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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2010

A N A C T

RELATING TO TAXATION

Introduced By: Senator William A. Walaska

Date Introduced: February 11, 2010

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

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

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

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

1 rate provided in section 44-30-2.10 to calculate his or her personal income tax liability.

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

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

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

20 (A) Tax imposed.

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

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

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

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

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

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

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

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

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

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

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

28 (6) Adjustments for inflation.

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

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

1 (B) Maximum capital gains rates

2 (1) In general

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

5 (a) 2.5 % of the net capital gain as reported for federal income tax purposes under section
6 26 U.S.C. 1(h)(1)(a) and 26 U.S.C. 1(h)(1)(b).

7 (b) 5% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.
8 1(h)(1)(c).

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

11 (d) 7% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.
12 1(h)(1)(e).

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

15 (C) Itemized deductions.

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

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

21 (3) Basic standard deduction.

22 The Rhode Island standard deduction shall be allowed in accordance with the following
23 table:

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

29 (4) Additional standard deduction for the aged and blind. An additional standard
30 deduction shall be allowed for individuals age sixty-five (65) or older or blind in the amount of
31 \$1,300 for individuals who are not married and \$1,050 for individuals who are married.

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

- 1 (a) \$850;
- 2 (b) The sum of \$300 and such individual's earned income;
- 3 (6) Certain individuals not eligible for standard deduction. In the case of:
- 4 (a) A married individual filing a separate return where either spouse itemizes deductions;
- 5 (b) Nonresident alien individual;
- 6 (c) An estate or trust; The standard deduction shall be zero.
- 7 (7) Adjustments for inflation.

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

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

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

13 (D) Overall Limitation on Itemized Deductions

14 (1) General rule. In the case of an individual whose adjusted gross income as modified by
15 section 44-30-12 exceeds the applicable amount, the amount of the itemized deductions otherwise
16 allowable for the taxable year shall be reduced by the lesser of:

17 (a) Three percent (3%) of the excess of adjusted gross income as modified by section 44-
18 30-12 over the applicable amount; or

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

21 (2) Applicable amount.

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

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

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

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

28 (3) Phase-out of Limitation.

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

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

34 For taxable years beginning in calendar year The applicable fraction is

- 1 2006 and 2007 2/3
- 2 2008 and 2009 1/3
- 3 (E) Exemption Amount

4 (1) In general. Except as otherwise provided in this subsection, the term "exemption
5 amount" mean \$3,400.

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

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

10 (3) Adjustments for inflation.

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

- 12 (a) Such dollar amount contained in paragraph (1) in the year 1989, multiplied by
- 13 (b) The cost-of-living adjustment determined under section (J) with a base year of 1989.
- 14 (4) Limitation.

15 (a) In general. In the case of any taxpayer whose adjusted gross income as modified for
16 the taxable year 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. In the case of taxable years beginning after December 31, 2005, and before
4 January 1, 2010, the reduction under section 4 shall be equal to the applicable fraction of the
5 amount which would be the amount of such reduction.

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

8 For taxable years beginning in calendar year	The applicable fraction is
9 2006 and 2007	2/3
10 2008 and 2009	1/3

11 (F) Alternative Minimum Tax

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

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

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

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

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

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

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

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

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

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

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

33 (7) Treatment of unearned income of minor children

34 (a) In general. In the case of a minor child, the exemption amount for purposes of section

1 (6) shall not exceed the sum of:

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

3 (ii) \$6,000.

4 (8) Adjustments for inflation. The dollar amount contained in paragraphs (6) and (7) shall
5 be increased by an amount equal to:

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

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

9 (9) Phase-out.

10 (a) In general. The exemption amount of any taxpayer shall be reduced (but not below
11 zero) by an amount equal to twenty-five percent (25%) of the amount by which alternative
12 minimum taxable income of the taxpayer exceeds the threshold amount.

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

15 Filing status	Amount
16 Single	\$123,250
17 Married filing jointly or qualifying widow(er)	\$164,350
18 Married filing separately	\$82,175
19 Head of Household	\$123,250
20 Estate or Trust	\$82,150

21 (c) Adjustments for inflation. Each dollar amount contained in paragraph (9) shall be
22 increased by an amount equal to:

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

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

25 (G) Other Rhode Island Taxes

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

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

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

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

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

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

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

1 (I) Averaging of farm income

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

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

5 (J) Cost-of-Living Adjustment

6 (1) In general. The cost-of-living adjustment for any calendar year is the percentage (if
7 any) by which:

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

9 (b) The CPI for the base year.

