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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2023

A N A C T

RELATING TO CORPORATIONS, ASSOCIATIONS, AND PARTNERSHIPS -- RHODE ISLAND BUSINESS CORPORATION ACT

Introduced By: Representatives Edwards, Kazarian, Handy, Ackerman, Diaz, and Kennedy

Date Introduced: March 01, 2023

Referred To: House Corporations

(Dept. of Revenue)

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 7-1.2-1310 and 7-1.2-1414 of the General Laws in Chapter 7-1.2
2 entitled "Rhode Island Business Corporation Act" are hereby amended to read as follows:

3 **7-1.2-1310. Revocation of articles of incorporation.**

4 (a) The articles of incorporation of a corporation may be revoked by the secretary of state
5 upon the conditions prescribed in this section when it is established that:

6 (1) The corporation procured its articles of incorporation through fraud; or

7 (2) The corporation has continued to exceed or abuse the authority conferred upon it by
8 law; or

9 (3) The corporation has failed to file its annual report within the time required by this
10 chapter, or with respect to any corporation in good corporate standing on the records of the secretary
11 of state on or after July 1, 2019, has failed to pay any required fees to the secretary of state when
12 they have become due and payable, or the secretary of state has received notice from the division
13 of taxation, in accordance with § 44-11-26.1, that the corporation has failed to pay ~~corporate~~ [any](#)
14 [fees or](#) taxes [due to this state](#); or

15 (4) The corporation has failed for thirty (30) days to appoint and maintain a registered agent
16 in this state as required by this chapter; or

17 (5) The corporation has failed, after change of its registered office or registered agent, to
18 file in the office of the secretary of state a statement of the change as required by this chapter; or

1 (6) The corporation has failed to file in the office of the secretary of state any amendment
2 to its articles of incorporation or any articles of merger within the time prescribed by this chapter;
3 or

4 (7) A misrepresentation has been made of any material matter in any application, report,
5 affidavit, or other document submitted by the corporation pursuant to this chapter.

6 (b) No articles of incorporation of a corporation may be revoked by the secretary of state
7 unless:

8 (1) The secretary of state gives the corporation notice thereof not less than sixty (60) days
9 prior to such revocation by regular mail addressed to the registered office of the corporation in this
10 state on file with the secretary of state's office, which notice shall specify the basis for the
11 revocation; provided, however, that if a prior mailing addressed to the registered office of the
12 corporation in this state currently on file with the secretary of state's office has been returned as
13 undeliverable by the United States Postal Service for any reason, or if the revocation notice is
14 returned as undeliverable by the United States Postal Service for any reason, the secretary of state
15 gives notice as follows:

16 (i) To the corporation at its principal office of record as shown in its most recent annual
17 report, and no further notice is required; or

18 (ii) In the case of a domestic corporation that has not yet filed an annual report, then to any
19 one of the incorporators listed on the articles of incorporation, and no further notice is required;
20 and

21 (2) The corporation fails prior to revocation to file the annual report or pay the fees, or file
22 the required statement of change of registered agent or registered office, or file the articles of
23 amendment or articles of merger, or correct the misrepresentation.

24 **7-1.2-1414. Revocation of certificate of authority.**

25 (a) The certificate of authority of a foreign corporation to transact business in this state may
26 be revoked by the secretary of state under the conditions prescribed in this section when:

27 (1) The corporation fails to file its annual report within the time required by this chapter,
28 or with respect to any corporation in good corporate standing on the records of the secretary of state
29 on or after July 1, 2019, has failed to pay any required fees to the secretary of state when they have
30 become due and payable, or the secretary of state has received notice from the division of taxation,
31 in accordance with § 44-11-26.1, that the corporation has failed to pay ~~corporate~~ [any fees or taxes](#)
32 [due to this state](#); or

33 (2) The corporation fails to appoint and maintain a registered agent in this state as required
34 by this chapter; or

1 (3) The corporation fails, after changing its registered office or registered agent, to file in
2 the office of the secretary of state a statement of the change as required by this chapter; or

3 (4) The corporation fails to file in the office of the secretary of state any amendment to its
4 articles of incorporation or any articles of merger within the time prescribed by this chapter; or

5 (5) A misrepresentation has been made of any material matter in any application, report,
6 affidavit, or other document submitted by the corporation pursuant to this chapter.

7 (b) No certificate of authority of a foreign corporation may be revoked by the secretary of
8 state unless the secretary of state has given the corporation notice thereof not less than sixty (60)
9 days prior to such revocation, by regular mail addressed to the registered agent of the corporation
10 in this state on file with the secretary of state's office, which notice shall specify the basis for the
11 revocation; provided, however, that if a prior mailing addressed to the registered office of the
12 corporation in this state currently on file with the secretary of state's office has been returned as
13 undeliverable by the United States Postal Service for any reason, or if the revocation notice is
14 returned as undeliverable by the United States Postal Service for any reason, the secretary of state
15 shall give notice as follows:

16 (1) To the corporation at its principal office of record as shown in its most recent annual
17 report, and no further notice is required; or

18 (2) In the case of a foreign corporation that has not yet filed an annual report, then to the
19 corporation at its principal office shown in its application for certificate of authority, and no further
20 notice is required.

21 SECTION 2. Section 7-16-67.1 of the General Laws in Chapter 7-16 entitled "The Rhode
22 Island Limited-Liability Company Act" is hereby amended to read as follows:

23 **7-16-67.1. Revocation of articles or authority to transact business for nonpayment of**
24 **fee.**

25 (a) The tax administrator may, after July 15 of each year, ~~make-up~~ compile a list of all
26 limited-liability companies that have failed to pay ~~the fee defined in § 7-16-67~~ any state fees and/or
27 taxes for one year after the ~~fee~~ state fees and/or taxes became due and payable, and the failure is
28 not the subject of a pending appeal. The tax administrator shall certify to the correctness of the list.
29 Upon receipt of the certified list, the secretary of state may initiate revocation proceedings as
30 defined in § 7-16-41.

31 (b) With respect to any information provided by the division of taxation to the secretary of
32 ~~state~~ state's office pursuant to this chapter, the secretary of state, together with the employees or
33 agents thereof, shall be subject to all state and federal tax confidentiality laws applying to the
34 division of taxation and the officers, agents, and employees thereof, and which restrict the

1 acquisition, use, storage, dissemination, or publication of confidential taxpayer data.

2 (c) Notwithstanding the foregoing, the notice of revocation may state as the basis for
3 revocation that the taxpayer has failed to pay state fees and/or taxes to the division of taxation.
4 However, the secretary of state's office shall otherwise protect all state and federal tax information
5 in its custody as required by subsection (b) of this section and refrain from disclosing any other
6 specific tax information.

7 SECTION 3. Section 42-64.3-6 of the General Laws in Chapter 42-64.3 entitled
8 "Distressed Areas Economic Revitalization Act" is hereby amended to read as follows:

9 **42-64.3-6. Business tax credits.**

10 A qualified business in an enterprise zone is allowed a credit against the tax imposed
11 pursuant to chapters 11, 13 (except the taxation of tangible personal property under § 44-13-13),
12 14, and 17, ~~and 30~~ of title 44:

13 (1) A credit equal to fifty percent (50%) of the total amount of wages paid to those
14 enterprise job employees comprising the five percent (5%) new jobs referenced in § 42-64.3-
15 3(4)(i)(A). The wages subject to the credit shall be reduced by any direct state or federal wage
16 assistance paid to employers for the employee(s) in the taxable year. The maximum credit allowed
17 per taxable year under the provisions of this subsection shall be two thousand five hundred dollars
18 (\$2,500), per employee. A taxpayer who takes this business tax credit shall not be eligible for the
19 resident business owner modification pursuant to § 42-64.3-7.

20 (2) A credit equal to seventy five percent (75%) of the total amount of wages paid to those
21 enterprise job employees who are domiciliaries of an enterprise zone comprising the five percent
22 (5%) new jobs referenced in § 42-64.3-3(4)(i)(A). The wages subject to the credit shall be reduced
23 by any direct state or federal wage assistance in the taxable year. The maximum credit allowed per
24 taxable year under the provisions of this subdivision shall be five thousand dollars (\$5,000) per
25 employee. A taxpayer who takes this business tax credit is not eligible for the resident business
26 owner modification. The council shall promulgate appropriate rules to certify that the enterprise
27 job employees are domiciliaries of an enterprise zone and shall advise the qualified business and
28 the tax administrator. A taxpayer taking a credit for employees pursuant to this subdivision (2) shall
29 not be entitled to a credit pursuant to subdivision (1) of this section for the employees.

30 (3) Any tax credit as provided in subdivision (1) or (2) of this section shall not reduce the
31 tax below the minimum tax. Fiscal year taxpayers must claim the tax credit in the year into which
32 the December 31st of the certification year falls. The credit shall be used to offset tax liability
33 pursuant to the provisions of either chapters 11, 13, 14, or 17, ~~or 30~~ of title 44, but not more than
34 one chapter.

1 (4) In the case of a corporation, the credit allowed under this section is only allowed against
2 the tax of that corporation included in a consolidated return that qualifies for the credit and not
3 against the tax of other corporations that may join in the filing of a consolidated tax return.

4 (5) In the case of multiple business owners, the credit provided in subdivision (1) or (2) of
5 this section is apportioned according to the ownership interests of the qualified business.

6 (6) The tax credits established pursuant to this section may be carried forward for a period
7 of three (3) years if in each of the three (3) calendar years a business which has qualified for tax
8 credits under this section: (a) does not reduce the number of its employees from the last Effective
9 Date of Certification; (b) obtains certificates of good standing from the Rhode Island division of
10 taxation, the corporations division of the Rhode Island secretary of state and the appropriate
11 municipal tax collector; (c) provides the council an affidavit stating under oath that this business
12 has not within the preceding twelve (12) months changed its legal status for the purpose of gaining
13 favorable treatment under the provisions of chapter 64.3 of this title; and (d) meets any other
14 requirements as may be established by the council in its rules and regulations.

15 (7) No new credits shall be issued on or after July 1, 2015 unless the business has received
16 certification under this chapter prior to July 1, 2015.

17 SECTION 4. Section 42-64.6-7 of the General Laws in Chapter 42-64.6 entitled "Jobs
18 Training Tax Credit Act" is hereby amended to read as follows:

19 **42-64.6-7. Limitation.**

20 The credit allowed pursuant to this chapter shall not reduce the liability of the employer
21 for the tax imposed by chapters 11, 13, 14, and 17 ~~and 30~~ of title 44 in any year below the minimum
22 tax where a minimum tax is provided under this title.

23 SECTION 5. Sections 44-11-7.1, 44-11-26.1 and 44-11-29 of the General Laws in Chapter
24 44-11 entitled "Business Corporation Tax" are hereby amended to read as follows:

25 **44-11-7.1. Limitations on assessment.**

26 (a) General. Except as provided in this section, the amount of the Rhode Island corporate
27 income tax shall be assessed within three (3) years after the return was filed, whether or not the
28 return was filed on or after the prescribed date. For this purpose, a tax return filed before the due
29 date shall be considered as filed on the due date.

30 (b) Exceptions.

31 (1) The tax may be assessed at any time if:

32 (i) No return is filed.

33 (ii) A false or fraudulent return is filed with intent to avoid tax.

34 (2) Where, before the expiration of the time prescribed in this section for the assessment of

1 tax, or before the time as extended, both the tax administrator and the taxpayer have consented, in
2 writing, to its assessment after that time, the tax may be assessed at any time prior to the expiration
3 of the agreed upon period.

4 (3) If a taxpayer's deficiency is attributable to an excessive net operating loss carryback
5 allowance, it may be assessed at any time that a deficiency for the taxable year of the loss may be
6 assessed.

7 (4) An erroneous refund shall be considered to create an underpayment of tax on the date
8 made. An assessment of a deficiency arising out of an erroneous refund may be made at any time
9 within three (3) years thereafter, or at any time if it appears that any part of the refund was induced
10 by fraud or misrepresentation of a material fact.

11 (c) Notwithstanding the provisions of this section, the tax may be assessed at any time
12 within six (6) years after the return was filed if a taxpayer omits from its Rhode Island income an
13 amount properly includable therein that is in excess of twenty-five percent (25%) of the amount of
14 Rhode Island income stated in the return. For this purpose there shall not be taken into account any
15 amount that is omitted in the return if the amount is disclosed in the return, or in a statement attached
16 to the return, in a manner adequate to apprise the tax administrator of the nature and amount of the
17 item.

18 (d) The running of the period of limitations on assessment or collection of the tax or other
19 amount, or of a transferee's liability, shall, after the mailing of a notice of deficiency, be suspended
20 for any period during which the tax administrator is prohibited from making the assessment or from
21 collecting by levy, and for sixty (60) days thereafter.

22 (e) No period of limitations specified in any other law shall apply to the assessment or
23 collection of Rhode Island corporate income tax. Under no circumstances shall the tax
24 administrator issue any notice of deficiency determination for Rhode Island business corporation
25 tax due and payable more than ten (10) years after the date upon which the return was filed ~~or due~~
26 ~~to be filed~~, nor shall the tax administrator commence any collection action for any business
27 corporation tax due and payable unless the collection action is commenced within ten (10) years
28 after a notice of deficiency determination became a final collectible assessment; provided however,
29 that the tax administrator may renew a statutory lien that was initially filed within the ten-year (10)
30 period for collection actions. Both of the aforementioned ten-year (10) periods are tolled for any
31 period of time the taxpayer is in federal bankruptcy or state receivership proceedings. "Collection
32 action" refers to any activity undertaken by the division of taxation to collect on any state tax
33 liabilities that are final, due, and payable under Rhode Island law. "Collection action" may include,
34 but is not limited to, any civil action involving a liability owed under chapter 11 of title 44.

