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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

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A N A C T

RELATING TO TAXATION -- PERSONAL INCOME TAX

Introduced By: Representatives Slater, Diaz, Williams, Tanzi, and Blazejewski

Date Introduced: January 27, 2016

Referred To: House Finance

It is enacted by the General Assembly as follows:

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

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

9 (b) Notwithstanding the provisions of §§ 44-30-1 and 44-30-2, for tax years beginning on
10 or after January 1, 2001, a Rhode Island personal income tax is imposed upon the Rhode Island
11 taxable income of residents and nonresidents, including estates and trusts, at the rate of twenty-
12 five and one-half percent (25.5%) for tax year 2001, and twenty-five percent (25%) for tax year
13 2002 and thereafter of the federal income tax rates, including capital gains rates and any other
14 special rates for other types of income, except as provided in § 44-30-2.7, which were in effect
15 immediately prior to enactment of the Economic Growth and Tax Relief Reconciliation Act of
16 2001 (EGTRRA); provided, rate schedules shall be adjusted for inflation by the tax administrator
17 beginning in taxable year 2002 and thereafter in the manner prescribed for adjustment by the
18 commissioner of Internal Revenue in 26 U.S.C. § 1(f). However, for tax years beginning on or
19 after January 1, 2006, a taxpayer may elect to use the alternative flat tax rate provided in § 44-30-

1 2.10 to calculate his or her personal income tax liability.

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

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

15 (2) For the period January 1, 2007 through December 31, 2007, and thereafter, Rhode
16 Island taxable income shall be determined by deducting from federal adjusted gross income as
17 defined in 26 U.S.C. § 62 as modified by the modifications in § 44-30-12 the Rhode Island
18 itemized deduction amount and the Rhode Island exemption amount as determined in this 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 \$53,150 |
| 25 Over \$128,500 but not over \$195,850 | \$7,267.63 plus 7.75% of the excess over \$128,500 |
| 26 Over \$195,850 but not over \$349,700 | \$12,487.25 plus 9.00% of the excess over \$195,850 |
| 27 Over \$349,700 | \$26,333.75 plus 9.90% of the excess over \$349,700 |

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

| 30 If taxable income is: | The tax is: |
|--|---|
| 31 Not over \$42,650 | 3.75% of taxable income |
| 32 Over \$42,650 but not over \$110,100 | \$1,599.38 plus 7.00% of the excess over \$42,650 |
| 33 Over \$110,100 but not over \$178,350 | \$6,320.88 plus 7.75% of the excess over \$110,100 |
| 34 Over \$178,350 but not over \$349,700 | \$11,610.25 plus 9.00% of the excess over \$178,350 |

1 Over \$349,700 \$27,031.75 plus 9.90% of the excess over \$349,700

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

| 5 If taxable income is: | The tax is: |
|---|---|
| 6 Not over \$31,850 | 3.75% of taxable income |
| 7 Over \$31,850 but not over \$77,100 | \$1,194.38 plus 7.00% of the excess over \$31,850 |
| 8 Over \$77,100 but not over \$160,850 | \$4,361.88 plus 7.75% of the excess over \$77,100 |
| 9 Over \$160,850 but not over \$349,700 | \$10,852.50 plus 9.00% of the excess over \$160,850 |
| 10 Over \$349,700 | \$27,849.00 plus 9.90% of the excess over \$349,700 |

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

| 13 If taxable income is: | The tax is: |
|---|---|
| 14 Not over \$26,575 | 3.75% of taxable income |
| 15 Over \$26,575 but not over \$64,250 | \$996.56 plus 7.00% of the excess over \$26,575 |
| 16 Over \$64,250 but not over \$97,925 | \$3,633.81 plus 7.75% of the excess over \$64,250 |
| 17 Over \$97,925 but not over \$174,850 | \$6,243.63 plus 9.00% of the excess over \$97,925 |
| 18 Over \$174,850 | \$13,166.88 plus 9.90% of the excess over \$174,850 |

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

| 21 If taxable income is: | The tax is: |
|---------------------------------------|---|
| 22 Not over \$2,150 | 3.75% of taxable income |
| 23 Over \$2,150 but not over \$5,000 | \$80.63 plus 7.00% of the excess over \$2,150 |
| 24 Over \$5,000 but not over \$7,650 | \$280.13 plus 7.75% of the excess over \$5,000 |
| 25 Over \$7,650 but not over \$10,450 | \$485.50 plus 9.00% of the excess over \$7,650 |
| 26 Over \$10,450 | \$737.50 plus 9.90% of the excess over \$10,450 |

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

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

34 (B) Maximum capital gains rates

1 (1) In general If a taxpayer has a net capital gain for tax years ending prior to January 1,
2 2010, the tax imposed by this section for such taxable year shall not exceed the sum of:

3 (a) 2.5 % of the net capital gain as reported for federal income tax purposes under section
4 26 U.S.C. 1(h)(1)(a) and 26 U.S.C. 1(h)(1)(b).