10 (2) CPI for any calendar year.

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

14 (3) Consumer Price Index

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

19 (4) Rounding.

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

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

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

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

28 (2) Child and dependent care credit;

29 (3) General business credits;

30 (4) Credit for elderly or the disabled;

31 (5) Credit for prior year minimum tax;

32 (6) Mortgage interest credit;

33 (7) Empowerment zone employment credit;

34 (8) Qualified electric vehicle credit.

1 (L) Credit Against Tax for Adoption. - For tax years beginning on or after January 1,
2 2006, a taxpayer entitled to the federal adoption credit shall be entitled to a credit against the
3 Rhode Island tax imposed under this section if the adopted child was under the care, custody, or
4 supervision of the Rhode Island department of children, youth and families prior to the adoption.

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

12 (N) Rhode Island Earned Income Credit

13 (1) In general. A taxpayer entitled to a federal earned income credit shall be allowed a
14 Rhode Island earned income credit equal to twenty-five percent (25%) of the federal earned
15 income credit. Such credit shall not exceed the amount of the Rhode Island income tax.

16 (2) Refundable portion.

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

19 (a) For purposes of paragraph (2) refundable earned income credit means fifteen percent
20 (15%) of the amount by which the Rhode Island earned income credit exceeds the Rhode Island
21 income tax.

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

25 (3) For the period January 1, 2010 through December 31, 2010, and thereafter, Rhode
26 Island taxable income shall be determined by deducting from federal adjusted gross income as
27 defined in 26 U.S.C. section 62 as modified by the modifications in section 44-30-12 the Rhode
28 Island itemized deduction amount and the Rhode Island exemption amount as determined in this
29 section.

30 (A) Tax imposed.

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

33 If taxable income is:

The tax is:

34 Not over \$56,800

3.75% of taxable income

1	<u>Over \$56,800 but not over \$137,300</u>	<u>\$2,130 plus 7.00% of the excess over \$56,800</u>
2	<u>Over \$137,300 but not over \$209,250</u>	<u>\$7,765 plus 7.75% of the excess over \$137,300</u>
3	<u>Over \$209,250 but not over \$373,650</u>	<u>\$13,341.13 plus 9.00% of the excess over \$209,250</u>
4	<u>Over \$373,650</u>	<u>\$28,137.13 plus 9.90% of the excess over \$373,650</u>

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

7	<u>If taxable income is :</u>	<u>The tax is:</u>
8	<u>Not over \$45,550</u>	<u>3.75% of taxable income</u>
9	<u>Over \$45,550 but not over \$117,650</u>	<u>\$1,708.13 plus 7.00% of the excess over \$45,550</u>
10	<u>Over \$117,650 but not over \$190,550</u>	<u>\$6,755.13 plus 7.75% of the excess over \$117,650</u>
11	<u>Over \$190,550 but not over \$373,650</u>	<u>\$12,404.88 plus 9.00% of the excess over \$190,550</u>
12	<u>Over \$373,650</u>	<u>\$28,883.88 plus 9.90% of the excess over \$373,650</u>

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

16	<u>If taxable income is :</u>	<u>The tax is:</u>
17	<u>Not over \$34,000</u>	<u>3.75% of taxable income</u>
18	<u>Over \$34,000 but not over \$82,400</u>	<u>\$1,275 plus 7.00% of the excess over \$34,000</u>
19	<u>Over \$82,400 but not over \$171,850</u>	<u>\$4,663 plus 7.75% of the excess over \$82,400</u>
20	<u>Over \$171,850 but not over \$373,650</u>	<u>\$11,595.38 plus 9.00% of the excess over \$171,850</u>
21	<u>Over \$373,650</u>	<u>\$29,757.38 plus 9.90% of the excess over \$373,650</u>

