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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

Introduced By: Representatives Marshall, O`Grady, Ruggiero, O'Brien, and Winfield

Date Introduced: May 06, 2016

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-33.6-3 of the General Laws in Chapter 44-33.6 entitled "Historic
2 Preservation Tax Credits 2013" is hereby amended to read as follows:

3 **44-33.6-3. Tax credit.** -- (a) Subject to the maximum credit provisions set forth in
4 subsections (c) and (d) below, any person, firm, partnership, trust, estate, limited liability
5 company, corporation (whether for profit or nonprofit) or other business entity that incurs
6 qualified rehabilitation expenditures for the substantial rehabilitation of a certified historic
7 structure, provided the rehabilitation meets standards consistent with the standards of the
8 Secretary of the United States Department of the Interior for rehabilitation as certified by the
9 commission and said person, firm, partnership, trust, estate, limited liability company,
10 corporation or other business entity is not a social club as defined in subdivision 44-33.6-2(13) of
11 this chapter, shall be entitled to a credit against the taxes imposed on such person or entity
12 pursuant to chapter 11, 12, 13, 14, 17 or 30 of this title in an amount equal to the following:

13 (1) Twenty percent (20%) of the qualified rehabilitation expenditures; or

14 (2) Twenty-five percent (25%) of the qualified rehabilitation expenditures provided that
15 either:

16 (i) At least twenty-five percent (25%) of the total rentable area of the certified historic
17 structure will be made available for a trade or business; or

18 (ii) The entire rentable area located on the first floor of the certified historic structure
19 will be made available for a trade or business.

1 (b) Tax credits allowed pursuant to this chapter shall be allowed for the taxable year in
2 which such certified historic structure or an identifiable portion of the structure is placed in
3 service provided that the substantial rehabilitation test is met for such year.

4 (c) Maximum project credit. - The credit allowed pursuant to this chapter shall not
5 exceed ~~five million dollars (\$5,000,000)~~ one million dollars (\$1,000,000) for any certified
6 rehabilitation project under this chapter. No building to be completed in phases or in multiple
7 projects shall exceed the maximum project credit of ~~five million dollars (\$5,000,000)~~ one million
8 dollars (\$1,000,000) for all phases or projects involved in the rehabilitation of such building.

9 (d) Maximum aggregate credits. - The aggregate credits authorized to be reserved
10 pursuant to this chapter shall not exceed ~~sums estimated to be available in the historic~~
11 ~~preservation tax credit trust fund pursuant to this chapter.~~ the sum of ten million dollars
12 (\$10,000,000), of which eight million dollars (\$8,000,000) shall be allocated to certified
13 rehabilitation projects in connection with the redevelopment of commercial real estate (as such
14 term is defined in §34-49-2(1), and two million dollars (\$2,000,000) shall be allocated to non-
15 commercial real estate certified rehabilitation projects. With respect to qualified rehabilitation
16 expenditures for the rehabilitation of certified historic structures containing both commercial and
17 residential identifiable portions (so-called "mixed-use"), credits allowed under this chapter shall
18 be allocated based upon the pro-rata percentage of the commercial and residential portions
19 relative to the total square footage of such project.

20 (e) Subject to the exception provided in subsection (g) of this section, if the amount of
21 the tax credit exceeds the taxpayer's total tax liability for the year in which the substantially
22 rehabilitated property is placed in service, the amount that exceeds the taxpayer's tax liability may
23 be carried forward for credit against the taxes imposed for the succeeding ten (10) years, or until
24 the full credit is used, whichever occurs first for the tax credits. Credits allowed to a partnership, a
25 limited liability company taxed as a partnership or multiple owners of property shall be passed
26 through to the persons designated as partners, members or owners respectively pro rata or
27 pursuant to an executed agreement among such persons designated as partners, members or
28 owners documenting an alternate distribution method without regard to their sharing of other tax
29 or economic attributes of such entity. Credits may be allocated to partners, members or owners
30 that are exempt from taxation under section 501(c)(3), section (c)(4) or section 501(c)(6) of the
31 U.S. Code and these partners, members or owners must be treated as taxpayers for purposes of
32 this section.

33 (f) If the taxpayer has not claimed the tax credits in whole or part, taxpayers eligible for
34 the tax credits may assign, transfer or convey the credits, in whole or in part, by sale or otherwise

1 to any individual or entity, including, but not limited to, condominium owners in the event the
2 certified historic structure is converted into condominiums and assignees of the credits that have
3 not claimed the tax credits in whole or part may assign, transfer or convey the credits, in whole or
4 in part, by sale or otherwise to any individual or entity. The assignee of the tax credits may use
5 acquired credits to offset up to one hundred percent (100%) of the tax liabilities otherwise
6 imposed pursuant to chapter 11, 12, 13, (other than the tax imposed under § 44-13-13), 14, 17 or
7 30 of this title. The assignee may apply the tax credit against taxes imposed on the assignee until
8 the end of the tenth calendar year after the year in which the substantially rehabilitated property is
9 placed in service or until the full credit assigned is used, whichever occurs first. Fiscal year
10 assignees may claim the credit until the expiration of the fiscal year that ends within the tenth
11 year after the year in which the substantially rehabilitated property is placed in service. The
12 assignor shall perfect the transfer by notifying the state of Rhode Island division of taxation, in
13 writing, within thirty (30) calendar days following the effective date of the transfer and shall
14 provide any information as may be required by the division of taxation to administer and carry
15 out the provisions of this section.

