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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 -- PERSONAL INCOME TAX

Introduced By: Senators Satchell, Pichardo, Cool Rumsey, Lombardi, and Raptakis

Date Introduced: February 27, 2014

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 45-13-1 of the General Laws in Chapter 45-13 entitled "State Aid"

2 is hereby amended to read as follows:

3 **45-13-1. Apportionment of annual appropriation for state aid.** -- (a) As used in this
4 chapter, the following words and terms have the following meanings:

5 (1) "Income" means the most recent estimate of per-capita income for a city, town or
6 county as reported by the United States Department of Commerce, Bureau of the Census.

7 (2) "Population" means the most recent estimates of population for each city and town as
8 reported by the United States Department of Commerce, Bureau of the Census.

9 (3) "Reference year" means the second fiscal year preceding the beginning of the fiscal
10 year in which the distribution of state aid to cities and towns is made provided however that the
11 reference year for distributions made in fiscal year 2007-2008 shall be the third fiscal year
12 preceding the beginning of the fiscal year 2007-2008 and provided further that the reference year
13 for distributions made in fiscal year 2008-2009 shall be the fourth fiscal year preceding the
14 beginning of the fiscal year 2008-2009.

15 (4) "Tax effort" means the total taxes imposed by a city or town for public purposes or
16 the totals of those taxes for the cities or towns within a county (except employee and employer
17 assessments and contributions to finance retirement and social insurance systems and other
18 special assessments for capital outlay) determined by the United States Secretary of Commerce
19 for general statistical purposes and adjusted to exclude amounts properly allocated to education

1 expenses.

2 (b) Aid to cities and towns shall be apportioned as follows: For each county, city or
3 town, let R be the tax effort divided by the square of per capita income, i.e., $R = (\text{tax}$
4 $\text{effort})/(\text{income} \times \text{income})$.

5 The amount to be allocated to the counties shall be apportioned in the ratio of the value
6 of R for each county divided by the sum of the values of R for all five (5) counties.

7 The amount to be allocated for all cities and for all towns within a county shall be the
8 allocation for that county apportioned proportionally to the total tax effort of the towns and cities
9 in that county.

10 The amount to be allocated to any city or town is the amount allocated to all cities or all
11 towns within the county apportioned in the ratio of the value of R for that city (or town) divided
12 by the sum of the values of R for all cities (or all towns) in that county; provided, further, that no
13 city or town shall receive an entitlement in excess of one hundred forty-five percent (145%) of
14 that city or town's population multiplied by the average per capita statewide amount of the annual
15 appropriation for state aid to cities and towns. Any excess entitlement shall be allocated to the
16 remainder of the cities and towns in the respective county in accordance with the provisions of
17 this section.

18 For fiscal year 2004, notwithstanding the provisions of subsection (a), aid calculations
19 shall be based on a blended rate of ninety percent (90%) of the data from the 1990 census and ten
20 percent (10%) of the data from the 2000 census. In each of the succeeding nine (9) fiscal years,
21 the calculations shall be based on a blended rate that increases the percentage of data utilized
22 from the 2000 census by ten percent (10%) from the previous year and decreases the percentage
23 of the data utilized from the 1990 census by ten percent (10%) from the previous year.

24 (c) The total amount of aid to be apportioned pursuant to subsection (b) above shall be
25 specified in the annual appropriation act of the state and shall be equal to the following:

26 (1) For fiscal years ending June 30, 1994 through June 30, 1998, the total amount of aid
27 shall be based upon one percent (1%) of total state tax revenues in the reference year.

28 (2) For the fiscal year ending June 30, 1999, the total amount of aid shall be based upon
29 one and three-tenths percent (1.3%) of total state tax revenues in the reference year.

30 (3) For the fiscal year ending June 30, 2000, the total amount of aid shall be based upon
31 one and seven-tenths percent (1.7%) of total state tax revenues in the reference year.

32 (4) For the fiscal year ending June 30, 2001, the total amount of aid shall be based upon
33 two percent (2.0%) of total state tax revenues in the reference year.

34 (5) For the fiscal year ending June 30, 2002, the total amount of aid shall be based upon

1 two and four-tenths percent (2.4%) of total state tax revenues in the reference year.