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

24	<u>If taxable income is :</u>	<u>The tax is:</u>
25	<u>Not over \$28,400</u>	<u>3.75% of taxable income</u>
26	<u>Over \$28,400 but not over \$68,650</u>	<u>\$1,065 plus 7.00% of the excess over \$28,400</u>
27	<u>Over \$68,650 but not over \$104,625</u>	<u>\$3,882.50 plus 7.75% of the excess over \$68,650</u>
28	<u>Over \$104,625 but not over \$186,825</u>	<u>\$6,670.56 plus 9.00% of the excess over \$104,625</u>
29	<u>Over \$186,825</u>	<u>\$14,068.56 plus 9.90% of the excess over \$186,825</u>

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

32	<u>If taxable income is :</u>	<u>The tax is:</u>
33	<u>Not over \$2,300</u>	<u>3.75% of taxable income</u>
34	<u>Over \$2,300 but not over \$5,350</u>	<u>\$86.25 plus 7.00% of the excess over \$2,300</u>

1	<u>Over \$5,350 but not over \$8,200</u>	<u>\$299.75 plus 7.75% of the excess over \$5,350</u>
2	<u>Over \$8,200 but not over \$11,200</u>	<u>\$520.63 plus 9.00% of the excess over \$8,200</u>
3	<u>Over \$11,200</u>	<u>\$790.63 plus 9.90% of the excess over \$11,200</u>

4 (6) Adjustments for inflation.

5 The dollars amount contained in subparagraph (A) shall be increased by an amount equal
6 to:

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

12 (B) Itemized deductions.

13 (1) In general. For the purposes of this section “itemized deductions” means the amount
14 of federal itemized deductions as modified by the modification in section 44-30-12.

15 (2) Individuals who do not itemize their deductions

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

18 (3) Basic standard deduction.

19 The Rhode Island standard deduction shall be allowed in accordance with the following
20 table:

21 <u>Filing status</u>	<u>Amount</u>
22 <u>Single</u>	<u>\$5,700</u>
23 <u>Married filing jointly or qualifying widow(er)</u>	<u>\$9,550</u>
24 <u>Married filing separately</u>	<u>\$4,750</u>
25 <u>Head of Household</u>	<u>\$8,400</u>

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

27 An additional standard deduction shall be allowed for individuals age sixty-five (65) or
28 older or blind in the amount of one thousand four hundred dollars (\$1,400) for individuals who
29 are not married and one thousand one hundred dollars (\$1,100) for individuals who are married.

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

33 (a) \$950;

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

1 (6) Certain individuals not eligible for standard deduction.

2 In the case of:

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

4 (b) Nonresident alien individual;

5 (c) An estate or trust;

6 The standard deduction shall be zero.

7 (7) Adjustments for inflation. Each dollar amount contained in paragraphs (3), (4) and

8 (5) shall be increased by an amount equal to:

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

10 multiplied by:

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

12 (C) Overall limitation on itemized deductions

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

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

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

20 (2) Applicable amount.

21 (a) In general. For purposes of this section, the term “applicable amount” means
22 \$167,100 (\$83,550 in the case of a separate return by a married individual.)

23 (b) Adjustments for inflation.

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

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

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

27 (3) Phase-out of limitation

28 (a) In general. In the case of taxable year beginning after December 31,2009 and before
29 January 1, 2011, the limitation under section (1) shall not apply.

30 (D) Exemption amount

31 (1) In general. Except as otherwise provided in this subsection, the term “exemption
32 amount” means \$3,650.

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

34 In the case of an individual with respect to whom a deduction under this section is

1 allowable to another taxpayer for the same taxable year, the exemption amount applicable to such
2 individual for such individual's taxable year shall be zero.

3 (3) Adjustments for inflation.

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

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

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

7 (4) Limitation

8 (a) In general. In the case of any taxpayer whose adjusted gross income as modified for
9 the taxable year exceeds the threshold amount, the exemption amount shall be reduced by the
10 applicable percentage.

11 (b) Applicable percentage.

12 In the case of any taxpayer whose adjusted gross income for the taxable year exceeds the
13 threshold amount, the exemption amount shall be reduced by two (2) percentage points for each
14 two thousand five hundred dollars (\$2,500) (or fraction thereof) by which the taxpayer's adjusted
15 gross income for the taxable year exceeds the threshold amount. In the case of a married
16 individual filing a separate return, the preceding sentence shall be applied by substituting
17 “\$1,250” for “\$2,500”). In no event shall the applicable percentage exceed one hundred percent
18 (100%).

