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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2014

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A N A C T

RELATING TO TAXATION -- ESTATE TAX

Introduced By: Representative J. Patrick O'Neill

Date Introduced: February 27, 2014

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-22-1.1 of the General Laws in Chapter 44-22 entitled "Estate
2 and Transfer Taxes - Liability and Computation" is hereby amended to read as follows:

3 **44-22-1.1. Tax on net estate of decedent . --** (a) (1) For decedents whose death occurs
4 on or after January 1, 1992, but prior to January 1, 2002, a tax is imposed upon the transfer of the
5 net estate of every resident or nonresident decedent as a tax upon the right to transfer. The tax is a
6 sum equal to the maximum credit for state death taxes allowed by 26 U.S.C. section 2011.

7 (2) For decedents whose death occurs on or after January 1, 2002, but prior to January 1,
8 2010 a tax is imposed upon the transfer of the net estate of every resident or nonresident decedent
9 as a tax upon the right to transfer. The tax is a sum equal to the maximum credit for state death
10 taxes allowed by 26 U.S.C. section 2011 as it was in effect as of January 1, 2001; provided,
11 however, that the tax shall be imposed only if the net taxable estate shall exceed six hundred
12 seventy-five thousand dollars (\$675,000). Any scheduled increase in the unified credit provided
13 in 26 U.S.C. section 2010 in effect on January 1, 2001, or thereafter, shall not apply.

14 (3) For decedents whose death occurs on or after January 1, 2010, but prior to January 1,
15 2015, a tax is imposed upon the transfer of the net estate of every resident or nonresident
16 decedent as a tax upon the right to transfer. The tax is a sum equal to the maximum credit for
17 state death taxes allowed by 26 U.S.C. section 2011 as it was in effect as of January 1, 2001;
18 provided, however, that the tax shall be imposed only if the net taxable estate shall exceed eight
19 hundred and fifty thousand dollars (\$850,000); provided, further, beginning on January 1, 2011

1 and each January 1 thereafter, said amount shall be adjusted by the percentage of increase in the
2 Consumer Price Index for all Urban Consumers (CPI-U) as published by the United States
3 Department of Labor Statistics determined as of September 30 of the prior calendar year; said
4 adjustment shall be compounded annually and shall be rounded up to the nearest five dollar
5 (\$5.00) increment. Any scheduled increase in the unified credit provided in 26 U.S.C. section
6 2010 in effect on January 1, 2003, or thereafter, shall not apply.

7 (4) For decedents whose death occurs after January 1, 2015, a tax is imposed upon the
8 transfer of the net estate of every resident or nonresident decedent as a tax upon the right to
9 transfer. The tax is a sum equal to the maximum credit for state death taxes allowed by 26 U.S.C.
10 2011 as it was in effect as of January 1, 2001; provided, however, that the tax shall be imposed
11 only if the net taxable estate shall exceed two million dollars (\$2,000,000); provided, further,
12 beginning on January 1, 2016 and each January 1, thereafter, said amount shall be adjusted by the
13 percentage of increase in the consumer price index for all urban consumers (CPI-U) as published
14 by the United States department of labor statistics determined as of September 30 of the prior
15 calendar year; said adjustment shall be compounded annually and shall be rounded up to the
16 nearest five dollar (\$5.00) increment. Provided, further, the tax shall be calculated and imposed
17 only on the amount of the net taxable estate that exceeds two million dollars (\$2,000,000). Any
18 scheduled increase in the unified credit provided in 26 U.S.C. 2010 in effect on January 1, 2003,
19 or thereafter, shall not apply.

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

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

32 (2) For decedents whose death occurs on or after January 1, 2002, the terms "gross
33 taxable estate" "federal gross estate" or "net taxable estate" used in this chapter or chapter 23 of
34 this title has the same meaning as when used in a comparable context in the laws of the United

1 States, unless a different meaning is clearly required by the provisions of this chapter or chapter
2 23 of this title. Any reference in this chapter or chapter 23 of this title to the Internal Revenue
3 Code or other laws of the United States means the Internal Revenue Code of 1954, 26 U.S.C.
4 section 1 et seq., as they were in effect as of January 1, 2001, ~~unless otherwise provided.~~

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

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

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

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

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

12 **44-30-2.6. Rhode Island taxable income -- Rate of tax.** -- (a) "Rhode Island taxable
13 income" means federal taxable income as determined under the Internal Revenue Code, 26 U.S.C.
14 section 1 et seq., not including the increase in the basic standard deduction amount for married
15 couples filing joint returns as provided in the Jobs and Growth Tax Relief Reconciliation Act of
16 2003 and the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), and as
17 modified by the modifications in section 44-30-12.