2 (6) For the fiscal year ending June 30, 2003, the total amount of aid shall be based upon
3 two and four-tenths percent (2.4%) of total state tax revenues in the reference year.

4 (7) For the fiscal year ending June 30, 2004, the total amount of aid shall be based upon
5 two and seven-tenths percent (2.7%) of total state tax revenues in the reference year.

6 (8) For the fiscal year ending June 30, 2005, the total amount of aid shall be fifty-two
7 million four hundred thirty-eight thousand five hundred thirty-two dollars (\$52,438,532).

8 (9) For the fiscal year ending June 30, 2006, the total amount of aid shall be based upon
9 three percent (3%) of total state tax revenues in the reference year.

10 (10) For the fiscal year ending June 30, 2007 the total amount of aid shall be sixty-four
11 million six hundred ninety-nine thousand three dollars (\$64,699,003).

12 (11) For the fiscal year ending June 30, 2008, the total amount of aid shall be sixty-four
13 million six hundred ninety-nine thousand three dollars (\$64,699,003).

14 (12) [Deleted by P.L. 2009, ch. 68, art. 6, section 3.]

15 (13) [Deleted by P.L. 2007, ch. 73, art. 25, section 1.]

16 (14) [Deleted by P.L. 2007, ch. 73, art. 25, section 1.]

17 (d) For the fiscal year ending June 30, 2008 the apportionments of state aid as derived
18 through the calculations as required by subsections (a) through (c) of this section shall be adjusted
19 downward statewide by ten million dollars (\$10,000,000).

20 (e) For the fiscal year ending June 30, 2009, the total amount of aid shall be twenty-five
21 million dollars (\$25,000,000) with such distribution allocated proportionately on the same basis
22 as the original enactment of general revenue sharing of FY 2009.

23 (f) For the fiscal year ending June 30, 2009 and thereafter, funding shall be determined
24 by appropriation.

25 [\(g\) For the fiscal year ending June 30, 2015 and thereafter, the total amount of aid shall](#)
26 [be based upon three percent \(3%\) of total state tax revenues in the reference year.](#)

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

29 **44-30-2.6. Rhode Island taxable income -- Rate of tax.** -- (a) "Rhode Island taxable
30 income" means federal taxable income as determined under the Internal Revenue Code, 26 U.S.C.
31 section 1 et seq., not including the increase in the basic standard deduction amount for married
32 couples filing joint returns as provided in the Jobs and Growth Tax Relief Reconciliation Act of
33 2003 and the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), and as
34 modified by the modifications in section 44-30-12.

1 (b) Notwithstanding the provisions of sections 44-30-1 and 44-30-2, for tax years
2 beginning on or after January 1, 2001, a Rhode Island personal income tax is imposed upon the
3 Rhode Island taxable income of residents and nonresidents, including estates and trusts, at the rate
4 of twenty-five and one-half percent (25.5%) for tax year 2001, and twenty-five percent (25%) for
5 tax year 2002 and thereafter of the federal income tax rates, including capital gains rates and any
6 other special rates for other types of income and an additional two percent (2%) for all income
7 over two hundred fifty thousand dollars (\$250,000) in addition to rates imposed in this section,
8 except as provided in section 44-30-2.7, which were in effect immediately prior to enactment of
9 the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA); provided, rate
10 schedules shall be adjusted for inflation by the tax administrator beginning in taxable year 2002
11 and thereafter in the manner prescribed for adjustment by the commissioner of Internal Revenue
12 in 26 U.S.C. section 1(f). However, for tax years beginning on or after January 1, 2006, a
13 taxpayer may elect to use the alternative flat tax rate provided in section 44-30-2.10 to calculate
14 his or her personal income tax liability.

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

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

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

33 (A) Tax imposed.

34 (1) There is hereby imposed on the taxable income of married individuals filing joint

1 returns and surviving spouses a tax determined in accordance with the following table:

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

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

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

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

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

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

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

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

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

7 (6) Adjustments for inflation.

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

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

14 (B) Maximum capital gains rates

15 (1) In general

16 If a taxpayer has a net capital gain for tax years ending prior to January 1, 2010, the tax

17 imposed by this section for such taxable year shall not exceed the sum of:

18 (a) 2.5 % of the net capital gain as reported for federal income tax purposes under section

19 26 U.S.C. 1(h)(1)(a) and 26 U.S.C. 1(h)(1)(b).