19 (c) Threshold amount.

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

<u>Filing status</u>	<u>Amount</u>
<u>Single</u>	<u>\$167,100</u>
<u>Married filing jointly or qualifying widow(er)</u>	<u>\$250,650</u>
<u>Married filing separately</u>	<u>\$125,325</u>
<u>Head of Household</u>	<u>\$208,850</u>

27 (d) Adjustments for inflation.

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

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

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

31 (5) Phase-out of limitation

32 (a) In general. In the case of a taxable year beginning after December 31, 2009 and before
33 January 1, 2011, the limitation under section (4) shall not apply.

34 (E) 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) Six and one-half percent (6.5%) of so much of the taxable excess as does not exceed
7 one hundred seventy-five thousand dollars (\$175,000) plus

8 (b) Seven percent (7%) of so much of the taxable excess above one hundred seventy-five
9 thousand dollars (\$175,000).

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

12 (4) Taxable excess. For the purposes of this subsection the term “taxable excess” means
13 so much of the federal alternative minimum taxable income as modified by the modification in
14 section 44-30-12 as exceeds the exemption amount.

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

17 (6) Exemption amount.

18 For purposes of this section “exemption amount” means:

<u>Filing status</u>	<u>Amount</u>
<u>Single</u>	<u>\$41,850</u>
<u>Married filing jointly or qualifying widow(er)</u>	<u>\$57,350</u>
<u>Married filing separately</u>	<u>\$28,675</u>
<u>Head of Household</u>	<u>\$41,850</u>
<u>Estate or trust</u>	<u>\$26,300</u>

25 (7) Treatment of unearned income of minor children

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

28 (i) Such child’s earned income, plus

29 (ii) Six thousand four hundred dollars (\$6,400).

30 (8) Adjustments for inflation.

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

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

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

2 (9) Phase-out.

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

6 (b) Threshold amount.

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

9 <u>Single</u>	<u>\$131,700</u>
10 <u>Married filing jointly or qualifying widow(er)</u>	<u>\$175,650</u>
11 <u>Married filing separately</u>	<u>\$87,825</u>
12 <u>Head of Household</u>	<u>\$131,700</u>
13 <u>Estate or trust</u>	<u>\$87,800</u>

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 (F) 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 returns.

25 (G) Tax for children under eighteen (18) within vestment 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 eighteen (18) with investment income.

28 (H) Averaging of farm income

29 (1) General rule. At the election of an individual engaged in a farming business or fishing
30 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 (i) Cost-of-living adjustment

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

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

2 (b) The CPI for the base year.

3 (2) CPI for any calendar year.

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

7 (3) Consumer Price Index

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

12 (4) Rounding.

13 (a) In general. In any increase determined under paragraph (1) is not a multiple of fifty
14 dollars (\$50.00), such increase shall be rounded to the next lowest multiple of fifty dollars
15 (\$50.00).

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

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

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

22 (2) Child and dependent care credit;

23 (3) General business credits;

24 (4) Credit for elderly or the disabled;

25 (5) Credit for prior year minimum tax;

26 (6) Mortgage interest credit;

27 (7) Empowerment zone employment credit;

28 (8) Qualified electric vehicle credit.

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

33 (L) The credit shall be twenty-five percent (25%) of the aforementioned federal credits
34 provided there shall be no deduction based on any federal credits enacted after January 1, 1996,

1 including the rate reduction credit provided by the Federal Economic Growth and Tax
2 Reconciliation Act of 2001 (EGTRRA). In no event shall the tax imposed under this section be
3 reduced to less than zero. A taxpayer required to recapture any of the above credits for federal tax
4 purposes shall determine the Rhode Island amount to be recaptured in the same manner as
5 prescribed in this subsection.

6 (M) Rhode Island earned income credit

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

10 (2) Refundable portion.

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

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

16 (N) The tax administrator shall recalculate and submit necessary revisions to paragraphs
17 (A) through (H) to the general assembly no later than February 1, 2013 and every three (3) years
18 thereafter for inclusion in the statute.

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

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LC01805
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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO TAXATION

- 1 This act would amend the Rhode Island personal income tax rate effective January 1,
- 2 2010, by modifying the income levels subject to taxation and corresponding rates.
- 3 This act would take effect upon passage.

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LC01805
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