5 (b) 5% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.
6 1(h)(1)(c).

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

9 (d) 7% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.
10 1(h)(1)(e).

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

13 (C) Itemized deductions.

14 (1) In general

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

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

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

| 22 Filing status | Amount |
|---|---------|
| 23 Single | \$5,350 |
| 24 Married filing jointly or qualifying widow(er) | \$8,900 |
| 25 Married filing separately | \$4,450 |
| 26 Head of Household | \$7,850 |

27 (4) Additional standard deduction for the aged and blind. An additional standard
28 deduction shall be allowed for individuals age sixty-five (65) or older or blind in the amount of
29 \$1,300 for individuals who are not married and \$1,050 for individuals who are married.

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

33 (a) \$850;

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

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

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

3 (b) Nonresident alien individual;

4 (c) An estate or trust;

5 The standard deduction shall be zero.

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

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

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

11 (D) Overall limitation on itemized deductions

12 (1) General rule.

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

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

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

20 (2) Applicable amount.

21 (a) In general.

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

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

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

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

28 (3) Phase-out of Limitation.

29 (a) In general.

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

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

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

4 (E) Exemption amount

5 (1) In general.

6 Except as otherwise provided in this subsection, the term "exemption amount" mean
7 \$3,400.

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

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

12 (3) Adjustments for inflation.

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

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

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

16 (4) Limitation.

17 (a) In general.

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

20 (b) Applicable percentage. In the case of any taxpayer whose adjusted gross income for
21 the taxable year exceeds the threshold amount, the exemption amount shall be reduced by two (2)
22 percentage points for each \$2,500 (or fraction thereof) by which the taxpayer's adjusted gross
23 income for the taxable year exceeds the threshold amount. In the case of a married individual
24 filing a separate return, the preceding sentence shall be applied by substituting "\$1,250" for
25 "\$2,500." In no event shall the applicable percentage exceed one hundred percent (100%).

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

| | | |
|----|--|-----------|
| 28 | Filing status | Amount |
| 29 | Single | \$156,400 |
| 30 | Married filing jointly of qualifying widow(er) | \$234,600 |
| 31 | Married filing separately | \$117,300 |
| 32 | Head of Household | \$195,500 |

33 (d) Adjustments for inflation.

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

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

4 (a) In general.

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

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

| 10 For taxable years beginning in calendar year | The applicable fraction is |
|---|----------------------------|
| 11 2006 and 2007 | 2/3 |
| 12 2008 and 2009 | 1/3 |

13 (F) Alternative minimum tax

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

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

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

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

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

23 (4) Taxable excess. - For the purposes of this subsection the term "taxable excess" means
24 so much of the federal alternative minimum taxable income as modified by the modifications in §
25 44-30-12 as exceeds the exemption amount.

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

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

| 29 Filing status | Amount |
|---|----------|
| 30 Single | \$39,150 |
| 31 Married filing jointly or qualifying widow(er) | \$53,700 |
| 32 Married filing separately | \$26,850 |
| 33 Head of Household | \$39,150 |
| 34 Estate or trust | \$24,650 |

1 (7) Treatment of unearned income of minor children

2 (a) In general.

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

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

6 (ii) \$6,000.

7 (8) Adjustments for inflation.

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

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

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

13 (9) Phase-out.

14 (a) In general.

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

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

| 20 Filing status | Amount |
|---|-----------|
| 21 Single | \$123,250 |
| 22 Married filing jointly or qualifying widow(er) | \$164,350 |
| 23 Married filing separately | \$82,175 |
| 24 Head of Household | \$123,250 |
| 25 Estate or Trust | \$82,150 |

26 (c) Adjustments for inflation

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

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

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

30 (G) Other Rhode Island taxes

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

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

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

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

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

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

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

6 (I) Averaging of farm income

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

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

10 (J) Cost-of-living adjustment

11 (1) In general.

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

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

14 (b) The CPI for the base year.

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

18 (3) Consumer Price Index

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

23 (4) Rounding.

24 (a) In general.

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

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

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

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

33 (2) Child and dependent care credit;

34 (3) General business credits;

- 1 (4) Credit for elderly or the disabled;
- 2 (5) Credit for prior year minimum tax;
- 3 (6) Mortgage interest credit;
- 4 (7) Empowerment zone employment credit;
- 5 (8) Qualified electric vehicle credit.

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

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

17 (N) Rhode Island earned income credit

18 (1) In general.