1 (f) The ten-year (10) limitation shall not apply to the renewal or continuation of the state's
2 attempt to collect a liability that became final, due, and payable within the ten-year (10) limitation
3 periods set forth in this section.

4 **44-11-26.1. Revocation of articles or authority to transact business for nonpayment**
5 **of tax.**

6 (a) The tax administrator may, after July 15 of each year, ~~make up~~ compile a list of all
7 corporations that have failed to pay ~~the corporate tax defined in § 44-11-2~~ any state fees and/or
8 taxes for one year after the ~~tax~~ state fees and/or taxes became due and payable, and the failure is
9 not the subject of a pending appeal. The tax administrator shall certify to the correctness of the list.
10 Upon receipt of the certified list, the secretary of state may initiate revocation proceedings as
11 defined in §§ 7-1.2-1310 and 7-1.2-1414.

12 (b) With respect to any information provided by the division of taxation to the secretary of
13 ~~state~~ state's office pursuant to this chapter, the secretary of state, together with the employees or
14 agents thereof, shall be subject to all state and federal tax confidentiality laws applying to the
15 division of taxation and the officers, agents, and employees thereof, and which restrict the
16 acquisition, use, storage, dissemination, or publication of confidential taxpayer data.

17 (c) Notwithstanding the foregoing, the notice of revocation may state as the basis for
18 revocation that the taxpayer has failed to pay state fees and/or taxes to the division of taxation.
19 However, the secretary of state's office shall otherwise protect all state and federal tax information
20 in its custody as required by subsection (b) of this section and refrain from disclosing any other
21 specific tax information.

22 **44-11-29. Notice to tax administrator of sale of assets — Tax due.**

23 (a) The sale or transfer of the major part in value of the assets of a domestic corporation,
24 domestic limited liability company, domestic limited partnership, or any other domestic business
25 entity, or of the major part in value of the assets situated in this state of a foreign corporation,
26 foreign limited liability company, foreign limited partnership, or any other foreign business entity,
27 other than in the ordinary course of trade and in the regular and usual prosecution of business by
28 said corporation, limited liability company, limited partnership, or any other business entity
29 whether domestic or foreign, and the sale or transfer of the major part in value of the assets of a
30 domestic corporation, domestic limited liability company, domestic limited partnership, or any
31 other domestic corporation business entity, or of the major part in value of the assets situated in
32 this state of a foreign corporation, foreign limited liability company, foreign limited partnership, or
33 any other foreign business entity that is engaged in the business of buying, selling, leasing, renting,
34 managing, or dealing in real estate, shall be fraudulent and void as against the state unless the

1 corporation, limited liability company, limited partnership, or any other business entity, whether
2 domestic or foreign, at least five (5) business days before the sale or transfer, notifies the tax
3 administrator of the proposed sale or transfer and of the price, terms, and conditions of the sale or
4 transfer and of the character and location of the assets by requesting a letter of good standing from
5 the tax division that shall be received by the tax division at least five (5) business days before the
6 sale or transfer. Whenever a corporation, limited liability company, limited partnership, or any
7 other business entity, whether domestic or foreign, makes such a sale or transfer, any and all tax
8 returns required to be filed under this title must be filed and any and all taxes imposed under this
9 title shall become due and payable at the time when the tax administrator is so notified of the sale
10 or transfer, or, if he or she is not so notified, at the time when he or she should have been notified
11 of the sale or transfer.

12 (b) This section shall not apply to sales by receivers, assignees under a voluntary
13 assignment for the benefit of creditors, trustees in bankruptcy, debtors in possession in bankruptcy,
14 or public officers acting under judicial process.

15 SECTION 6. Section 44-18-30 of the General Laws in Chapter 44-18 entitled "Sales and
16 Use Taxes — Liability and Computation" is hereby amended to read as follows:

17 **44-18-30. Gross receipts exempt from sales and use taxes.**

18 There are exempted from the taxes imposed by this chapter the following gross receipts:

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

23 (2) Newspapers.

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

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

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

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

1 (4) Containers.

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

3 (A) Non-returnable containers, including boxes, paper bags, and wrapping materials that
4 are biodegradable and all bags and wrapping materials utilized in the medical and healing arts,
5 when sold without the contents to persons who place the contents in the container and sell the
6 contents with the container.

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

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

11 (D) Keg and barrel containers, whether returnable or not, when sold to alcoholic beverage
12 producers who place the alcoholic beverages in the containers.

13 (ii) As used in this subdivision, the term “returnable containers” means containers of a kind
14 customarily returned by the buyer of the contents for reuse. All other containers are “non-returnable
15 containers.”

16 (5)(i) Charitable, educational, and religious organizations. From the sale to, as in defined
17 in this section, and from the storage, use, and other consumption in this state, or any other state of
18 the United States of America, of tangible personal property by hospitals not operated for a profit;
19 “educational institutions” as defined in subdivision (18) not operated for a profit; churches,
20 orphanages, and other institutions or organizations operated exclusively for religious or charitable
21 purposes; interest-free loan associations not operated for profit; nonprofit, organized sporting
22 leagues and associations and bands for boys and girls under the age of nineteen (19) years; the
23 following vocational student organizations that are state chapters of national vocational student
24 organizations: Distributive Education Clubs of America (DECA); Future Business Leaders of
25 America, Phi Beta Lambda (FBLA/PBL); Future Farmers of America (FFA); Future Homemakers
26 of America/Home Economics Related Occupations (FHA/HERD); Vocational Industrial Clubs of
27 America (VICA); organized nonprofit golden age and senior citizens clubs for men and women;
28 and parent-teacher associations; and from the sale, storage, use, and other consumption in this state,
29 of and by the Industrial Foundation of Burrillville, a Rhode Island domestic nonprofit corporation.

30 (ii) In the case of contracts entered into with the federal government, its agencies, or
31 instrumentalities, this state, or any other state of the United States of America, its agencies, any
32 city, town, district, or other political subdivision of the states; hospitals not operated for profit;
33 educational institutions not operated for profit; churches, orphanages, and other institutions or
34 organizations operated exclusively for religious or charitable purposes, the contractor may purchase

1 such materials and supplies (materials and/or supplies are defined as those that are essential to the
2 project) that are to be utilized in the construction of the projects being performed under the contracts
3 without payment of the tax.

4 (iii) The contractor shall not charge any sales or use tax to any exempt agency, institution,
5 or organization but shall in that instance provide his or her suppliers with certificates in the form
6 as determined by the division of taxation showing the reason for exemption and the contractor's
7 records must substantiate the claim for exemption by showing the disposition of all property so
8 purchased. If any property is then used for a nonexempt purpose, the contractor must pay the tax
9 on the property used.

10 (6) Gasoline. From the sale and from the storage, use, or other consumption in this state
11 of: (i) Gasoline and other products taxed under chapter 36 of title 31 and (ii) Fuels used for the
12 propulsion of airplanes.

13 (7) Purchase for manufacturing purposes.

14 (i) From the sale and from the storage, use, or other consumption in this state of computer
15 software, tangible personal property, electricity, natural gas, artificial gas, steam, refrigeration, and
16 water, when the property or service is purchased for the purpose of being manufactured into a
17 finished product for resale and becomes an ingredient, component, or integral part of the
18 manufactured, compounded, processed, assembled, or prepared product, or if the property or
19 service is consumed in the process of manufacturing for resale computer software, tangible personal
20 property, electricity, natural gas, artificial gas, steam, refrigeration, or water.

21 (ii) "Consumed" means destroyed, used up, or worn out to the degree or extent that the
22 property cannot be repaired, reconditioned, or rendered fit for further manufacturing use.

23 (iii) "Consumed" includes mere obsolescence.

24 (iv) "Manufacturing" means and includes: manufacturing, compounding, processing,
25 assembling, preparing, or producing.

26 (v) "Process of manufacturing" means and includes all production operations performed in
27 the producing or processing room, shop, or plant, insofar as the operations are a part of and
28 connected with the manufacturing for resale of tangible personal property, electricity, natural gas,
29 artificial gas, steam, refrigeration, or water and all production operations performed insofar as the
30 operations are a part of and connected with the manufacturing for resale of computer software.

31 (vi) "Process of manufacturing" does not mean or include administration operations such
32 as general office operations, accounting, collection, or sales promotion, nor does it mean or include
33 distribution operations that occur subsequent to production operations, such as handling, storing,
34 selling, and transporting the manufactured products, even though the administration and

1 distribution operations are performed by, or in connection with, a manufacturing business.

2 (8) State and political subdivisions. From the sale to, and from the storage, use, or other
3 consumption by, this state, any city, town, district, or other political subdivision of this state. Every
4 redevelopment agency created pursuant to chapter 31 of title 45 is deemed to be a subdivision of
5 the municipality where it is located.

6 (9) Food and food ingredients. From the sale and storage, use, or other consumption in this
7 state of food and food ingredients as defined in § 44-18-7.1(l).

8 For the purposes of this exemption “food and food ingredients” shall not include candy,
9 soft drinks, dietary supplements, alcoholic beverages, tobacco, food sold through vending
10 machines, or prepared food, as those terms are defined in § 44-18-7.1, unless the prepared food is:

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

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

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

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

18 (10) Medicines, drugs, and durable medical equipment. From the sale and from the storage,
19 use, or other consumption in this state, of:

20 (i) “Drugs” as defined in § 44-18-7.1(h)(i), sold on prescriptions, medical oxygen, and
21 insulin whether or not sold on prescription. For purposes of this exemption drugs shall not include
22 over-the-counter drugs and grooming and hygiene products as defined in § 44-18-7.1(h)(iii).

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

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

1 (12) Coffins, caskets, urns, shrouds and burial garments. From the sale and from the
2 storage, use, or other consumption in this state of coffins, caskets, burial containers, urns, urn liners,
3 urn vaults, grave liners, grave vaults, burial tent setups, prayer cards, shrouds, and other burial
4 garments that are ordinarily sold by a funeral director as part of the business of funeral directing.

5 (13) Motor vehicles sold to nonresidents.

6 (i) From the sale, subsequent to June 30, 1958, of a motor vehicle to a bona fide nonresident
7 of this state who does not register the motor vehicle in this state, whether the sale or delivery of the
8 motor vehicle is made in this state or at the place of residence of the nonresident. A motor vehicle
9 sold to a bona fide nonresident whose state of residence does not allow a like exemption to its
10 nonresidents is not exempt from the tax imposed under § 44-18-20. In that event, the bona fide
11 nonresident pays a tax to Rhode Island on the sale at a rate equal to the rate that would be imposed
12 in his or her state of residence not to exceed the rate that would have been imposed under § 44-18-
13 20. Notwithstanding any other provisions of law, a licensed motor vehicle dealer shall add and
14 collect the tax required under this subdivision and remit the tax to the tax administrator under the
15 provisions of chapters 18 and 19 of this title. When a Rhode Island licensed, motor vehicle dealer
16 is required to add and collect the sales and use tax on the sale of a motor vehicle to a bona fide
17 nonresident as provided in this section, the dealer in computing the tax takes into consideration the
18 law of the state of the nonresident as it relates to the trade-in of motor vehicles.

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

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

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

32 (15) Air and water pollution control facilities. From the sale, storage, use, or other
33 consumption in this state of tangible personal property or supplies acquired for incorporation into
34 or used and consumed in the operation of a facility, the primary purpose of which is to aid in the

1 control of the pollution or contamination of the waters or air of the state, as defined in chapter 12
2 of title 46 and chapter 23 of title 23, respectively, and that has been certified as approved for that
3 purpose by the director of environmental management. The director of environmental management
4 may certify to a portion of the tangible personal property or supplies acquired for incorporation
5 into those facilities or used and consumed in the operation of those facilities to the extent that that
6 portion has as its primary purpose the control of the pollution or contamination of the waters or air
7 of this state. As used in this subdivision, "facility" means any land, facility, device, building,
8 machinery, or equipment.

9 (16) Camps. From the rental charged for living quarters, or sleeping, or housekeeping
10 accommodations at camps or retreat houses operated by religious, charitable, educational, or other
11 organizations and associations mentioned in subsection (5), or by privately owned and operated
12 summer camps for children.

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

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

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

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

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

1 to auditory signals.

2 (iii) From the sale of: (a) Special adaptations, (b) The component parts of the special
3 adaptations, for a “wheelchair accessible taxicab” as defined in § 39-14-1, and/or a “wheelchair
4 accessible public motor vehicle” as defined in § 39-14.1-1.

5 (iv) For the purpose of this subdivision the exemption for a “specially adapted motor
6 vehicle” means a use tax credit not to exceed the amount of use tax that would otherwise be due on
7 the motor vehicle, exclusive of any adaptations. The use tax credit is equal to the cost of the special
8 adaptations, including installation.

9 (20) Heating fuels. From the sale and from the storage, use, or other consumption in this
10 state of every type of heating fuel.

11 (21) Electricity and gas. From the sale and from the storage, use, or other consumption in
12 this state of electricity and gas.

13 (22) Manufacturing machinery and equipment.