16 For purposes of this chapter, any assignment or sales proceeds received by the taxpayer
17 for its assignment or sale of the tax credits allowed pursuant to this section shall be exempt from
18 this title. If a tax credit is subsequently recaptured under this chapter, revoked or adjusted, the
19 seller's tax calculation for the year of revocation, recapture, or adjustment shall be increased by
20 the total amount of the sales proceeds, without proration, as a modification under chapter 30 of
21 this title. In the event that the seller is not a natural person, the seller's tax calculation under
22 chapters 11, 12, 13 (other than with respect to the tax imposed under § 44-13-13), 14, 17, or 30 of
23 this title, as applicable, for the year of revocation, recapture, or adjustment, shall be increased by
24 including the total amount of the sales proceeds without proration.

25 (g) Credits allowed to partners, members or owners that are exempt from taxation under
26 section 501(c)(3), section (c)(4) or section 501(c)(6) of the U.S. Code, and only said credits, shall
27 be fully refundable.

28 (h) Substantial rehabilitation of property that either:
29 (1) Is exempt from real property tax;
30 (2) Is a social club; or
31 (3) Consists of a single family home or a property that contains less than three (3)
32 residential apartments or condominiums shall be ineligible for the tax credits authorized under
33 this chapter; provided, however, a scattered site development with five (5) or more residential
34 units in the aggregate (which may include single family homes) shall be eligible for tax credit. In

1 the event a certified historic structure undergoes a substantial rehabilitation pursuant to this
2 chapter and within twenty-four (24) months after issuance of a certificate of completed work the
3 property becomes exempt from real property tax, the taxpayer's tax for the year shall be increased
4 by the total amount of credit actually used against the tax.

5 (i) In the case of a corporation, this credit is only allowed against the tax of a corporation
6 included in a consolidated return that qualifies for the credit and not against the tax of other
7 corporations that may join in the filing of a consolidated tax return.

8 SECTION 2. Section 44-33.6-11 of the General Laws in Chapter 44-33.6 entitled
9 "Historic Preservation Tax Credits 2013" is hereby repealed.

10 ~~44-33.6-11. Sunset. -- No credits shall be authorized to be reserved pursuant to this~~
11 ~~chapter on or after June 30, 2016 or upon the exhaustion of the maximum aggregate credits,~~
12 ~~whichever comes first.~~

13 SECTION 3. The general assembly, on an annual basis, shall appropriate funds out of
14 any monies not otherwise appropriated, in an amount sufficient to implement the provisions of,
15 and support the income tax credit allowed by chapter 33.6 of title 44 (Historic Preservation Tax
16 Credit 2013), as it deems necessary.

17 SECTION 4. Section 44-30-2.6 of the General Laws in Chapter 44-30 entitled "Personal
18 Income Tax" is hereby amended to read as follows:

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

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

1 after January 1, 2006, a taxpayer may elect to use the alternative flat tax rate provided in § 44-30-
2 2.10 to calculate his or her personal income tax liability.

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

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

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

20 (A) Tax imposed.

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

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

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

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

1	Over \$178,350 but not over \$349,700	\$11,610.25 plus 9.00% of the excess over \$178,350
2	Over \$349,700	\$27,031.75 plus 9.90% of the excess over \$349,700

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

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

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

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

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

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

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

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

1 (B) Maximum capital gains rates

2 (1) In general If a taxpayer has a net capital gain for tax years ending prior to January 1,
3 2010, the tax imposed by this section for such taxable year shall not exceed the sum of:

4 (a) 2.5 % of the net capital gain as reported for federal income tax purposes under section
5 26 U.S.C. 1(h)(1)(a) and 26 U.S.C. 1(h)(1)(b).

6 (b) 5% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.
7 1(h)(1)(c).

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

10 (d) 7% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.
11 1(h)(1)(e).

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

14 (C) Itemized deductions.

15 (1) In general

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

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

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

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

28 (4) Additional standard deduction for the aged and blind. An additional standard
29 deduction shall be allowed for individuals age sixty-five (65) or older or blind in the amount of
30 \$1,300 for individuals who are not married and \$1,050 for individuals who are married.

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

34 (a) \$850;

- 1 (b) The sum of \$300 and such individual's earned income;
- 2 (6) Certain individuals not eligible for standard deduction. In the case of:
- 3 (a) A married individual filing a separate return where either spouse itemizes deductions;
- 4 (b) Nonresident alien individual;
- 5 (c) An estate or trust;

6 The standard deduction shall be zero.

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

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

10 multiplied by

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

12 (D) Overall limitation on itemized deductions

13 (1) General rule.