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

21 1(h)(1)(c).

22 (c) 6.25% of the net capital gain as reported for federal income tax purposes under 26

23 U.S.C. 1(h)(1)(d).

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

25 1(h)(1)(e).

26 (2) For tax years beginning on or after January 1, 2010 the tax imposed on net capital

27 gain shall be determined under subdivision 44-30-2.6(c)(2)(A).

28 (C) Itemized deductions.

29 (1) In general

30 For the purposes of section (2) "itemized deductions" means the amount of federal

31 itemized deductions as modified by the modifications in section 44-30-12.

32 (2) Individuals who do not itemize their deductions

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

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

1 (3) Basic standard deduction.

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

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

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

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

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

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

19 In the case of:

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

23 The standard deduction shall be zero.

24 (7) Adjustments for inflation.

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

- 27 (a) Such dollar amount contained in paragraphs (3), (4) and (5) in the year 1988,
28 multiplied by
- 29 (b) The cost-of-living adjustment determined under section (J) with a base year of 1988.
- 30 (D) Overall limitation on itemized deductions

31 (1) General rule.

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

1 (a) Three percent (3%) of the excess of adjusted gross income as modified by section 44-
2 30-12 over the applicable amount; or

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

5 (2) Applicable amount.

6 (a) In general.

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

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

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

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

13 (3) Phase-out of Limitation.

14 (a) In general.

15 In the case of taxable year beginning after December 31, 2005, and before January 1,
16 2010, the reduction under section (1) shall be equal to the applicable fraction of the amount which
17 would be the amount of such reduction.

18 (b) Applicable fraction.

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

21 For taxable years beginning in calendar year: The applicable fraction is:

22 2006 and 2007 2/3

23 2008 and 2009 1/3

24 (E) Exemption amount

25 (1) In general.

26 Except as otherwise provided in this subsection, the term "exemption amount" mean
27 \$3,400.

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

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

32 (3) Adjustments for inflation.

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

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

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

2 (4) Limitation.

3 (a) In general.

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

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

12 (c) Threshold Amount.

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

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

20 (d) Adjustments for inflation.

21 Each dollars amount contain in paragraph (b) shall be increased by an amount equal to:
22 Such dollar amount contained in paragraph (b) in the year 1991, multiplied by

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

24 (5) Phase-out of Limitation.

25 (a) In general.

26 In the case of taxable years beginning after December 31, 2005, and before January 1,
27 2010, the reduction under section 4 shall be equal to the applicable fraction of the amount which
28 would be the amount of such reduction.

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

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

34 (F) Alternative minimum tax

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

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

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

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

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

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

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

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

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

15 (6) Exemption amount.

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

17 Filing status:	Amount:
18 Single	\$39,150
19 Married filing jointly of qualifying widow(er)	\$53,700
20 Married filing separately	\$26,850
21 Head of Household	\$39,150
22 Estate or trust	\$24,650

23 (7) Treatment of unearned income of minor children

24 (a) In general.

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

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

28 (ii) \$6,000.

29 (8) Adjustments for inflation.

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

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

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

1 (9) Phase-out.

2 (a) In general.

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

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

8 Filing status	Amount
9 Single	\$123,250
10 Married filing jointly or qualifying widow(er)	\$164,350
11 Married filing separately	\$82,175
12 Head of Household	\$123,250
13 Estate or Trust	\$82,150

14 (c) Adjustments for inflation

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

- 16 (i) Such dollar amount contained in paragraph (9) in the year 2004, multiplied by
- 17 (ii) The cost-of-living adjustment determined under section (J) with a base year of 2004.

18 (G) Other Rhode Island taxes

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

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

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

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

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

28 (I) Averaging of farm income

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

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

32 (J) Cost-of-living adjustment

33 (1) In general.

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

1 (a) The CPI for the preceding calendar year exceeds (b) The CPI for the base year.

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

5 (3) Consumer Price Index

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

10 (4) Rounding.

11 (a) In general.

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

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

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

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

20 (2) Child and dependent care credit;

21 (3) General business credits;

22 (4) Credit for elderly or the disabled;

23 (5) Credit for prior year minimum tax;

24 (6) Mortgage interest credit;

25 (7) Empowerment zone employment credit;

26 (8) Qualified electric vehicle credit.