14 (i) From the sale and from the storage, use, or other consumption in this state of tools, dies,
15 molds, machinery, equipment (including replacement parts), and related items to the extent used in
16 an industrial plant in connection with the actual manufacture, conversion, or processing of tangible
17 personal property, or to the extent used in connection with the actual manufacture, conversion, or
18 processing of computer software as that term is utilized in industry numbers 7371, 7372, and 7373
19 in the standard industrial classification manual prepared by the Technical Committee on Industrial
20 Classification, Office of Statistical Standards, Executive Office of the President, United States
21 Bureau of the Budget, as revised from time to time, to be sold, or that machinery and equipment
22 used in the furnishing of power to an industrial manufacturing plant. For the purposes of this
23 subdivision, “industrial plant” means a factory at a fixed location primarily engaged in the
24 manufacture, conversion, or processing of tangible personal property to be sold in the regular
25 course of business;

26 (ii) Machinery and equipment and related items are not deemed to be used in connection
27 with the actual manufacture, conversion, or processing of tangible personal property, or in
28 connection with the actual manufacture, conversion, or processing of computer software as that
29 term is utilized in industry numbers 7371, 7372, and 7373 in the standard industrial classification
30 manual prepared by the Technical Committee on Industrial Classification, Office of Statistical
31 Standards, Executive Office of the President, United States Bureau of the Budget, as revised from
32 time to time, to be sold to the extent the property is used in administration or distribution operations;

33 (iii) Machinery and equipment and related items used in connection with the actual
34 manufacture, conversion, or processing of any computer software or any tangible personal property

1 that is not to be sold and that would be exempt under subdivision (7) or this subdivision if purchased
2 from a vendor or machinery and equipment and related items used during any manufacturing,
3 converting, or processing function is exempt under this subdivision even if that operation, function,
4 or purpose is not an integral or essential part of a continuous production flow or manufacturing
5 process;

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

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

19 (24) Precious metal bullion.

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

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

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

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

33 (26) Commercial fishing vessels. From the sale and from the storage, use, or other
34 consumption in this state of vessels and other watercraft that are in excess of five (5) net tons and

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

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

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

1 (29) Bibles. [Unconstitutional; see *Ahlburn v. Clark*, 728 A.2d 449 (R.I. 1999); see Notes
2 to Decisions.] From the sale and from the storage, use, or other consumption in the state of any
3 canonized scriptures of any tax-exempt nonprofit religious organization including, but not limited
4 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 (30)
10 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 §§ 44-19-27 and 44-19-28, may
12 require the seller of the boat or vessel to keep records of the sales to bona fide nonresidents as the
13 tax administrator deems reasonably necessary to substantiate the exemption provided in this
14 subdivision, including the affidavit of the seller that the buyer represented himself or herself to be
15 a bona fide nonresident of this state and of the buyer that he or she is a nonresident of this state.

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

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

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

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

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

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

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

29 (37) Tangible personal property and supplies used in on-site hazardous waste recycling,
30 reuse, or treatment. From the sale, storage, use, or other consumption in this state of tangible
31 personal property or supplies used or consumed in the operation of equipment, the exclusive
32 function of which is the recycling, reuse, or recovery of materials (other than precious metals, as
33 defined in subdivision (24)(ii) of this section) from the treatment of "hazardous wastes," as defined
34 in § 23-19.1-4, where the "hazardous wastes" are generated in Rhode Island solely by the same

1 taxpayer and where the personal property is located at, in, or adjacent to a generating facility of the
2 taxpayer in Rhode Island. The taxpayer shall procure an order from the director of the department
3 of environmental management certifying that the equipment and/or supplies as used or consumed,
4 qualify for the exemption under this subdivision. If any information relating to secret processes or
5 methods of manufacture, production, or treatment is disclosed to the department of environmental
6 management only to procure an order, and is a “trade secret” as defined in § 28-21-10(b), it is not
7 open to public inspection or publicly disclosed unless disclosure is required under chapter 21 of
8 title 28 or chapter 24.4 of title 23.

9 (38) Promotional and product literature of boat manufacturers. From the sale and from the
10 storage, use, or other consumption of promotional and product literature of boat manufacturers
11 shipped to points outside of Rhode Island that either: (i) Accompany the product that is sold; (ii)
12 Are shipped in bulk to out-of-state dealers for use in the sale of the product; or (iii) Are mailed to
13 customers at no charge.

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

18 (40) Transportation charges. From the sale or hiring of motor carriers as defined in § 39-
19 12-2(12) to haul goods, when the contract or hiring cost is charged by a motor freight tariff filed
20 with the Rhode Island public utilities commission on the number of miles driven or by the number
21 of hours spent on the job.

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

27 (42) Equipment used for research and development. From the sale and from the storage,
28 use, or other consumption of equipment to the extent used for research and development purposes
29 by a qualifying firm. For the purposes of this subsection, “qualifying firm” means a business for
30 which the use of research and development equipment is an integral part of its operation and
31 “equipment” means scientific equipment, computers, software, and related items.

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

34 (44) Farm structure construction materials. Lumber, hardware, and other materials used in

1 the new construction of farm structures, including production facilities such as, but not limited to:
2 farrowing sheds, free stall and stanchion barns, milking parlors, silos, poultry barns, laying houses,
3 fruit and vegetable storages, rooting cellars, propagation rooms, greenhouses, packing rooms,
4 machinery storage, seasonal farm worker housing, certified farm markets, bunker and trench silos,
5 feed storage sheds, and any other structures used in connection with commercial farming.

6 (45) Telecommunications carrier access service. Carrier access service or
7 telecommunications service when purchased by a telecommunications company from another
8 telecommunications company to facilitate the provision of telecommunications service.

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

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

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

27 (49) Banks and regulated investment companies interstate toll-free calls. Notwithstanding
28 the provisions of this chapter, the tax imposed by this chapter does not apply to the furnishing of
29 interstate and international, toll-free terminating telecommunication service that is used directly
30 and exclusively by or for the benefit of an eligible company as defined in this subdivision; provided
31 that an eligible company employs on average during the calendar year no less than five hundred
32 (500) "full-time equivalent employees" as that term is defined in § 42-64.5-2. For purposes of this
33 section, an "eligible company" means a "regulated investment company" as that term is defined in
34 the Internal Revenue Code of 1986, 26 U.S.C. § 851, or a corporation to the extent the service is

1 provided, directly or indirectly, to or on behalf of a regulated investment company, an employee
2 benefit plan, a retirement plan or a pension plan, or a state-chartered bank.

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

6 (51) Manufacturing business reconstruction materials.

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

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

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

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

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

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

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

32 (i) From the sale, subsequent to June 30, 2003, of a non-motorized recreational vehicle to
33 a bona fide nonresident of this state who does not register the non-motorized recreational vehicle
34 in this state, whether the sale or delivery of the non-motorized recreational vehicle is made in this

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

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

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

24 (iv) "Non-motorized recreational vehicle" means any portable dwelling designed and
25 constructed to be used as a temporary dwelling for travel, camping, recreational, and vacation use
26 that is eligible to be registered for highway use, including, but not limited to, "pick-up coaches" or
27 "pick-up campers," "travel trailers," and "tent trailers" as those terms are defined in chapter 1 of
28 title 31.

29 (55) Sprinkler and fire alarm systems in existing buildings. From the sale in this state of
30 sprinkler and fire alarm systems; emergency lighting and alarm systems; and the materials
31 necessary and attendant to the installation of those systems that are required in buildings and
32 occupancies existing therein in July 2003 in order to comply with any additional requirements for
33 such buildings arising directly from the enactment of the Comprehensive Fire Safety Act of 2003
34 and that are not required by any other provision of law or ordinance or regulation adopted pursuant

1 to that act. The exemption provided in this subdivision shall expire on December 31, 2008.

2 (56) Aircraft. Notwithstanding the provisions of this chapter, the tax imposed by §§ 44-
3 18-18 and 44-18-20 shall not apply with respect to the sale and to the storage, use, or other
4 consumption in this state of any new or used aircraft or aircraft parts.

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

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

24 (59) Dietary supplements. From the sale and from the storage, use, or other consumption
25 of dietary supplements as defined in § 44-18-7.1(l)(v), sold on prescriptions.

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

27 (61) Agricultural products for human consumption. From the sale and from the storage,
28 use, or other consumption of livestock and poultry of the kinds of products that ordinarily constitute
29 food for human consumption and of livestock of the kind the products of which ordinarily constitute
30 fibers for human use.

31 (62) Diesel emission control technology. From the sale and use of diesel retrofit
32 technology that is required by § 31-47.3-4.

33 (63) Feed for certain animals used in commercial farming. From the sale of feed for
34 animals as described in subsection (61) of this section.

1 (64) Alcoholic beverages. From the sale and storage, use, or other consumption in this
2 state by a Class A licensee of alcoholic beverages, as defined in § 44-18-7.1, excluding beer and
3 malt beverages; provided, further, notwithstanding § 6-13-1 or any other general or public law to
4 the contrary, alcoholic beverages, as defined in § 44-18-7.1, shall not be subject to minimum
5 markup.

6 (65) Seeds and plants used to grow food and food ingredients. From the sale, storage, use,
7 or other consumption in this state of seeds and plants used to grow food and food ingredients as
8 defined in § 44-18-7.1(l)(i). “Seeds and plants used to grow food and food ingredients” shall not
9 include marijuana seeds or plants.

10 (66) Feminine hygiene products. From the sale and from the storage, use, or other
11 consumption of tampons, panty liners, menstrual cups, sanitary napkins, and other similar products
12 the principal use of which is feminine hygiene in connection with the menstrual cycle.

13 (67) Breast pump products. From the sale and from the storage, use, or other consumption
14 of breast pumps and breast pump collection and storage supplies when sold to individuals for home
15 use, and any repair or replacement parts for such products. “Breast pump collection and storage
16 supplies” means items of tangible personal property used in conjunction with a breast pump to
17 collect milk expressed from a human breast and to store collected milk until it is ready for
18 consumption. “Breast pump collection and storage supplies” include, but are not limited to, breast
19 shields and breast shield connectors; breast pump tubes and tubing adaptors; breast pump valves
20 and membranes; backflow protectors and backflow protector adaptors; bottles and bottle caps
21 specific to the operation of the breast pump; breast milk storage bags; and related items sold as part
22 of a breast pump kit pre-packaged by the breast pump manufacturer. “Breast pump collection and
23 storage supplies” does not include: bottles and bottle caps not specific to the operation of the breast
24 pump; breast pump travel bags and other similar carrying accessories, including ice packs, labels,
25 and other similar products, unless sold as part of a breast pump kit pre-packed by the breast pump
26 manufacturer; breast pump cleaning supplies, unless sold as part of a breast pump kit pre-packaged
27 by the breast pump manufacturer; nursing bras, bra pads, breast shells, and other similar products;
28 and creams, ointments, and other similar products that relieve breastfeeding-related symptoms or
29 conditions of the breasts or nipples.

30 (68) Trade-in value of motorcycles. From the sale and from the storage, use, or other
31 consumption in this state of so much of the purchase price paid for a new or used motorcycle as is
32 allocated for a trade-in allowance on the motorcycle of the buyer given in trade to the seller, or of
33 the proceeds applicable only to the motorcycle as are received from the manufacturer of
34 motorcycles for the repurchase of the motorcycle whether the repurchase was voluntary or not

1 towards the purchase of a new or used motorcycle by the buyer. For the purpose of this subsection,
2 the word “motorcycle” means a motorcycle not used for hire and does not refer to any other type
3 of motor vehicle.

4 SECTION 7. Section 44-19-13 of the General Laws in Chapter 44-19 entitled "Sales and
5 Use Taxes — Enforcement and Collection" is hereby amended to read as follows:

6 **44-19-13. Notice of determination.**

7 (a) The tax administrator shall give to the retailer or to the person storing, using, or
8 consuming the tangible personal property a written notice of his or her determination. Except in the
9 case of fraud, intent to evade the provisions of this article, failure to make a return, or claim for
10 additional amount pursuant to §§ 44-19-16 — 44-19-19, every notice of a deficiency determination
11 shall be mailed within three (3) years after the fifteenth (15th) day of the calendar month following
12 the month for which the amount is proposed to be determined or within three (3) years after the
13 return is filed, whichever period expires later, unless a longer period is agreed upon by the tax
14 administrator and the taxpayer.

15 (b) Notwithstanding the provisions of subsection (a) of this section, under no circumstances
16 shall the tax administrator issue a notice of a deficiency determination for any sales or use tax
17 determined to be due and payable more than ten (10) years after the return is filed ~~or was due to be~~
18 ~~filed~~, nor shall the tax administrator commence any collection action for any tax that is due and
19 payable unless the collection action is commenced within ten (10) years after a notice of a
20 deficiency determination becomes a final collectible assessment; provided, however, that the tax
21 administrator may renew a statutory lien that was initially filed within the ten-year (10) period for
22 collection actions. Both of the aforementioned ten-year (10) periods are tolled for any period of
23 time the taxpayer is in federal bankruptcy or state receivership proceedings. “Collection action”
24 refers to any activity undertaken by the division of taxation to collect on any state tax liabilities that
25 are final, due, and payable under Rhode Island law. “Collection action” may include, but is not
26 limited to, any civil action involving a liability owed under chapters 18, 18.1, 18.2, and 19 of title
27 44. This section excludes any sales and use tax liabilities that are deemed trust funds as defined in
28 § 44-19-35, as well as any meals and beverage tax liabilities that are collected pursuant to § 44-18-
29 18.1, and any hotel tax liabilities that are collected pursuant to § 44-18-36.1.