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

15 exceeds the applicable amount, the amount of the itemized deductions otherwise allowable for the

16 taxable year shall be reduced by the lesser of:

17 (a) Three percent (3%) of the excess of adjusted gross income as modified by § 44-30-12

18 over the applicable amount; or

19 (b) Eighty percent (80%) of the amount of the itemized deductions otherwise allowable

20 for such taxable year.

21 (2) Applicable amount.

22 (a) In general.

23 For purposes of this section, the term "applicable amount" means \$156,400 (\$78,200 in

24 the case of a separate return by a married individual)

25 (b) Adjustments for inflation. Each dollar amount contained in paragraph (a) shall be

26 increased by an amount equal to:

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

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

29 (3) Phase-out of Limitation.

30 (a) In general.

31 In the case of taxable year beginning after December 31, 2005, and before January 1,

32 2010, the reduction under section (1) shall be equal to the applicable fraction of the amount which

33 would be the amount of such reduction.

34 (b) Applicable fraction. For purposes of paragraph (a), the applicable fraction shall be

1 determined in accordance with the following table:

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

5 (E) Exemption amount

6 (1) In general.

7 Except as otherwise provided in this subsection, the term "exemption amount" mean
8 \$3,400.

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

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

13 (3) Adjustments for inflation.

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

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

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

17 (4) Limitation.

18 (a) In general.

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

21 (b) Applicable percentage. In the case of any taxpayer whose adjusted gross income for
22 the taxable year exceeds the threshold amount, the exemption amount shall be reduced by two (2)
23 percentage points for each \$2,500 (or fraction thereof) by which the taxpayer's adjusted gross
24 income for the taxable year exceeds the threshold amount. In the case of a married individual
25 filing a separate return, the preceding sentence shall be applied by substituting "\$1,250" for
26 "\$2,500." In no event shall the applicable percentage exceed one hundred percent (100%).

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

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

34 (d) Adjustments for inflation.

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

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

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

4 (5) Phase-out of Limitation.

5 (a) In general.

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

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

11 For taxable years beginning in calendar year	The applicable fraction is
12 2006 and 2007	2/3
13 2008 and 2009	1/3

14 (F) Alternative minimum tax

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

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

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

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

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

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

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

24 (4) Taxable excess. - For the purposes of this subsection the term "taxable excess" means
25 so much of the federal alternative minimum taxable income as modified by the modifications in §
26 44-30-12 as exceeds the exemption amount.

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

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

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

1 Estate or trust \$24,650

2 (7) Treatment of unearned income of minor children

3 (a) In general.

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

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

7 (ii) \$6,000.

8 (8) Adjustments for inflation.

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

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

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

14 (9) Phase-out.

15 (a) In general.

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

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

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

27 (c) Adjustments for inflation

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

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

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

31 (G) Other Rhode Island taxes

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

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

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

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

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

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

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

7 (I) Averaging of farm income

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

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

11 (J) Cost-of-living adjustment

12 (1) In general.

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

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

15 (b) The CPI for the base year.

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

19 (3) Consumer Price Index

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

24 (4) Rounding.

25 (a) In general.

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

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

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

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

34 (2) Child and dependent care credit;

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

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

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

18 (N) Rhode Island earned income credit

19 (1) In general.

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

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

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

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

34 (O) The tax administrator shall recalculate and submit necessary revisions to paragraphs

1 (A) through (J) to the general assembly no later than February 1, 2010 and every three (3) years
 2 thereafter for inclusion in the statute.

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

9 (A) Tax imposed.

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

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

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

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

26 (B) Deductions:

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

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

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

1 deductions.

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

8 (C) Exemption Amount:

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

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

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

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

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

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

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

34 (IV) For the purpose of this section the term "consumer price index" means the last

1 consumer price index for all urban consumers published by the department of labor. For the
2 purpose of this section the revision of the consumer price index which is most consistent with the
3 consumer price index for calendar year 1986 shall be used.

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

9 (E) Credits against tax.

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

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

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

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

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

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

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

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

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

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

1 year of less than twelve (12) months, the credit shall be made under regulations of the tax
2 administrator.

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

5 (k) Rebuild Rhode Island: Credit shall be allowed for rebuild RI tax credit as provided in
6 §42-64.20-1 et seq.

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

9 (m) Historic Homeownership Assistance: Credit shall be allowed for maintenance and
10 rehabilitation of historic residences as provided in chapter 33.1 of title 44 (Historic Homeowner
11 Assistance Act); provided, further, a taxpayer who has obtained the required certification from
12 the state historical preservation commission pursuant to chapter 33.1 of title 44 prior to the
13 enactment of this subsection shall be eligible to claim the tax credit.

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

16 SECTION 5. This act shall take effect upon passage.

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

1 This act would eliminate the sunset provision regarding the historic preservation tax
2 credit program, and would also require the general assembly to appropriate funds to implement
3 the provisions of the program. This act would further provide that any taxpayer who has obtained
4 a tax credit certification prior to the enactment of this act would be eligible to claim the tax credit,
5 and would also cap the aggregate amount of authorized credits at \$10,000,000.

6 This act would take effect upon passage.

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