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

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

1 reduced to less than zero. A taxpayer required to recapture any of the above credits for federal tax
2 purposes shall determine the Rhode Island amount to be recaptured in the same manner as
3 prescribed in this subsection.

4 (N) Rhode Island earned income credit

5 (1) In general.

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

9 (2) Refundable portion.

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

12 (a) For purposes of paragraph (2) refundable earned income credit means fifteen percent
13 (15%) of the amount by which the Rhode Island earned income credit exceeds the Rhode Island
14 income tax.

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

18 (3) For the period ~~January 1, 2011~~ January 1, 2015 through ~~December 31, 2011~~
19 December 31, 2015, and thereafter, "Rhode Island taxable income" means federal adjusted gross
20 income as determined under the Internal Revenue Code, 26 U.S.C. 1 et seq., and as modified for
21 Rhode Island purposes pursuant to section 44-30-12 less the amount of Rhode Island Basic
22 Standard Deduction allowed pursuant to subparagraph 44-30-2.6(c)(3)(B), and less the amount of
23 personal exemption allowed pursuant of subparagraph 44-30-2.6(c)(3)(C).

24 (A) Tax imposed.

25 (I) There is hereby imposed on the taxable income of married individuals filing joint
26 returns, qualifying widow(er), every head of household, unmarried individuals, married
27 individuals filing separate returns and bankruptcy estates, a tax determined in accordance with the
28 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>250,000</u>	5,388 + 5.99%	125,000
<u>250,000 -</u>		<u>12,875 + 7.99%</u>	<u>250,000</u>

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

3 RI Taxable Income		4 RI Income Tax	
5 Over	6 But not over	7 Pay + % on Excess	8 On the amount over
9 \$ 0 -	10 \$ 2,230	11 \$ 0 + 3.75%	12 \$ 0
13 2,230 -	14 7,022	15 84 + 4.75%	16 2,230
17 7,022 -		18 312 + 5.99%	19 7,022

20 (B) Deductions:

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

23 Filing status	24 Amount
25 Single	26 \$7,500
27 Married filing jointly or qualifying widow(er)	28 \$15,000
29 Married filing separately	30 \$7,500
31 Head of Household	32 \$11,250

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

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

41 (C) Exemption Amount:

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

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

49 (D) In the case of any taxpayer whose adjusted gross income, as modified for Rhode
 50 Island purposes pursuant to section 33-30-12, for the taxable year exceeds one hundred seventy-
 51 five thousand dollars (\$175,000), the exemption amount shall be reduced by the applicable

1 percentage. The term "applicable percentage" means twenty (20) percentage points for each five
2 thousand dollars (\$5,000) (or fraction thereof) by which the taxpayer's adjusted gross income for
3 the taxable year exceeds one hundred seventy-five thousand dollars (\$175,000).

4 (E) Adjustment for inflation. - The dollar amount contained in subparagraphs 44-30-
5 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
6 equal to:

7 (I) Such dollar amount contained in subparagraphs 44-30-2.6(c)(3)(A), 44-30-
8 2.6(c)(3)(B) and 44-30-2.6(c)(3)(C) adjusted for inflation using a base tax year of 2000,
9 multiplied by;

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

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

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

20 (V) If any increase determined under this section is not a multiple of fifty dollars
21 (\$50.00), such increase shall be rounded to the next lower multiple of fifty dollars (\$50.00). In the
22 case of a married individual filing separate return, if any increase determined under this section is
23 not a multiple of twenty-five dollars (\$25.00), such increase shall be rounded to the next lower
24 multiple of twenty-five dollars (\$25.00).

25 (E) Credits against tax.

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

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

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

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

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

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

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

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

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

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

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

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

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LC004928
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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO TAXATION -- PERSONAL INCOME TAX

1 This act would restore general revenue sharing with cities and towns commencing with
2 fiscal 2015. It would further impose a two percent (2%) tax increase for all personal income over
3 two hundred fifty thousand dollars (\$250,000) for residents and non-residents, including estates
4 and trusts and other types of income beginning January 1, 2015.

5 This act would take effect upon passage.

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