30 (c) The ten-year (10) limitation shall not apply to the renewal or continuation of the state’s
31 attempt to collect a liability that became final, due, and payable within the ten-year (10) limitation
32 periods set forth in this section.

33 SECTION 8. Section 44-23-9 of the General Laws in Chapter 44-23 entitled "Estate and
34 Transfer Taxes — Enforcement and Collection" is hereby amended to read as follows:

1 **44-23-9. Assessment and notice of estate tax — Collection powers — Lien.**

2 (a) The tax imposed by § 44-22-1.1 shall be assessed upon the full and fair cash value of
3 the net estate determined by the tax administrator as provided in this chapter. Notice of the amount
4 of the tax shall be mailed to the executor, administrator, or trustee, but failure to receive the notice
5 does not excuse the nonpayment of or invalidate the tax. The tax administrator shall receive and
6 collect the assessed taxes in the same manner and with the same powers as are prescribed for and
7 given to the collectors of taxes by chapters 7 — 9 of this title. The tax shall be due and payable as
8 provided in § 44-23-16, shall be paid to the tax administrator, and shall be and remain a lien upon
9 the estate until it is paid. All executors, administrators, and trustees are personally liable for the tax
10 until it is paid.

11 (b) Notwithstanding the provisions of subsection (a) of this section, under no circumstances
12 shall the tax administrator issue any notice of deficiency determination for the amount of the estate
13 tax due more than ten (10) years after the return was filed ~~or should have been filed~~, nor shall the
14 tax administrator commence any collection action for any estate tax due and payable unless the
15 collection action is commenced within ten (10) years after the date a notice of deficiency
16 determination became a final collectible assessment. “Collection action” refers to any activity
17 undertaken by the division of taxation to collect on any state tax liabilities that are final, due, and
18 payable under Rhode Island law. “Collection action” may include, but is not limited to, any civil
19 action involving a liability owed under chapters 22 and 23 of title 44.

20 (c) The ten-year (10) limitation shall not apply to the renewal or continuation of the state’s
21 attempt to collect a liability that became final, due, and payable within the ten-year (10) limitation
22 periods set forth in this section.

23 SECTION 9. Sections 44-30-2.6, 44-30-83 and 44-30-102 of the General Laws in Chapter
24 44-30 entitled "Personal Income Tax" are hereby amended to read as follows:

25 **44-30-2.6. Rhode Island taxable income — Rate of tax.**

26 (a) “Rhode Island taxable income” means federal taxable income as determined under the
27 Internal Revenue Code, 26 U.S.C. § 1 et seq., not including the increase in the basic, standard-
28 deduction amount for married couples filing joint returns as provided in the Jobs and Growth Tax
29 Relief Reconciliation Act of 2003 and the Economic Growth and Tax Relief Reconciliation Act of
30 2001 (EGTRRA), and as modified by the modifications in § 44-30-12.

31 (b) Notwithstanding the provisions of §§ 44-30-1 and 44-30-2, for tax years beginning on
32 or after January 1, 2001, a Rhode Island personal income tax is imposed upon the Rhode Island
33 taxable income of residents and nonresidents, including estates and trusts, at the rate of twenty-five
34 and one-half percent (25.5%) for tax year 2001, and twenty-five percent (25%) for tax year 2002

1 and thereafter of the federal income tax rates, including capital gains rates and any other special
2 rates for other types of income, except as provided in § 44-30-2.7, which were in effect immediately
3 prior to enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA);
4 provided, rate schedules shall be adjusted for inflation by the tax administrator beginning in taxable
5 year 2002 and thereafter in the manner prescribed for adjustment by the commissioner of Internal
6 Revenue in 26 U.S.C. § 1(f). However, for tax years beginning on or after January 1, 2006, a
7 taxpayer may elect to use the alternative flat tax rate provided in § 44-30-2.10 to calculate his or
8 her personal income tax liability.

9 (c) For tax years beginning on or after January 1, 2001, if a taxpayer has an alternative
10 minimum tax for federal tax purposes, the taxpayer shall determine if he or she has a Rhode Island
11 alternative minimum tax. The Rhode Island alternative minimum tax shall be computed by
12 multiplying the federal tentative minimum tax without allowing for the increased exemptions under
13 the Jobs and Growth Tax Relief Reconciliation Act of 2003 (as redetermined on federal form 6251
14 Alternative Minimum Tax-Individuals) by twenty-five and one-half percent (25.5%) for tax year
15 2001, and twenty-five percent (25%) for tax year 2002 and thereafter, and comparing the product
16 to the Rhode Island tax as computed otherwise under this section. The excess shall be the taxpayer's
17 Rhode Island alternative minimum tax.

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

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

26 (A) **Tax imposed.**

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

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

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

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

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

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

18 (4) There is hereby imposed on the taxable income of married individuals filing separate
19 returns and bankruptcy estates a tax ~~deter—mined~~ determined in accordance with the following
20 table:

21 If taxable income is:	The tax is:
22 Not over \$26,575	3.75% of taxable income
23 Over \$26,575 but not over \$64,250	\$996.56 plus 7.00% of the excess over \$26,575
24 Over \$64,250 but not over \$97,925	\$3,633.81 plus 7.75% of the excess over \$64,250
25 Over \$97,925 but not over \$174,850	\$6,243.63 plus 9.00% of the excess over \$97,925
26 Over \$174,850	\$13,166.88 plus 9.90% of the excess over \$174,850

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

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

1 (6) Adjustments for inflation.

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

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

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

5 (c) The cost-of-living adjustment referred to in subparagraphs (a) and (b) used in making
6 adjustments to the nine percent (9%) and nine and nine tenths percent (9.9%) dollar amounts shall
7 be determined under section (J) by substituting "1994" for "1993."

8 **(B) Maximum capital gains rates.**

9 (1) In general.

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

12 (a) 2.5% of the net capital gain as reported for federal income tax purposes under section
13 26 U.S.C. § 1(h)(1)(a) and 26 U.S.C. § 1(h)(1)(b).

14 (b) 5% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.
15 § 1(h)(1)(c).

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

18 (d) 7% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.
19 § 1(h)(1)(e).

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

22 **(C) Itemized deductions.**

23 (1) In general.

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

26 (2) Individuals who do not itemize their deductions.

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

29 (3) Basic standard deduction.

30 The Rhode Island standard deduction shall be allowed in accordance with the following
31 table:

32 Filing status	Amount
33 Single	\$5,350
34 Married filing jointly or qualifying widow(er)	\$8,900

1	Married filing separately	\$4,450
2	Head of Household	\$7,850

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

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

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

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

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

13 In the case of:

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

17 The standard deduction shall be zero.

18 (7) Adjustments for inflation.

19 Each dollar amount contained in paragraphs (3), (4) and (5) shall be increased by an amount
20 equal to:

- 21 (a) Such dollar amount contained in paragraphs (3), (4) and (5) in the year 1988, multiplied
22 by
- 23 (b) The cost-of-living adjustment determined under section (J) with a base year of 1988.

24 **(D) Overall limitation on itemized deductions.**

25 (1) General rule.

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

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

33 (2) Applicable amount.

34 (a) In general.

1 For purposes of this section, the term “applicable amount” means \$156,400 (\$78,200 in the
2 case of a separate return by a married individual)

3 (b) Adjustments for inflation.

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

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

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

7 (3) Phase-out of Limitation.

8 (a) In general.

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

12 (b) Applicable fraction.

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

15 For taxable years beginning in calendar year	The applicable fraction is
16 2006 and 2007	$\frac{2}{3}$
17 2008 and 2009	$\frac{1}{3}$

18 (E) **Exemption amount.**

19 (1) In general.

20 Except as otherwise provided in this subsection, the term “exemption amount” means
21 \$3,400.

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

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

26 (3) Adjustments for inflation.

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

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

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

30 (4) Limitation.

31 (a) In general.

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

34 (b) Applicable percentage.

1 In the case of any taxpayer whose adjusted gross income for the taxable year exceeds the
 2 threshold amount, the exemption amount shall be reduced by two (2) percentage points for each
 3 \$2,500 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year
 4 exceeds the threshold amount. In the case of a married individual filing a separate return, the
 5 preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In no event shall the
 6 applicable percentage exceed one hundred percent (100%).

7 (c) Threshold Amount.

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

10 Filing status	Amount
11 Single	\$156,400
12 Married filing jointly of qualifying widow(er)	\$234,600
13 Married filing separately	\$117,300
14 Head of Household	\$195,500

15 (d) Adjustments for inflation.

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

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

20 (a) In general.

21 In the case of taxable years beginning after December 31, 2005, and before January 1,
 22 2010, the reduction under section 4 shall be equal to the applicable fraction of the amount which
 23 would be the amount of such reduction.

24 (b) Applicable fraction.

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

27 For taxable years beginning in calendar year	The applicable fraction is
28 2006 and 2007	$\frac{2}{3}$
29 2008 and 2009	$\frac{1}{3}$

30 (F) **Alternative minimum tax.**

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

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

1 (2) The tentative minimum tax for the taxable year is the sum of:
 2 (a) 6.5 percent of so much of the taxable excess as does not exceed \$175,000, plus
 3 (b) 7.0 percent of so much of the taxable excess above \$175,000.
 4 (3) The amount determined under the preceding sentence shall be reduced by the alternative
 5 minimum tax foreign tax credit for the taxable year.

6 (4) Taxable excess. For the purposes of this subsection the term "taxable excess" means so
 7 much of the federal alternative minimum taxable income as modified by the modifications in § 44-
 8 30-12 as exceeds the exemption amount.

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

11 (6) Exemption amount.

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

13 Filing status	Amount
14 Single	\$39,150
15 Married filing jointly or qualifying widow(er)	\$53,700
16 Married filing separately	\$26,850
17 Head of Household	\$39,150
18 Estate or trust	\$24,650

19 (7) Treatment of unearned income of minor children

20 (a) In general.

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

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

24 (ii) \$6,000.

25 (8) Adjustments for inflation.

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

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

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

30 (9) Phase-out.

31 (a) In general.

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

1 (b) Threshold amount.

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

4 Filing status	Amount
5 Single	\$123,250
6 Married filing jointly or qualifying widow(er)	\$164,350
7 Married filing separately	\$82,175
8 Head of Household	\$123,250
9 Estate or Trust	\$82,150

10 (c) Adjustments for inflation

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

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

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

14 **(G) Other Rhode Island taxes.**

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

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

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

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

21 **(H) Tax for children under 18 with investment income.**

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

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

24 **(I) Averaging of farm income.**

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

27 (a) The Federal averaging of farm income as determined in IRC section 1301 [26 U.S.C. §
28 1301].

29 **(J) Cost-of-living adjustment.**

30 (1) In general.

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

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

33 (b) The CPI for the base year.

34 (2) CPI for any calendar year.

1 For purposes of paragraph (1), the CPI for any calendar year is the average of the consumer
2 price index as of the close of the twelve (12) month period ending on August 31 of such calendar
3 year.

4 (3) Consumer price index.

5 For purposes of paragraph (2), the term “consumer price index” means the last consumer
6 price index for all urban consumers published by the department of labor. For purposes of the
7 preceding sentence, the revision of the consumer price index that is most consistent with the
8 consumer price index for calendar year 1986 shall be used.

9 (4) Rounding.

10 (a) In general.

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

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

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

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

19 (2) Child and dependent care credit;

20 (3) General business credits;

21 (4) Credit for elderly or the disabled;

22 (5) Credit for prior year minimum tax;

23 (6) Mortgage interest credit;

24 (7) Empowerment zone employment credit;

25 (8) Qualified electric vehicle credit.

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

30 (M) The credit shall be twenty-five percent (25%) of the aforementioned federal credits
31 provided there shall be no deduction based on any federal credits enacted after January 1, 1996,
32 including the rate reduction credit provided by the federal Economic Growth and Tax
33 Reconciliation Act of 2001 (EGTRRA). In no event shall the tax imposed under this section be
34 reduced to less than zero. A taxpayer required to recapture any of the above credits for federal tax

1 purposes shall determine the Rhode Island amount to be recaptured in the same manner as
2 prescribed in this subsection.

3 **(N) Rhode Island earned-income credit.**

4 (1) In general.

5 For tax years beginning before January 1, 2015, a taxpayer entitled to a federal earned-
6 income credit shall be allowed a Rhode Island earned-income credit equal to twenty-five percent
7 (25%) of the federal earned-income credit. Such credit shall not exceed the amount of the Rhode
8 Island income tax.

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

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

17 For tax years beginning on or after January 1, 2017, a taxpayer entitled to a federal earned-
18 income credit shall be allowed a Rhode Island earned-income credit equal to fifteen percent (15%)
19 of the federal earned-income credit. Such credit shall not exceed the amount of the Rhode Island
20 income tax.

21 (2) Refundable portion.

22 In the event the Rhode Island earned-income credit allowed under paragraph (N)(1) of this
23 section exceeds the amount of Rhode Island income tax, a refundable earned-income credit shall
24 be allowed as follows.

25 (i) For tax years beginning before January 1, 2015, for purposes of paragraph (2) refundable
26 earned-income credit means fifteen percent (15%) of the amount by which the Rhode Island earned-
27 income credit exceeds the Rhode Island income tax.

28 (ii) For tax years beginning on or after January 1, 2015, for purposes of paragraph (2)
29 refundable earned-income credit means one hundred percent (100%) of the amount by which the
30 Rhode Island earned-income credit exceeds the Rhode Island income tax.