19 For tax years beginning on or after January 1, ~~2015~~ 2016 and before January 1, ~~2016~~
20 2017, a taxpayer entitled to a federal earned income credit shall be allowed a Rhode Island earned
21 income credit equal to ~~ten percent (10%)~~ twelve and one-half percent (12.5%) of the federal
22 earned income credit. Such credit shall not exceed the amount of the Rhode Island income tax.

23 For tax years beginning on or after January, 1, ~~2016~~ 2017, a taxpayer entitled to a federal
24 earned income credit shall be allowed a Rhode Island earned income credit equal to ~~twelve and~~
25 ~~one-half percent (12.5%)~~ twenty percent (20%) of the federal earned income credit. Such credit
26 shall not exceed the amount of the Rhode Island income tax.

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

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

33 (O) The tax administrator shall recalculate and submit necessary revisions to paragraphs
34 (A) through (J) to the general assembly no later than February 1, 2010 and every three (3) years

1 thereafter for inclusion in the statute.

2 (3) For the period January 1, 2011 through December 31, 2011, and thereafter, "Rhode
3 Island taxable income" means federal adjusted gross income as determined under the Internal
4 Revenue Code, 26 U.S.C. 1 et seq., and as modified for Rhode Island purposes pursuant to § 44-
5 30-12 less the amount of Rhode Island Basic Standard Deduction allowed pursuant to
6 subparagraph 44-30-2.6(c)(3)(B), and less the amount of personal exemption allowed pursuant of
7 subparagraph 44-30-2.6(c)(3)(C).

8 (A) Tax imposed.

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

| RI Taxable Income | | RI Income Tax | | |
|-------------------|--------------|---------------|---------------|--------------------|
| Over | But not Over | Pay | + % On Excess | On The Amount Over |
| 14 \$0 - | 15 \$55,000 | \$0 | + 3.75% | \$0 |
| 16 55,000 - | 125,000 | 2,063 | + 4.75% | 55,000 |
| 17 125,000 - | | 5,388 | + 5.99% | 125,000 |

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

| RI Taxable Income | | RI Income Tax | | |
|-------------------|--------------|---------------|---------------|--------------------|
| Over | But not Over | Pay | + % On Excess | On The Amount Over |
| 21 \$0 - | 22 \$2,230 | \$0 | + 3.75% | \$0 |
| 23 2,230 - | 7,022 | 84 | + 4.75% | 2,230 |
| 24 7,022 - | | 312 | + 5.99% | 7,022 |

25 (B) Deductions:

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

| Filing status: | Amount |
|---|----------|
| 28 Single | \$7,500 |
| 29 Married filing jointly or qualifying widow(er) | \$15,000 |
| 30 Married filing separately | \$7,500 |
| 31 Head of Household | \$11,250 |

32 (II) Nonresident alien individuals, estates and trusts are not eligible for standard
33 deductions.
34

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

7 (C) Exemption Amount:

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

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

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

21 (E) Adjustment for inflation. - The dollar amount contained in subparagraphs 44-30-
22 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
23 equal to:

24 (I) Such dollar amount contained in subparagraphs 44-30-2.6(c)(3)(A), 44-30-
25 2.6(c)(3)(B) and 44-30-2.6(c)(3)(C) adjusted for inflation using a base tax year of 2000,
26 multiplied by;

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

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

33 (IV) For the purpose of this section the term "consumer price index" means the last
34 consumer price index for all urban consumers published by the department of labor. For the

1 purpose of this section the revision of the consumer price index which is most consistent with the
2 consumer price index for calendar year 1986 shall be used.

3 (V) If any increase determined under this section is not a multiple of fifty dollars
4 (\$50.00), such increase shall be rounded to the next lower multiple of fifty dollars (\$50.00). In the
5 case of a married individual filing separate return, if any increase determined under this section is
6 not a multiple of twenty-five dollars (\$25.00), such increase shall be rounded to the next lower
7 multiple of twenty-five dollars (\$25.00).

8 (E) Credits against tax.

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

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

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

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

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

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

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

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

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

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

1 administrator.

2 (j) Stay Invested in RI Wavemaker Fellowship: Credit shall be allowed for stay invested
3 in RI wavemaker fellowship program as provided in §42-64.26-1 et seq.

4 (k) Rebuild Rhode Island: Credit shall be allowed for rebuild RI tax credit as provided in
5 §42-64.20-1 et seq.

6 (l) Rhode Island Qualified Jobs Incentive Program: Credit shall be allowed for Rhode
7 Island new qualified jobs incentive program credit as provided in §44-48.3-1 et seq.

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

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

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LC003825
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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO TAXATION -- PERSONAL INCOME TAX

1 This act would raise the earned income tax credit from ten percent (10%) to twelve and
2 one-half percent (12.5%) for tax year 2016 and to twenty percent (20%) for tax year 2017 and
3 beyond.

4 This act would take effect upon passage.

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LC003825
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