be made~~
7 ~~by section 44-12-2 is not made within the time fixed by this chapter, the officer or agent~~
8 ~~neglecting or refusing to make the return shall be fined not exceeding five hundred dollars (\$500).~~

9 ~~**44-12-7. Lien on real estate.** -- The tax shall from the date of assessment become a lien~~
10 ~~upon the real estate of the corporation liable for the tax until the tax is collected.~~

11 ~~**44-12-8. Forfeiture of charter or articles for nonpayment of tax.** -- The tax~~
12 ~~administrator may, after July 15 of each year, make up a list of all corporations which have failed~~
13 ~~to pay any franchise tax assessed for two (2) years after the tax became due and payable, shall~~
14 ~~certify to the correctness of the list, and shall file the list as a public record in the office of the~~
15 ~~secretary of state. Upon the filing of the certified list, the charter or articles of association of each~~
16 ~~of the corporations shall become forfeited by reason of the failure to pay the tax, and all the~~
17 ~~corporations shall cease to be bodies corporate, except as provided in section 7-1.2-1324. The~~
18 ~~secretary of state shall mail a notice of the forfeiture of charter or articles of association to each~~
19 ~~corporation at its last known address, but failure to receive the notice shall not invalidate the~~
20 ~~forfeiture. Any corporation or any stockholder, officer, or agent of the corporation, continuing to~~
21 ~~act thereafter under any forfeited charter or articles of association, except as provided in section~~
22 ~~7-1.2-1324, or pending an appeal from the forfeiture as provided, shall be deemed guilty of a~~
23 ~~misdemeanor and upon conviction shall be fined not less than fifty dollars (\$50.00) nor more than~~
24 ~~one thousand dollars (\$1,000) for each offense.~~

25 ~~**44-12-9. Publication of forfeitures -- Vacation on payment of tax.** -- The secretary of~~
26 ~~state shall publish in one or more of the daily public newspapers printed in the city of Providence~~
27 ~~the names of all corporations whose charters or articles of association have been forfeited. The~~
28 ~~forfeiture shall be vacated as to any corporation, which shall pay all taxes and all interest then due~~
29 ~~to the tax administrator within sixty (60) days of the date of the publication.~~

30 ~~**44-12-10. Appeal of forfeitures.** -- Any corporation, by any stockholder or officer of the~~
31 ~~corporation, aggrieved by the forfeiture of the charter or articles of association of the corporation~~
32 ~~may appeal from the forfeiture, within thirty (30) days from the date of the publication, to the~~
33 ~~sixth (6th) division of the district court, and the court shall proceed as soon as possible to hear the~~
34 ~~appeal after the manner of equitable causes. If the appellant shall show to the satisfaction of the~~

1 ~~court that the forfeiture of the charter or articles of association of the corporation was erroneous~~
2 ~~under the provisions, or that the tax assessed was improper or erroneous in whole or in part, and~~
3 ~~in that case if the appellant shall pay all taxes and all interest then due under this chapter, then the~~
4 ~~court shall sustain the appeal and shall vacate the forfeiture as to the appellant corporation. Upon~~
5 ~~failure to show error in the forfeiture under the provisions, or to pay all taxes and all interest due,~~
6 ~~the court shall dismiss the appeal and confirm the forfeiture. Upon the sustaining of the appeal of~~
7 ~~any corporation, the clerk of the district court shall, within ten (10) days, file with the secretary of~~
8 ~~state and with the division of taxation an attested copy of the decree vacating the forfeiture as to~~
9 ~~the appellant corporation. A party aggrieved by a final order of the court may seek review in the~~
10 ~~supreme court by writ of certiorari in accordance with the procedures contained in section 42-35-~~
11 ~~16.~~

12 ~~**44-12-11. Corporations exempt.** -- The provisions of this section shall not apply to the~~
13 ~~following corporations: Roger Williams General Hospital, Women and Infants Hospital of Rhode~~
14 ~~Island, Rhode Island Hospital, St. Joseph's Hospital, Butler Hospital, Cranston General Hospital...~~
15 ~~Osteopathic, the Woonsocket Hospital, Newport Hospital, South County Hospital, Lincoln~~
16 ~~School, St. George's School, the Mary C. Wheeler School, Incorporated, insurance or surety~~
17 ~~companies, corporations mentioned in sections 7-6-4, 27-25-1, and 44-13-4, and all corporations~~
18 ~~exempt by charter or by the law of this state.~~

19 ~~**44-12-12. Declarations under penalty of perjury.** -- The oath or affirmation required by~~
20 ~~this chapter as to any report or written statement shall not be required if the report or statement to~~
21 ~~be sworn to contains or is verified by a written declaration that it is made under the penalties of~~
22 ~~perjury; and whoever signs or issues any report or statement containing or verified by a written~~
23 ~~declaration shall, if the report or statement is willfully false, be guilty of perjury.~~

24 ~~**44-12-13. Appeals -- Interest on refunds.** -- Appeals from administrative orders or~~
25 ~~decisions made pursuant to any provisions of this chapter shall be to the sixth (6th) division~~
26 ~~district court pursuant to chapter 8 of title 8. The taxpayer's right to appeal shall be expressly~~
27 ~~made conditional upon prepayment of all taxes, interest, and penalties unless the taxpayer moves~~
28 ~~for and is granted an exemption from the prepayment requirement pursuant to section 8-8-26. If~~
29 ~~the court, after appeal, holds that the taxpayer is entitled to a refund, the taxpayer shall also be~~
30 ~~paid interest on the amount at the rate provided in section 44-1-7.1.~~

31 SECTION 21. Section 44-11-15 of the General Laws in Chapter 44-11 entitled "Business
32 Corporation Tax" is hereby amended to read as follows:

33 ~~**44-11-15. Variation of method of allocating income.** -- If at any time the tax~~
34 ~~administrator, on his or her own motion or acting upon a complaint by a taxpayer, determines that~~

1 the methods of allocation provided are inequitable either to the state or to the taxpayer, the tax
2 administrator, after affording the taxpayer reasonable opportunity to be heard, may apply any
3 other method of allocation that is equitable and, if necessary, shall redetermine the tax.

4 The division of taxation shall establish an independent appeals process to attempt to
5 resolve disputes between the tax administrator and the taxpayer with respect to the method of
6 allocation applied. The decision resulting from the independent appeals process shall not prohibit
7 either party from pursuing any legal remedy otherwise available if the issue is not resolved as a
8 result of the appeal process. The decision resulting from the independent appeals process can be
9 used a evidence.

10 SECTION 22. Section 4 is effective upon passage and shall apply to tax years beginning
11 January 1, 2014. Section 7 and sections 13 through 21 of this article shall take effect upon
12 passage and shall apply to tax years beginning January 1, 2015. Section 10 shall take effect as of
13 July 1, 2015. The remainder of this article shall take effect as of July 1, 2014.

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