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

34 (3) For the period January 1, 2011, through December 31, 2011, and thereafter, "Rhode

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

6 (A) **Tax imposed.**

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

16 (II) There is hereby imposed on the taxable income of an estate or trust a tax determined in
 17 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

23 (B) **Deductions:**

24 (I) Rhode Island Basic Standard Deduction.

25 Only the Rhode Island standard deduction shall be allowed in accordance with the
 26 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

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

34 (III) In the case of any taxpayer whose adjusted gross income, as modified for Rhode Island

1 purposes pursuant to § 44-30-12, for the taxable year exceeds one hundred seventy-five thousand
2 dollars (\$175,000), the standard deduction amount shall be reduced by the applicable percentage.
3 The term “applicable percentage” means twenty (20) percentage points for each five thousand
4 dollars (\$5,000) (or fraction thereof) by which the taxpayer’s adjusted gross income for the taxable
5 year exceeds one hundred seventy-five thousand dollars (\$175,000).

6 **(C) Exemption Amount:**

7 (I) The term “exemption amount” means three thousand five hundred dollars (\$3,500)
8 multiplied by the number of exemptions allowed for the taxable year for federal income tax
9 purposes. For tax years beginning on or after 2018, the term “exemption amount” means the same
10 as it does in 26 U.S.C. § 151 and 26 U.S.C. § 152 just prior to the enactment of the Tax Cuts and
11 Jobs Act (Pub. L. No. 115-97) on December 22, 2017.

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 for
14 the same taxable year, the exemption amount applicable to such individual for such individual’s
15 taxable year shall be zero.

16 (III) Identifying information required.

17 (1) Except as provided in § 44-30-2.6(c)(3)(C)(II) of this section, no exemption shall be
18 allowed under this section with respect to any individual unless the Taxpayer Identification Number
19 of such individual is included on the federal return claiming the exemption for the same tax filing
20 period.

21 (2) Notwithstanding the provisions of § 44-30-2.6(c)(3)(C)(I) of this section, in the event
22 that the Taxpayer Identification Number for each individual is not required to be included on the
23 federal tax return for the purposes of claiming a personal exemption(s), then the Taxpayer
24 Identification Number must be provided on the Rhode Island tax return for the purpose of claiming
25 said exemption(s).

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

32 (E) **Adjustment for inflation.** The dollar amount contained in subparagraphs 44-30-
33 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
34 equal to:

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

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

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

9 (IV) For the purpose of this section the term “consumer price index” means the last
10 consumer price index for all urban consumers published by the department of labor. For the purpose
11 of this section the revision of the consumer price index that is most consistent with the consumer
12 price index for calendar year 1986 shall be used.

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

18 **(F) Credits against tax.**

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

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

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

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

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

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

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

34 (g) Child and Dependent Care: Credit shall be allowed for twenty-five percent (25%) of

1 the federal child and dependent care credit allowable for the taxable year for federal purposes;
2 provided, however, such credit shall not exceed the Rhode Island tax liability.

3 (h) Tax credits for contributions to Scholarship Organizations: Credit shall be allowed for
4 contributions to scholarship organizations as provided in chapter 62 of title 44.

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

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

14 (k) Rebuild Rhode Island: Credit shall be allowed for rebuild RI tax credit as provided in
15 § 42-64.20-1 et seq.

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

18 (m) Historic homeownership assistance act: Effective for tax year 2017 and thereafter,
19 unused carryforward for such credit previously issued shall be allowed for the historic
20 homeownership assistance act as provided in § 44-33.1-4. This allowance is for credits already
21 issued pursuant to § 44-33.1-4 and shall not be construed to authorize the issuance of new credits
22 under the historic homeownership assistance act.

23 (n) Musical and theatrical production tax credits: Credit shall be allowed for musical and
24 theatrical production tax credits as provided in chapter 31.3 of this title.

25 (o) Historic preservation tax credits 2013: Credit shall be allowed for historic preservation
26 tax credits 2013 as provided in chapter 33.6 of this title.

27 ~~(2)~~(II) Except as provided in section ~~+~~ (I) above, no other state ~~and~~ or federal tax credit
28 shall be available to the taxpayers in computing tax liability under this chapter.

29 **44-30-83. Limitations on assessment.**

30 (a) General. Except as otherwise provided in this section the amount of the Rhode Island
31 personal income tax shall be assessed within three (3) years after the return was filed, whether or
32 not the return was filed on or after the prescribed date. For this purpose a tax return filed before the
33 due date shall be considered as filed on the due date; and a return of withholding tax for any period
34 ending with or within a calendar year filed before April 15 of the succeeding calendar year shall be

1 considered filed on April 15 of the succeeding calendar year.

2 (b) Exceptions.

3 (1) *Assessment at any time.* The tax may be assessed at any time if:

4 (i) No return is filed;

5 (ii) A false or fraudulent return is filed with intent to evade tax; or

6 (iii) The taxpayer fails to file a report, pursuant to § 44-30-59, of a change, correction, or
7 amended return, increasing his or her federal taxable income as reported on his or her federal
8 income tax return or to report a change or correction that is treated in the same manner as if it were
9 a deficiency for federal income tax purposes.

10 (2) *Extension by agreement.* Where, before the expiration of the time prescribed in this
11 section for the assessment of tax, or before the time as extended pursuant to this section, both the
12 tax administrator and the taxpayer have consented in writing to its assessment after that time, the
13 tax may be assessed at any time prior to the expiration of the period agreed upon.

14 (3) *Report of changed or corrected federal income.* If the taxpayer shall, pursuant to § 44-
15 30-59, file an amended return, or report a change or correction increasing his or her federal taxable
16 income or report a change or correction that is treated in the same manner as if it were a deficiency
17 for federal income tax purposes, an assessment may be made at any time prior to two (2) years after
18 the report or amended return was filed. This assessment of Rhode Island personal income tax shall
19 not exceed the amount of the increase attributable to the federal change, correction, or items
20 amended on the taxpayer's amended federal income tax return. The provisions of this paragraph
21 shall not affect the time within which or the amount for which an assessment may otherwise be
22 made.

23 (4) *Deficiency attributable to net operating loss carryback.* If a taxpayer's deficiency is
24 attributable to an excessive net operating loss carryback allowance, it may be assessed at any time
25 that a deficiency for the taxable year of the loss may be assessed.

26 (5) *Recovery of erroneous refund.* An erroneous refund shall be considered to create an
27 underpayment of tax on the date made. An assessment of a deficiency arising out of an erroneous
28 refund may be made at any time within three (3) years thereafter, or at any time if it appears that
29 any part of the refund was induced by fraud or misrepresentation of a material fact.

30 (6) *Armed forces relief.* For purposes of this tax, the date appearing in 26 U.S.C. § 692(a)
31 shall be January 1, 1971.

32 (c) Omission of income on return. Notwithstanding the foregoing provisions of this section,
33 the tax may be assessed at any time within six (6) years after the return was filed if an individual
34 omits from his or her Rhode Island income an amount properly includible therein which is in excess

1 of twenty-five percent (25%) of the amount of Rhode Island income stated in the return. For this
2 purpose there shall not be taken into account any amount that is omitted in the return if the amount
3 is disclosed in the return, or in a statement attached to the return, in a manner adequate to apprise
4 the tax administrator of the nature and amount of the item.

5 (d) Suspension of limitation. The running of the period of limitations on assessment or
6 collection of tax or other amount (or of a transferee's liability) shall, after the mailing of a notice
7 of deficiency, be suspended for the period during which the tax administrator is prohibited under §
8 44-30-81(c) from making the assessment or from collecting by levy, and for sixty (60) days
9 thereafter.

10 (e) Limitations exclusive. No period of limitations specified in any other law shall apply to
11 the assessment or collection of Rhode Island personal income tax. Under no circumstances shall
12 the tax administrator issue any notice of a deficiency determination for Rhode Island personal
13 income tax due or payable more than ten (10) years after the date upon which the return was filed
14 ~~or due to be filed~~, nor shall the tax administrator commence any collection action for any personal
15 income tax due and payable unless the collection action is commenced within ten (10) years after
16 a notice of deficiency determination became a final collectible assessment; provided however, that
17 the tax administrator can renew a statutory lien that was initially filed within the ten-year (10)
18 period for collection actions. Both of the aforementioned ten-year (10) periods are tolled for any
19 period of time the taxpayer is in federal bankruptcy or state receivership proceedings. "Collection
20 action" refers to any activity undertaken by the division of taxation to collect on any state tax
21 liabilities that are final, due, and payable under Rhode Island law. "Collection action" may include,
22 but is not limited to, any civil action involving a liability owed under chapter 30 of title 44. This
23 section excludes any liabilities that are deemed trust funds as defined in § 44-30-76, as amended.

24 (f) The ten-year (10) limitation shall not apply to the renewal or continuation of the state's
25 attempt to collect a liability that became final, due, and payable within the ten-year (10) limitation
26 periods set forth in this section.

27 **44-30-102. Reporting requirement for applicable entities providing minimum**
28 **essential coverage.**

29 (a) Findings.

30 (1) Ensuring the health of insurance markets is a responsibility reserved for states under
31 the McCarran-Ferguson Act and other federal law.

32 (2) There is substantial evidence that being uninsured causes health problems and
33 unnecessary deaths.

34 (3) The shared responsibility payment penalty imposed by § 44-30-101(c) is necessary to

1 protect the health and welfare of the state’s residents.

2 (4) The reporting requirement provided for in this section is necessary for the successful
3 implementation of the shared responsibility payment penalty imposed by § 44-30-101(c). This
4 requirement provides the only widespread source of third-party reporting to help taxpayers and the
5 tax administrator verify whether an applicable individual maintains minimum essential coverage.
6 There is compelling evidence that third-party reporting is crucial for ensuring compliance with tax
7 provisions.

8 (5) The shared responsibility payment penalty imposed by § 44-30-101(c), and therefore
9 the reporting requirement in this section, is necessary to ensure a stable and well-functioning health
10 insurance market. There is compelling evidence that, without an effective shared responsibility
11 payment penalty in place for those who go without coverage, there would be substantial instability
12 in health insurance markets, including higher prices and the possibility of areas without any
13 insurance available.

14 (6) The shared responsibility payment penalty imposed by § 44-30-101(c), and therefore
15 the reporting requirement in this section, is also necessary to foster economic stability and growth
16 in the state.

17 (7) The reporting requirement in this section has been narrowly tailored to support
18 compliance with the shared responsibility payment penalty imposed by § 44-30-101(c), while
19 imposing only an incidental burden on reporting entities. In particular, the information that must
20 be reported is limited to the information that must already be reported under a similar federal
21 reporting requirement under section 6055 of the Internal Revenue Code of 1986. In addition, this
22 section provides that its reporting requirement may be satisfied by providing the same information
23 that is currently reported under such federal requirement.

24 (b) Definitions. For purposes of this section:

25 (1) “Applicable entity” means:

26 (i) An employer or other sponsor of an employment-based health plan that offers
27 employment-based minimum essential coverage to any resident of Rhode Island.

28 (ii) The Rhode Island Medicaid single state agency providing Medicaid or Children’s
29 Health Insurance Program (CHIP) coverage.

30 (iii) Carriers licensed or otherwise authorized by the Rhode Island office of the health
31 insurance commissioner to offer health coverage providing coverage that is not described in
32 subsection (b)(1)(i) or (b)(1)(ii) of this section.

33 (2) “Minimum essential coverage” has the meaning given the term by § 44-30-101(a)(2).

34 (c) For purposes of administering the shared responsibility payment penalty to individuals

1 who do not maintain minimum essential coverage under § 44-30-101(b), every applicable entity
2 that provides minimum essential coverage to an individual during a calendar year shall, at such
3 time as the tax administrator may prescribe, file a form in a manner prescribed by the tax
4 administrator.

5 (d) Form and manner of return.

6 (1) A return, in the form as the tax administrator may prescribe, contains the following
7 information:

8 (i) The name, address, and Taxpayer Identification Number (TIN) of the primary insured
9 and the name and TIN of each other individual obtaining coverage under the policy;

10 (ii) The dates during which the individual was covered under minimum essential coverage
11 during the calendar year; and

12 (iii) Such other information as the tax administrator may require.

13 (2) Sufficiency of information submitted for federal reporting. Notwithstanding the
14 requirements of subsection (d)(1) of this section, a return shall not fail to be a return described in
15 this section if it includes the information contained in a return described in section 6055 of the
16 Internal Revenue Code of 1986, as that section is in effect and interpreted on the 15th day of
17 December 2017.

18 (3) Failure to file proper return. If an applicable entity fails to file a return or report in the
19 method and manner prescribed by the tax administrator, or files an incomplete or inaccurate return
20 or report, by the due date determined by the tax administrator for the filing of the return or report,
21 a penalty of twenty-five dollars (\$25.00) per individual not reported to the division of taxation in
22 accordance with this section shall be imposed.

23 (e) Statements to be furnished to individuals with respect to whom information is reported.

24 (1) Any applicable entity providing a return under the requirements of this section shall
25 also provide to each individual whose name is included in the return a written statement containing
26 the name, address, and contact information of the person required to provide the return to the tax
27 administrator and the information included in the return with respect to the individuals listed
28 thereupon. The written statement must be provided on or before January 31 of the year following
29 the calendar year for which the return was required to be made or by a date as may be determined
30 by the tax administrator.

31 (2) Sufficiency of federal statement. Notwithstanding the requirements of subsection
32 (e)(1), the requirements of this subsection (e) may be satisfied by a written statement provided to
33 an individual under section 6055 of the Internal Revenue Code of 1986, as that section is in effect
34 and interpreted on the 15th day of December 2017.