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

30 (c) For tax years beginning on or after January 1, 2001, if a taxpayer has an alternative
31 minimum tax for federal tax purposes, the taxpayer shall determine if he or she has a Rhode
32 Island alternative minimum tax. The Rhode Island alternative minimum tax shall be computed by
33 multiplying the federal tentative minimum tax without allowing for the increased exemptions
34 under the Jobs and Growth Tax Relief Reconciliation Act of 2003 (as redetermined on federal

1 form 6251 Alternative Minimum Tax-Individuals) by twenty-five and one-half percent (25.5%)
2 for tax year 2001, and twenty-five percent (25%) for tax year 2002 and thereafter, and comparing
3 the product to the Rhode Island tax as computed otherwise under this section. The excess shall be
4 the taxpayer's Rhode Island alternative minimum tax.

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

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

14 (A) Tax imposed.

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

17 If taxable income is:	The tax is:
18 Not over \$53,150	3.75% of taxable income
19 Over \$53,150 but not over \$128,500	\$1,993.13 plus 7.00% of the excess over \$53,150
20 Over \$128,500 but not over \$195,850	\$7,267.63 plus 7.75% of the excess over \$128,500
21 Over \$195,850 but not over \$349,700	\$12,487.25 plus 9.00% of the excess over \$195,850
22 Over \$349,700	\$26,333.75 plus 9.90% of the excess over \$349,700

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

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

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

34 If taxable income is: The tax is:

1	Not over \$31,850	3.75% of taxable income
2	Over \$31,850 but not over \$77,100	\$1,194.38 plus 7.00% of the excess over \$31,850
3	Over \$77,100 but not over \$160,850	\$4,361.88 plus 7.75% of the excess over \$77,100
4	Over \$160,850 but not over \$349,700	\$10,852.50 plus 9.00% of the excess over \$160,850
5	Over \$349,700	\$27,849.00 plus 9.90% of the excess over \$349,700

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

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

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

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

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

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

29 (B) Maximum capital gains rates

30 (1) In general

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

- 33 (a) 2.5 % of the net capital gain as reported for federal income tax purposes under section
34 26 U.S.C. 1(h)(1)(a) and 26 U.S.C. 1(h)(1)(b).

1 (b) 5% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.
2 1(h)(1)(c).

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

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

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

9 (C) Itemized deductions.

10 (1) In general

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

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

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

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

23 (4) Additional standard deduction for the aged and blind. An additional standard
24 deduction shall be allowed for individuals age sixty-five (65) or older or blind in the amount of
25 \$1,300 for individuals who are not married and \$1,050 for individuals who are married.

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

29 (a) \$850;

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

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

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

33 (b) Nonresident alien individual;

34 (c) An estate or trust;

1 The standard deduction shall be zero.

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

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

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

7 (D) Overall limitation on itemized deductions

8 (1) General rule.

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

12 (a) Three percent (3%) of the excess of adjusted gross income as modified by section 44-
13 30-12 over the applicable amount; or

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

16 (2) Applicable amount.

17 (a) In general.

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

20 (b) Adjustments for inflation.

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

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

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

24 (3) Phase-out of Limitation.

25 (a) In general.

26 In the case of taxable year beginning after December 31, 2005, and before January 1,
27 2010, the reduction under section (1) shall be equal to the applicable fraction of the amount which
28 would be the amount of such reduction.

29 (b) Applicable fraction.

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

32 For taxable years beginning in calendar year	The applicable fraction is
33 2006 and 2007	2/3
34 2008 and 2009	1/3

1 (E) Exemption amount

2 (1) In general.

3 Except as otherwise provided in this subsection, the term "exemption amount" mean
4 \$3,400.

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

9 (3) Adjustments for inflation. The dollar amount contained in paragraph (1) shall be
10 increased by an amount equal to:

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

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

13 (4) Limitation.

14 (a) In general.

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

17 (b) Applicable percentage.

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

24 (c) Threshold Amount.

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

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

32 (d) Adjustments for inflation. Each dollars amount contain in paragraph (b) shall be
33 increased by an amount equal to:

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

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

2 (5) Phase-out of Limitation.

3 (a) In general.

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

7 (b) Applicable fraction.

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

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

13 (F) Alternative minimum tax

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

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

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

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

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

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

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

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

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

28 (6) Exemption amount.

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

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

1 Estate or trust \$24,650

2 (7) Treatment of unearned income of minor children

3 (a) In general.

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

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

7 (ii) \$6,000.

8 (8) Adjustments for inflation.

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

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

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

14 (9) Phase-out.

15 (a) In general.

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

19 (b) Threshold amount.