1 (f) Reporting responsibility.

2 (1) Coverage provided by governmental units. In the case of coverage provided by an
3 applicable entity that is any governmental unit or any agency or instrumentality thereof, the officer
4 or employee who enters into the agreement to provide the coverage (or the person appropriately
5 designated for purposes of this section) shall be responsible for the returns and statements required
6 by this section.

7 (2) Delegation. An applicable entity may contract with third-party service providers,
8 including insurance carriers, to provide the returns and statements required by this section.

9 SECTION 10. Section 44-31-1 of the General Laws in Chapter 44-31 entitled "Investment
10 Tax Credit" is hereby amended to read as follows:

11 **44-31-1. Investment tax credit.**

12 (a) A taxpayer shall be allowed a credit, to be computed as provided in this chapter, against
13 the tax imposed by chapters 11, 14, [and 17](#), ~~and 30~~ of this title. The amount of the credit shall be
14 two percent (2%) of the cost or other basis for federal income tax purposes of tangible personal
15 property and other tangible property, including buildings and structural components of buildings,
16 described in subsection (b) of this section, acquired, constructed, reconstructed, or erected after
17 December 31, 1973. Provided, that the amount of the credit shall be four percent (4%) of the: (i)
18 cost or other basis for federal income tax purposes of tangible personal property and other tangible
19 property, including buildings and structural components of buildings, described in subdivision
20 (b)(1) of this section, acquired, constructed, reconstructed or erected after December 31, 1993; and
21 (ii) qualified amounts for leased assets of tangible personal property and other tangible property
22 described in subdivision (b)(1) of this section, acquired, constructed, reconstructed, or erected after
23 January 1, 1998, and the amount of the credit shall be ten percent (10%) of the cost or other basis
24 for federal income tax purposes, and the qualified amounts for leased assets, of tangible personal
25 property and other tangible property described in subdivision (b)(3) of this section, acquired,
26 constructed, reconstructed, or erected after January 1, 1998, and with respect to buildings and
27 structural components which are acquired, constructed, reconstructed or erected after July 1, 2001,
28 as described in subdivision (b)(3) of this section.

29 (b)(1) A credit shall be allowed under this section with respect to tangible personal property
30 and other tangible property, including buildings and structural components of buildings, which are
31 depreciable pursuant to 26 U.S.C. § 167, have a useful life of four (4) years or more, are acquired
32 by purchase as defined in 26 U.S.C. § 179(d) or are acquired by lease as prescribed in paragraph
33 (3)(iv) of this subsection, have a situs in this state and are principally used by the taxpayer in the
34 production of goods by manufacturing, process, or assembling. The credit shall be allowable in the

1 year the property is first placed in service by the taxpayer, which is the year in which, under the
2 taxpayer's depreciation practice, the period for depreciation with respect to the property begins, or
3 the year in which the property is placed in a condition or state of readiness and availability for a
4 specifically assigned function, whichever is earlier. For purposes of this paragraph,
5 "manufacturing" means the process of working raw materials into wares suitable for use or which
6 gives new shapes, new quality or new combinations to matter that already has gone through some
7 artificial process by the use of machinery, tools, appliances, and other similar equipment. Property
8 used in the production of goods includes machinery, equipment, or other tangible property which
9 is principally used in the repair and service of other machinery, equipment, or other tangible
10 property used principally in the production of goods and includes all facilities used in the
11 production operation, including storage of material to be used in production and of the products
12 that are produced.

13 (2) Within the meaning of subdivision (1) of this subsection, the term "manufacturing"
14 means the activities of a "manufacturer" as defined in § 44-3-3(20)(iii) and (iv).

15 (3)(i) A credit shall be allowed under this section with respect to tangible personal property
16 and other tangible property, (excluding motor vehicles, furniture, buildings and structural
17 components of buildings, except as provided in this section), which are depreciable pursuant to 26
18 U.S.C. § 167, have a useful life of four (4) years or more, are acquired by purchase as defined in
19 26 U.S.C. § 179(d) or acquired by lease as prescribed in paragraph (iv) of this subdivision, have a
20 situs in this state and to the extent the property is used by a qualified taxpayer, as that term is
21 defined in paragraph (v) of this subdivision, in any of the businesses described in major groups 20
22 through 39, 50 and 51, 60 through 67, 73, 76, 80 through 82, 87 and 89 in the standard industrial
23 classification manual prepared by the technical committee on industrial classification, office of the
24 statistical standards, executive office of the president, United States Bureau of the Budget, as
25 revised from time to time ("SIC Code") and/or any of the businesses described in the three (3) digit
26 SIC Code 781.

27 (ii) A credit shall be allowed under this section with respect to buildings and structural
28 components that are acquired, constructed, reconstructed, or erected after July 1, 2001, which are
29 depreciable pursuant to 26 U.S.C. § 167, have a useful life of four (4) years or more, are acquired
30 by purchase as defined in 26 U.S.C. § 179(d) or acquired by lease for a term of twenty (20) years
31 or more, excluding renewal periods, have a situs in this state and to the extent the property is used
32 by a high performance manufacturer. The term "high performance manufacturer" means a taxpayer:
33 (A) engaged in any of the businesses described in the major groups 28, 30, 34, to 36, and 38 of the
34 SIC Codes, (B) that pays its full-time equivalent employees a median annual wage above the

1 average annual wage paid by all taxpayers in the state which share the same two-digit SIC Code,
2 unless the high performance manufacturer is the only high performance manufacturer in the state
3 conducting business in that two-digit SIC Code, in which case this requirement shall not apply, and
4 (C)(I) whose expenses for training or retraining its employees exceeds two percent (2%) of its total
5 payroll costs, or (II) that pays its full-time equivalent employees a median annual wage equal to or
6 greater than one hundred twenty-five percent (125%) of the average annual wage paid in this state
7 by employers to employees, or (III) that pays its full-time equivalent employees classified as
8 production workers by the Rhode Island department of labor and training an average annual wage
9 above the average annual wage paid to the production workers of all taxpayers in the state which
10 share the same two-digit SIC Code.

11 (iii) To the extent allowable, the credit allowed under this section is allowed for computers,
12 software and telecommunications hardware used by a taxpayer even if the property has a useful life
13 of less than four (4) years;

14 (iv) The credit for property acquired by lease is based on the fair market value of the
15 property at the inception of the lease times the portion of the depreciable life of the property
16 represented by the term of the lease, excluding renewal options. The credit described in this
17 subdivision for high performance manufacturers that lease buildings and their structural
18 components for a term of twenty (20) years or more, excluding renewal periods, shall be calculated
19 in the same manner as for property acquired by purchase; and

20 (v) For purposes of this subsection, a “qualified taxpayer” means a taxpayer in any of the
21 businesses described in major groups 20 through 39, 50 and 51, 60 through 67, 73, 76, 80 through
22 82, 87 and 89 of the SIC Code, and/or any of the businesses described in the three (3) digit SIC
23 Code 781, and which meet the following criteria:

24 (A) The median annual wage paid to a qualified taxpayer’s full-time equivalent employees
25 must be above the average annual wage paid by all taxpayers in the state which share the same two-
26 digit SIC Code, unless that qualified taxpayer is the only qualified taxpayer in the state conducting
27 business in that two-digit SIC Code, in which case this requirement does not apply; and

28 (B) With respect to major groups 50 and 51, 60 through 67, 73, 76, 80 through 82, 87 and
29 89 and/or the three (3) digit SIC Code 781(except for those qualified taxpayers whose businesses
30 are described in any of the four (4) digit SIC Codes 7371, 7372 and 7373) only:

31 (I) More than one-half (½) of its gross revenues are a result of sales to customers outside
32 of the state; or

33 (II) More than one-half (½) of its gross revenues are a result of sales to the federal
34 government; or

1 (III) More than one-half (½) of its gross revenues are a result of a combination of sales
2 described in items (I) and (II) of this subparagraph.

3 (4) For purposes of this section, “sales to customers outside the state” means sales to
4 individuals, businesses and other entities, as well as divisions and/or branches of businesses and
5 other entities, residing or located outside of the state. The requirement of subparagraph (v)(A) of
6 this subdivision does not apply to any qualified taxpayer: (i) whose expenses for training or
7 retraining its employees exceeds two percent (2%) of these qualified taxpayer’s total payroll costs;
8 or (ii) whose median annual wage paid to its full-time equivalent employees is equal to or greater
9 than one hundred twenty-five percent (125%) of the average annual wage paid in this state by
10 employers to employees; or (iii), with respect to major groups 20 through 39 only, the average
11 annual wage paid to these qualified taxpayer’s full-time equivalent employees, classified as
12 production workers by the Rhode Island department of labor and training, is above the average
13 annual wage paid to the production workers of all these taxpayers in the state which share the same
14 two-digit SIC Code. At the election of a taxpayer, which is made at any time and in any manner
15 that may be determined by the tax administrator, the taxpayer’s ability in a particular fiscal year to
16 qualify as a qualified taxpayer may be based on the expenses and gross receipts of the taxpayer for
17 either the prior fiscal year or the immediately preceding fiscal year rather than on the expenses
18 and gross receipts for that fiscal year. For purposes of this chapter, the director of the Rhode Island
19 human resource investment council shall certify as to legitimate training and retraining expenses in
20 accordance with the guidelines established in chapter 64.6 of title 42, and any rules and regulations
21 promulgated under this chapter. For purposes of this subsection, a “full-time equivalent employee”
22 means an employee who works a minimum of thirty (30) hours per week within the state or two
23 (2) part-time employees who together work a minimum of thirty (30) hours per week within the
24 state. For purposes of this subsection, the director of the Rhode Island department of labor and
25 training, upon receipt of an application from a qualified taxpayer, shall certify whether this
26 qualified taxpayer meets the requirement in subparagraph (v)(A) of this subdivision or is exempt
27 from this requirement because the median annual wage it pays its full-time equivalent employees
28 is equal to or greater than one hundred twenty-five (125%) percent of the average annual wage paid
29 in this state by employers to employees or, with respect to major groups 20 through 39 only, the
30 average annual wage paid to this qualified taxpayer’s full-time equivalent employees, classified as
31 production workers by the Rhode Island department of labor and training, is above the average
32 annual wage paid to the production workers of all these taxpayers in the state which share the same
33 two-digit SIC Code. The director of the Rhode Island department of labor and training shall
34 promulgate rules and regulations as required for the implementation of this requirement.

1 (5) To the extent otherwise allowable, the credit provided by paragraphs (3)(i) and (ii) of
2 this subsection are also allowed for the property having a situs in Rhode Island and used, however
3 acquired, by a property and casualty insurance company.

4 (c) Subject to the provisions of subdivision (b)(3) of this section, a taxpayer is not allowed
5 a credit under subsection (a) of this section with respect to tangible personal property and other
6 tangible property, including buildings and structural components of buildings, which it leases to
7 any other person or corporation and is not allowed a credit under subsection (a) of this section with
8 respect to buildings and structural components of buildings it leases from any other person or
9 corporation. For the purposes of the preceding sentence, any contract or agreement to lease or rent
10 or for a license to use the property is considered a lease, unless a contract or agreement is treated
11 for federal income tax purposes as an installment purchase rather than a lease.

12 (d) The credit allowed under this section for any taxable year does not reduce the tax due
13 for the year by more than fifty percent (50%) of the tax liability that would be payable, and further
14 in the case of corporations, to less than the minimum tax as prescribed in § 44-11-2(e); provided,
15 that in the case of the credit allowed to high performance manufacturers under subdivision (b)(3)
16 of this section, the fifty percent (50%) limitation shall not apply. If the amount of credit allowable
17 under this section for any taxable year is less than the amount of credit available to the taxpayer,
18 any amount of credit not deductible in the taxable year may be carried over to the following year
19 or years (not to exceed seven (7) years) and may be deducted from the taxpayer's tax for the year
20 or years.

21 (e) At the option of the taxpayer, air or water pollution control facilities which qualify for
22 elective amortization deduction may be treated as property principally used by the taxpayer in the
23 production of goods by manufacturing, processing, or assembling; provided, that if the property
24 qualifies under subsection (b) of this section, in which event, an amortization deduction is not
25 allowed.

26 (f) With respect to property which is disposed of or ceases to be in qualified use prior to
27 the end of the taxable year in which the credit is to be taken, the amount of the credit shall be that
28 portion of the credit provided for in subsection (a) of this section, which represents the ratio which
29 the months of qualified use bear to the months of useful life. If property on which credit has been
30 taken is disposed of or ceases to be in qualified use prior to the end of its useful life, the difference
31 between the credit taken and the credit allowed for actual use must be added back in the year of
32 disposition. If this property is disposed of or ceases to be in qualified use after it has been in
33 qualified use for more than twelve (12) consecutive years, it is not necessary to add back the credit
34 as provided in this subsection. A credit allowed to a qualified taxpayer is not recaptured merely

1 because the taxpayer subsequently fails to retain the classification as a qualified taxpayer. The
2 amount of credit allowed for actual use shall be determined by multiplying the original credit by
3 the ratio, which the months of qualified use bear to the months of useful life. For purposes of this
4 subsection, "useful life of property" is the same as the taxpayer (or in the case of property acquired
5 by lease, the owner of the property) uses for depreciation purposes when computing his or her
6 federal income tax liability. Comparable rules are used in the case of property acquired by lease to
7 determine the amount of credit, if any, that will be recaptured if the lease terminates prematurely
8 or if the property covered by the lease otherwise fails to be in qualified use.

9 (g) The credit allowed under this section is only allowed against the tax of that corporation
10 included in a consolidated return that qualifies for the credit and not against the tax of other
11 corporations that may join in the filing of a consolidated tax return.

12 SECTION 11. Sections 44-32-2 and 44-32-3 of the General Laws in Chapter 44-32 entitled
13 "Elective Deduction for Research and Development Facilities" are hereby amended to read as
14 follows:

15 **44-32-2. Credit for research and development property acquired, constructed, or**
16 **reconstructed or erected after July 1, 1994.**

17 (a) A taxpayer shall be allowed a credit against the tax imposed by chapters 11; ~~or 17;~~
18 ~~30~~ of this title. The amount of the credit shall be ten percent (10%) of the cost or other basis for
19 federal income tax purposes of tangible personal property, and other tangible property, including
20 buildings and structural components of buildings, described in subsection (b) of this section;
21 acquired, constructed or reconstructed, or erected after July 1, 1994.

22 (b) A credit shall be allowed under this section with respect to tangible personal property
23 and other tangible property, including buildings and structural components of buildings which are:
24 depreciable pursuant to 26 U.S.C. § 167 or recovery property with respect to which a deduction is
25 allowable under 26 U.S.C. § 168, have a useful life of three (3) years or more, are acquired by
26 purchase as defined in 26 U.S.C. § 179(d), have a situs in this state and are used principally for
27 purposes of research and development in the experimental or laboratory sense which shall also
28 include property used by property and casualty insurance companies for research and development
29 into methods and ways of preventing or reducing losses from fire and other perils. The credit shall
30 be allowable in the year the property is first placed in service by the taxpayer, which is the year in
31 which, under the taxpayer's depreciation practice, the period for depreciation with respect to the
32 property begins, or the year in which the property is placed in a condition or state of readiness and
33 availability for a specifically assigned function, whichever is earlier. These purposes shall not be
34 deemed to include the ordinary testing or inspection of materials or products for quality control,

1 efficiency surveys, management studies, consumer surveys, advertising, promotions, or research in
2 connection with literary, historical or similar projects.

3 (c) A taxpayer shall not be allowed a credit under this section with respect to any property
4 described in subsections (a) and (b) of this section, if a deduction is taken for the property under §
5 44-32-1.

6 (d) A taxpayer shall not be allowed a credit under this section with respect to tangible
7 personal property and other tangible property, including buildings and structural components of
8 buildings, which it leases to any other person or corporation. For purposes of the preceding
9 sentence, any contract or agreement to lease or rent or for a license to use the property is considered
10 a lease.

11 (e) The credit allowed under this section for any taxable year does not reduce the tax due
12 for that year, in the case of corporations, to less than the minimum fixed by § 44-11-2(e). If the
13 amount of credit allowable under this section for any taxable year is less than the amount of credit
14 available to the taxpayer, any amount of credit not credited in that taxable year may be carried over
15 to the following year or years, up to a maximum of seven (7) years, and may be credited against
16 the taxpayer's tax for the following year or years. ~~For purposes of chapter 30 of this title, if the~~
17 ~~credit allowed under this section for any taxable year exceeds the taxpayer's tax for that year, the~~
18 ~~amount of credit not credited in that taxable year may be carried over to the following year or years,~~
19 ~~up to a maximum of seven (7) years, and may be credited against the taxpayer's tax for the~~
20 ~~following year or years.~~

21 (f)(1) With respect to property which is depreciable pursuant to 26 U.S.C. § 167 and which
22 is disposed of or ceases to be in qualified use prior to the end of the taxable year in which the credit
23 is to be taken, the amount of the credit is that portion of the credit provided for in this section which
24 represents the ratio which the months of qualified use bear to the months of useful life. If property
25 on which credit has been taken is disposed of or ceases to be in qualified use prior to the end of its
26 useful life, the difference between the credit taken and the credit allowed for actual use must be
27 added back in the year of disposition. If the property is disposed of or ceases to be in qualified use
28 after it has been in qualified use for more than twelve (12) consecutive years, it is not necessary to
29 add back the credit as provided in this subdivision. The amount of credit allowed for actual use is
30 determined by multiplying the original credit by the ratio which the months of qualified use bear
31 to the months of useful life. For purposes of this subdivision, "useful life of property" is the same
32 as the taxpayer uses for depreciation purposes when computing his federal income tax liability.

33 (2) Except with respect to that property to which subdivision (3) of this subsection applies,
34 with respect to three (3) year property, as defined in 26 U.S.C. § 168(c), which is disposed of or

1 ceases to be in qualified use prior to the end of the taxable year in which the credit is to be taken,
2 the amount of the credit shall be that portion of the credit provided for in this section which
3 represents the ratio which the months of qualified use bear to thirty-six (36). If property on which
4 credit has been taken is disposed of or ceases to be in qualified use prior to the end of thirty-six
5 (36) months, the difference between the credit taken and the credit allowed for actual use must be
6 added back in the year of disposition. The amount of credit allowed for actual use is determined by
7 multiplying the original credit by the ratio that the months of qualified use bear to thirty-six (36).

8 (3) With respect to any recovery property to which 26 U.S.C. § 168 applies, which is a
9 building or a structural component of a building and which is disposed of or ceases to be in qualified
10 use prior to the end of the taxable year in which the credit is to be taken, the amount of the credit
11 is that portion of the credit provided for in this section which represents the ratio which the months
12 of qualified use bear to the total number of months over which the taxpayer chooses to deduct the
13 property under 26 U.S.C. § 168. If property on which credit has been taken is disposed of or ceases
14 to be in qualified use prior to the end of the period over which the taxpayer chooses to deduct the
15 property under 26 U.S.C. § 168, the difference between the credit taken and the credit allowed for
16 actual use must be added back in the year of disposition. If the property is disposed of or ceases to
17 be in qualified use after it has been in qualified use for more than twelve (12) consecutive years, it
18 is not necessary to add back the credit as provided in this subdivision. The amount of credit allowed
19 for actual use is determined by multiplying the original credit by the ratio that the months of
20 qualified use bear to the total number of months over which the taxpayer chooses to deduct the
21 property under 26 U.S.C. § 168.

22 (g) No deduction for research and development facilities under § 44-32-1 shall be allowed
23 for research and development property for which the credit is allowed under this section.

24 (h) No investment tax credit under § 44-31-1 shall be allowed for research and development
25 property for which the credit is allowed under this section.

26 (i) The investment tax credit allowed by § 44-31-1 shall be taken into account before the
27 credit allowed under this section.

28 (j) The credit allowed under this section only allowed against the tax of that corporation
29 included in a consolidated return that qualifies for the credit and not against the tax of other
30 corporations that may join in the filing of a consolidated return.

31 (k) In the event that the taxpayer is a partnership, joint venture or small business
32 corporation, the credit shall be divided in the same manner as income.

33 **44-32-3. Credit for qualified research expenses.**

34 (a) A taxpayer shall be allowed a credit against the tax imposed by chapters 11; [or](#) 17 ~~or 30~~

1 of this title. The amount of the credit shall be five percent (5%)(and in the case of amounts paid or
2 accrued after January 1, 1998, twenty-two and one-half percent (22.5%) for the first twenty-five
3 thousand dollars (\$25,000) worth of credit and sixteen and nine-tenths percent (16.9%) for the
4 amount of credit above twenty-five thousand dollars (\$25,000) of the excess, if any, of:

5 (1) The qualified research expenses for the taxable year, over

6 (2) The base period research expenses.

7 (b)(1) "Qualified research expenses" and "base period research expenses" have the same
8 meaning as defined in 26 U.S.C. § 41; provided, that the expenses have been incurred in this state
9 after July 1, 1994.

10 (2) Notwithstanding the provisions of subdivision (1) of this subsection, "qualified research
11 expenses" also includes amounts expended for research by property and casualty insurance
12 companies into methods and ways of preventing or reducing losses from fire and other perils.

13 (c) The credit allowed under this section for any taxable year shall not reduce the tax due
14 for that year by more than fifty percent (50%) of the tax liability that would be payable, and in the
15 case of corporations, to less than the minimum fixed by § 44-11-2(e). If the amount of credit
16 allowable under this section for any taxable year is less than the amount of credit available to the
17 taxpayer any amount of credit not credited in that taxable year may be carried over to the following
18 year or years, up to a maximum of seven (7) years, and may be credited against the taxpayer's tax
19 for that year or years. ~~For purposes of chapter 30 of this title, if the credit allowed under this section
20 for any taxable year exceeds the taxpayer's tax for that year, the amount of credit not credited in
21 that taxable year may be carried over to the following year or years, up to a maximum of seven (7)
22 years, and may be credited against the taxpayer's tax for that year or years.~~ For purposes of
23 determining the order in which carry-overs are taken into consideration, the credit allowed by § 44-
24 32-2 is taken into account before the credit allowed under this section.

25 (d) The investment tax credit allowed by § 44-31-1 shall be taken into account before the
26 credit allowed under this section.

27 (e) The credit allowed under this section shall only be allowed against the tax of that
28 corporation included in a consolidated return that qualifies for the credit and not against the tax of
29 other corporations that may join in the filing of a consolidated return.

30 (f) In the event the taxpayer is a partnership, joint venture or small business corporation,
31 the credit is divided in the same manner as income.

32 SECTION 12. Section 44-39.1-2 of the General Laws in Chapter 44-39.1 entitled
33 "Employment Tax Credit" is hereby amended to read as follows:

34 **44-39.1-2. Credit provisions.**

1 (a) The credit is not refundable but may be applied against the tax liability imposed against
2 a taxpayer pursuant to chapters 11, 13, 14, 15, [and 17](#) ~~and 30~~ of this title.

3 (b) The credit allowed under this chapter for any taxable year shall not reduce the tax due
4 for that year to less than one hundred dollars (\$100). Any amount of credit not deductible in that
5 taxable year may not be carried over to the following year. This credit may not be applied against
6 the tax until all other credits available to this taxpayer for that taxable year have been applied.

7 (c) In the event that the employer is a partnership, joint venture, or small business
8 corporation, the credit shall be divided in the manner as income.

9 (d) In the event that the taxpayer is liable for taxes imposed under both chapters 14 and 15
10 of this title, the taxpayer must elect the tax against which it wishes to claim credit. This election
11 shall be made as part of the taxpayer's filings in accordance with §§ 44-14-6 and 44-15-5. The
12 taxpayer may not divide the credit for any year between the two (2) tax liabilities for which it is
13 liable.

14 SECTION 13. Sections 44-46-1 and 44-46-3 of the General Laws in Chapter 44-46 entitled
15 "Adult Education Tax Credit" are hereby amended to read as follows:

16 **44-46-1. Adult education tax credit.**

17 A taxpayer who is an employer shall be allowed a credit, to be computed as provided in
18 this chapter, against the tax imposed by chapters 11, 13, 14, 15, [and 17](#) ~~and 30~~ of this title. The
19 amount of the credit shall be fifty percent (50%) of the costs incurred solely and directly for non-
20 worksite or worksite-based adult education programs as defined in § 44-46-2.

21 **44-46-3. Credits.**

22 An employer shall be allowed a credit as provided in § 44-46-1 up to a maximum credit of
23 three hundred dollars (\$300) against taxes otherwise due under provisions of chapters 11, 13, 14,
24 15, [and 17](#) ~~and 30~~ of this title per paid employee. The employee must remain in the employ of the
25 business for a minimum period of thirteen (13) consecutive weeks, and a minimum of four hundred
26 and fifty-five (455) hours of paid employment before the employer can become eligible for the
27 income credit. The credit shall not reduce the tax under chapter 11 of this title to less than one
28 hundred dollars (\$100). The credit is not refundable. Any amount of credit not deductible in that
29 taxable year may not be carried over to the following year. In the event that the employer is a
30 partnership, joint venture or small business corporation, the credit shall be divided in the same
31 manner as income. This credit may not be applied against the tax until all other credits available to
32 this taxpayer for the taxable year have been applied.

33 SECTION 14. Section 44-47-1 of the General Laws in Chapter 44-47 entitled "Adult and
34 Child Day Care Assistance and Development Tax Credit" is hereby amended to read as follows:

1 **44-47-1. Tax credit.**

2 (a) A taxpayer that pays for or provides adult or child day care services to its employees or
3 to the employees of its commercial tenants, or that provides real property or dedicates rental space
4 for child day care services, is allowed a credit, to be computed as provided in this chapter, against
5 the tax imposed by chapters 11 and 13, except § 44-13-13, and chapters 14, ~~and 17,~~ ~~30~~ of this title.

6 The amount of the credit shall be:

7 (1) Thirty percent (30%) of the total amount expended in the state of Rhode Island during
8 the taxable year by a taxpayer for day care services purchased to provide care for the dependent
9 children or dependent adult family members of the taxpayer's employees or employees of
10 commercial tenants of the taxpayer during the employees' hours of employment;

11 (2) Thirty percent (30%) of the total amount expended during the taxable year by a taxpayer
12 in the establishment and/or operation of a day care facility in the state of Rhode Island used
13 primarily by the dependent children of the taxpayer's employees or employees of commercial
14 tenants of the taxpayer during the employees' hours of employment;

15 (3) Thirty percent (30%) of the total amount expended during the taxable year by a taxpayer
16 in conjunction with one or more other taxpayers for the establishment and/or operation of a day
17 care facility in the state of Rhode Island used primarily by the dependent children of the taxpayer's
18 employees or employees of commercial tenants of the taxpayer during that employee's hours of
19 employment;

20 (4) Thirty percent (30%) of the total amount foregone in rent or lease payments related to
21 the dedication of rental or lease space to child day care services. The amount foregone shall be the
22 difference between fair market rental and actual rental.