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

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

28 (c) Adjustments for inflation

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

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

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

32 (G) Other Rhode Island taxes

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

- 1 (a) The Federal income tax on lump-sum distributions.
- 2 (b) The Federal income tax on parents' election to report child's interest and dividends.
- 3 (c) The recapture of Federal tax credits that were previously claimed on Rhode Island
- 4 return.

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

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

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

8 (I) Averaging of farm income

9 (1) General rule. - At the election of an individual engaged in a farming business or

10 fishing business, the tax imposed in section 2 shall be equal to twenty-five percent (25%) of:

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

12 (J) Cost-of-living adjustment

13 (1) In general.

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

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

16 (b) The CPI for the base year.

17 (2) CPI for any calendar year.

18 For purposes of paragraph (1), the CPI for any calendar year is the average of the

19 Consumer Price Index as of the close of the twelve (12) month period ending on August 31 of

20 such calendar year.

21 (3) Consumer Price Index

22 For purposes of paragraph (2), the term "consumer price index" means the last consumer

23 price index for all urban consumers published by the department of labor. For purposes of the

24 preceding sentence, the revision of the consumer price index which is most consistent with the

25 consumer price index for calendar year 1986 shall be used.

26 (4) Rounding.

27 (a) In general.

28 If any increase determined under paragraph (1) is not a multiple of \$50, such increase

29 shall be rounded to the next lowest multiple of \$50.

30 (b) In the case of a married individual filing a separate return, subparagraph (a) shall be

31 applied by substituting "\$25" for \$50 each place it appears.

32 (K) Credits against tax. - For tax years beginning on or after January 1, 2001, a taxpayer

33 entitled to any of the following federal credits enacted prior to January 1, 1996 shall be entitled to

34 a credit against the Rhode Island tax imposed under this section:

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

2 (2) Child and dependent care credit;

3 (3) General business credits;

4 (4) Credit for elderly or the disabled;

5 (5) Credit for prior year minimum tax;

6 (6) Mortgage interest credit;

7 (7) Empowerment zone employment credit;

8 (8) Qualified electric vehicle credit.

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

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

20 (N) Rhode Island earned income credit

21 (1) In general.

22 A taxpayer entitled to a federal earned income credit shall be allowed a Rhode Island
23 earned income credit equal to twenty-five percent (25%) of the federal earned income credit.
24 Such credit shall not exceed the amount of the Rhode Island income tax.

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

28 (a) For purposes of paragraph (2) refundable earned income credit means fifteen percent
29 (15%) of the amount by which the Rhode Island earned income credit exceeds the Rhode Island
30 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
 3 section 44-30-12 less the amount of Rhode Island Basic Standard Deduction allowed pursuant to
 4 subparagraph 44-30-2.6(c)(3)(B), and less the amount of personal exemption allowed pursuant of
 5 subparagraph 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
 9 individuals filing separate returns and bankruptcy estates, a tax determined in accordance with the
 10 following table:

RI Taxable Income		RI Income Tax	
Over	But not over	Pay + % on Excess	on the amount over
\$ 0 -	\$ 55,000	\$ 0 + 3.75%	\$ 0
55,000 -	125,000	2,063 + 4.75%	55,000
125,000 -	<u>500,000</u>	5,388 + 5.99%	125,000
<u>500,000</u>		<u>12,875 + 6.50%</u>	<u>500,000</u>

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

RI Taxable Income		RI Income Tax	
Over	But not over	Pay + % on Excess	on the amount over
\$ 0 -	\$ 2,230	\$ 0 + 3.75%	\$ 0
2,230	7,022	84 + 4.75%	2,230
7,022 -		312 + 5.99%	7,022

24 (B) Deductions:

25 (I) Rhode Island Basic Standard Deduction.

26 Only the Rhode Island standard deduction shall be allowed in accordance with the
 27 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

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

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

7 (C) Exemption Amount:

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

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

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

21 (E) Adjustment for inflation. - The dollar amount contained in subparagraphs 44-30-
22 2.6(c)(3)(A), 44-30-2.6(c)(3)(B) and 44-30-2.6(c)(3)(C) shall be increased annually by an amount
23 equal to:

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

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

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

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

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

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

8 (E) Credits against tax.

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

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

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

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

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

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

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

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

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

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

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

3 SECTION 3. This act shall take effect upon passage.

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

1 This act would provide all net taxable estates for decedents whose death occurred after
2 January 1, 2015, with an exemption from the estate tax up to two million dollars (\$2,000,000).

3 This act would also increase the tax on income over five hundred thousand dollars
4 (\$500,000) from five and ninety-nine hundredths percent (5.99%) to six and five tenths percent
5 (6.50%).

6 This act would take effect upon passage.

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LC004338
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