23 (b) No credit shall be allowed pursuant to this chapter unless the child day care facility is
24 licensed pursuant to chapter 72.1 of title 42, and agrees to accept children whose child care services
25 are paid for in full or in part by the Rhode Island department of human services; and/or the adult
26 day care facility is certified by the department of elderly affairs.

27 SECTION 15. Section 44-57-1 of the General Laws in Chapter 44-57 entitled "Residential
28 Renewable Energy System Tax Credit" is hereby amended to read as follows:

29 **44-57-1. Tax credit for principal or secondary residence.**

30 (a) An eligible person, as defined in § 44-57-3, who shall pay all or part of the cost of an
31 eligible renewable energy system, as defined in § 44-57-4, which is installed in a dwelling, as
32 defined in § 44-57-2(13), shall be entitled to a tax credit against the tax liability imposed by ~~chapters~~
33 ~~chapter~~ 11 ~~and 30~~ of this title. The credit, which shall be nonrefundable, shall be computed in
34 accordance with § 44-57-5.

1 (b) The credit shall be claimed in the tax year in which the renewable energy system is
2 placed into service. The credit may be claimed in the tax year the renewable energy system is
3 purchased if the system is placed in service by April 1 of the following tax year.

4 (c) Any credit not used in accordance with subsection (b) of this section shall not be carried
5 over to any following year or years. The tax credit shall not reduce the tax in any tax year below
6 the minimum tax where a minimum tax is provided by law.

7 (d) In the event the eligible person is a partnership, joint venture, or corporation, the credit
8 shall be divided in the same manner as income.

9 SECTION 16. Sections 44-30-19, 44-30-20, 44-30-21, 44-30-22, 44-30-23, 44-30-24, 44-
10 30-26, 44-30-27 and 44-30-37 of the General Laws in Chapter 44-30 entitled "Personal Income
11 Tax" are hereby repealed.

12 ~~**44-30-19. Credit to trust beneficiary receiving accumulation distribution.**~~

13 ~~(a) General. A resident beneficiary of a trust whose Rhode Island income includes all or~~
14 ~~part of an accumulation distribution by the trust, as defined in 26 U.S.C. § 665, shall be allowed a~~
15 ~~credit against the tax otherwise due under this chapter for all or a proportionate part of any tax paid~~
16 ~~by the trust under this chapter for any preceding taxable year which would not have been payable~~
17 ~~if the trust had in fact made distributions to its beneficiaries at the times and in the amounts specified~~
18 ~~in 26 U.S.C. § 666.~~

19 ~~(b) Limitation. The credit under this section shall not reduce the tax otherwise due from~~
20 ~~the beneficiary under this chapter to an amount less than would have been due if the accumulation~~
21 ~~distribution or his or her part thereof were excluded from his or her Rhode Island income.~~

22 ~~**44-30-20. Tax credit for installation costs to hydroelectric power developers**~~

23 ~~**Legislative findings and declaration of policy.**~~

24 ~~(a) The general assembly recognizes and declares that because the worldwide supply of~~
25 ~~fossil fuel and of other nonrenewable energy resources is limited, it is necessary to encourage the~~
26 ~~utilization of renewable natural resources for the production of energy; that there are many existing~~
27 ~~dams which could be retrofitted to generate hydroelectric power; and that a major factor inhibiting~~
28 ~~the development of hydroelectric power generation is the presently higher capital costs for new~~
29 ~~construction of hydro plants compared to conventional thermal systems.~~

30 ~~(b) It is the policy of this state to support and foster the development of hydropower~~
31 ~~generating facilities by the establishment of tax incentives for those owners of existing dams who~~
32 ~~install hydroelectric power generation equipment.~~

33 ~~**44-30-21. Hydroelectric development tax credit — Definitions.**~~

34 ~~For purposes of this chapter:~~

1 ~~(1) "Existing dam" means any dam located in this state or immediately adjacent to it, the~~
2 ~~construction of which was completed on or before May 20, 1981, and which does not require any~~
3 ~~construction or enlargement of impoundment structures, other than repairs or reconstruction, in~~
4 ~~connection with the installation of any small hydroelectric power project;~~

5 ~~(2) "Hydroelectric power developer" means any person or corporation who owns or leases~~
6 ~~an existing dam and who installs hydroelectric power generation equipment and utilizes that~~
7 ~~equipment to generate hydroelectric power;~~

8 ~~(3) "Installation costs" means all expenditures related to the design, construction,~~
9 ~~installation, or repair of all facilities necessary for hydroelectric power production in this state;~~

10 ~~(4) "Small hydroelectric power production facility" means any hydroelectric power project~~
11 ~~which is located in this state, which uses the water power potential of an existing dam, and which~~
12 ~~has not more than fifteen thousand (15,000) kilowatts of installed capacity.~~

13 **44-30-22. Tax credit for installation costs.**

14 ~~(a) A hydroelectric power developer will be allowed an income tax credit for the~~
15 ~~installation costs of a small hydroelectric power production facility.~~

16 ~~(b) For the purposes of this section, a hydroelectric power developer shall be allowed a~~
17 ~~non-refundable state income tax credit in the amount of ten percent (10%) of the installation costs~~
18 ~~of a hydropower facility. This credit shall be limited to five hundred thousand dollars (\$500,000)~~
19 ~~in expenditures for a maximum income tax credit of fifty thousand dollars (\$50,000). This income~~
20 ~~tax credit shall be allowed as either a personal or a corporate income tax credit, depending on the~~
21 ~~hydropower developer's income tax filing status on the last day of his or her income tax filing~~
22 ~~period; provided, that if the installation costs were incurred by a corporation, then a non-refundable~~
23 ~~corporate income tax credit shall be allowed, and if installation costs were not incurred by a~~
24 ~~corporation, then a non-refundable personal income tax credit shall be allowed. In no event shall~~
25 ~~both a corporate and personal non-refundable income tax credit be allowed for installation costs at~~
26 ~~a single dam site.~~

27 **44-30-23. Extended credits.**

28 ~~If the allowable credit exceeds the taxes due on the developer's income, the amount of the~~
29 ~~claim not used as an offset against the income taxes of that taxable year may be carried forward as~~
30 ~~a credit against subsequent income tax liability. The provision may not exceed five (5) years from~~
31 ~~the tax year in which the first credit was applied.~~

32 **44-30-24. Tax credit for art.**

33 ~~Upon presentation of written certification by the board of curators, an individual shall be~~
34 ~~entitled to a tax credit. The tax credit shall be equal to ten percent (10%) of each one thousand~~

1 dollars (\$1,000) of the purchase price of the art up to a maximum purchase price of ten thousand
2 dollars (\$10,000). Any amount of tax credit not deductible in the taxable year of certification may
3 not be carried over to the following year. The credit may not be applied until all other credits
4 available to the taxpayer for that taxable year are applied.

5 **44-30-26. Tax credit for surviving spouse.**

6 An individual who qualifies and files as a "surviving spouse" under the Internal Revenue
7 Code, applicable for the subject tax year, and who was domiciled in the state of Rhode Island for
8 the entire tax year and who is sixty-five (65) years of age or older and has an adjusted gross income
9 of less than twenty five thousand dollars (\$25,000) shall be entitled to a two percent (2%) tax credit
10 based on adjusted gross income, up to a maximum of five hundred dollars (\$500). This credit is not
11 refundable, and is only available for the year in which it is claimed.

12 **44-30-27. Farm to school income tax credit.**

13 Upon presentation of written certification by a local education agency, an individual or
14 entity domiciled in the state for the entire tax year, shall be entitled to an income tax credit for the
15 purchase of produce grown in the state which shall be furnished or used in connection with that
16 individual's or entity's agreement to provide food, services or other products to a local education
17 agency. The income tax credit shall be equal to five percent (5%) of the cost of farm products grown
18 or produced in the state. Any amount of income tax credit not deductible in the taxable year of
19 certification may not be carried over to the following year. The credit may not be applied until all
20 other credits available to the taxpayer for that taxable year are applied.

21 **44-30-37. Credit to trust beneficiary receiving accumulation distribution.**

22 A nonresident beneficiary of a trust whose Rhode Island income includes all or part of an
23 accumulation distribution by the trust, as defined in 26 U.S.C. § 665, shall be allowed a credit
24 against the tax otherwise due under this chapter, computed in the same manner and subject to the
25 same limitation as provided by § 44-30-19 with respect to a resident beneficiary.

26 SECTION 17. Section 44-43-3 of the General Laws in Chapter 44-43 entitled "Tax
27 Incentives for Capital Investment in Small Businesses" is hereby repealed.

28 **44-43-3. Wage credit.**

29 (a) There shall be allocated among the entrepreneurs of a qualifying business entity (based
30 on the ratio of each entrepreneur's interest in the entity to the total interest held by all entrepreneurs)
31 with respect to each entity on an annual basis commencing with the calendar year in which the
32 entity first qualified as a qualifying business entity a credit against the tax imposed by chapter 30
33 of this title. The credit shall be equal to three percent (3%) of the wages (as defined in 26 U.S.C. §
34 3121(a)) in excess of fifty thousand dollars (\$50,000) paid during each calendar year to employees

1 ~~of the entity; provided, that there shall be excluded from the amount on which the credit is based~~
2 ~~any wages:~~

3 ~~(1) Paid to any owner of the entity;~~

4 ~~(2) Paid more than five (5) years after the entity commenced business or five (5) years after~~
5 ~~the purchase of the business entity by new owners, whichever occurs later; or~~

6 ~~(3) Paid to employees who are not principally employed in Rhode Island and whose wages~~
7 ~~are not subject to withholding pursuant to chapter 30 of this title.~~

8 ~~(b) The credit authorized by this section shall cease in the taxable year next following after~~
9 ~~the taxable year in which the average annual gross revenue of the business entity equals or exceeds~~
10 ~~one million five hundred thousand dollars (\$1,500,000).~~

11 SECTION 18. Chapter 7-1.2 of the General Laws entitled "Rhode Island Business
12 Corporation Act" is hereby amended by adding thereto the following section:

13 **7-1.2-1805. Confirmation of state fees and taxes.**

14 (a) Notwithstanding any other provisions of the general laws, when any section of this
15 chapter refers to state fees and/or taxes paid, the division of taxation is authorized to respond and
16 share tax information with the secretary of state's office in response to a request from that office
17 regarding an entity's tax status as compliant or noncompliant.

18 (b) If the secretary of state's office receives notice from the division of taxation that the
19 corporation has failed to pay any fees or taxes due to this state, the secretary of state shall initiate
20 revocation proceedings in accordance with the provisions of §§ 7-1.2-1310 or 7-1.2-1414.

21 (c) The notice of revocation may state as the basis for revocation that the taxpayer failed
22 to pay state fees and/or taxes to the division of taxation. However, the secretary of state's office
23 shall otherwise protect all state and federal tax information in its custody as required by § 44-11-
24 26.1 and refrain from disclosing any other specific tax information.

25 (d) For filings remitted and recorded in accordance with any section of this chapter between
26 July 1, 2020 and the effective date of this section that refer to state fees and/or taxes paid, the
27 secretary of state's office may request from the division of taxation a determination as to whether
28 all state taxes and fees were paid as outlined in subsection (a) of this section. If the secretary of
29 state's office receives notice from the division of taxation that the corporation has failed to pay any
30 fees or taxes due to this state, the secretary of state shall begin revocation proceedings in accordance
31 with subsections (b) and (c) of this section.

32 SECTION 19. Chapter 7-16 of the General Laws entitled "The Rhode Island Limited-
33 Liability Company Act" is hereby amended by adding thereto the following section:

34 **7-16-77. Confirmation of state fees and taxes.**

1 (a) Notwithstanding any other provisions of the general laws, when any section of this
2 chapter refers to state fees and/or taxes paid, the division of taxation is authorized to respond and
3 share tax information with the secretary of state's office in response to a request from that office
4 regarding an entity's tax status as compliant or noncompliant.

5 (b) If the secretary of state's office receives notice from the division of taxation that the
6 limited-liability company has failed to pay any fees or taxes due to this state, the secretary of state
7 shall begin revocation proceedings in accordance with the provisions of § 7-16-41.

8 (c) The notice of revocation may state as the basis for revocation that the taxpayer failed
9 to pay state fees and/or taxes to the division of taxation. However, the secretary of state's office
10 shall otherwise protect all state and federal tax information in its custody as required by § 7-16-
11 67.1 and refrain from disclosing any other specific tax information.

12 (d) For filings remitted and recorded in accordance with any section of this chapter between
13 July 1, 2020 and the effective date of this section that refer to state fees and/or taxes paid, the
14 secretary of state's office may request from the division of taxation a determination as to whether
15 all state taxes and fees were paid as outlined in subsection (a) of this section. If the secretary of
16 state's office receives notice from the division of taxation that the limited-liability company has
17 failed to pay any fees or taxes due to this state, the secretary of state shall begin revocation
18 proceedings in accordance with subsections (b) and (c) of this section.

19 SECTION 20. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO CORPORATIONS, ASSOCIATIONS, AND PARTNERSHIPS -- RHODE
ISLAND BUSINESS CORPORATION ACT

- 1 This act would make numerous technical amendments to the statutes on taxes and
2 corporations, associations and partnerships.
3 This act would take effect upon passage.

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