

2010 -- H 7149

LC00360

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2010

A N A C T

RELATING TO TAXATION

Introduced By: Representatives Pacheco, Handy, DaSilva, Fierro, and Guthrie

Date Introduced: January 20, 2010

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-30-2.10 of the General Laws in Chapter 44-30 entitled "Personal  
2 Income Tax" is hereby repealed.

3 ~~44-30-2.10. Alternative flat tax rate. -- (a) For tax years beginning on or after January~~  
4 ~~1, 2006, a taxpayer may elect to compute his or her Rhode Island personal income tax liability as~~  
5 ~~provided in this section. If no election is made, the taxpayer's personal income tax liability shall~~  
6 ~~be computed as otherwise provided in this chapter.~~

7 ~~-(b) For purposes of this section, "alternative Rhode Island taxable income" shall mean~~  
8 ~~federal adjusted gross income as determined for federal income tax purposes as modified by~~  
9 ~~sections 44-30-12 and 44-30-32 for residents and nonresidents, respectively. No other state or~~  
10 ~~federal deductions or adjustments to income shall be available to the taxpayer.~~

11 ~~-(c) For purposes of this section, the "alternative tax rate" shall be eight percent (8.0%)~~  
12 ~~for the tax year 2006; seven and one half percent (7.5%) for tax year 2007; seven percent (7%)~~  
13 ~~for tax year 2008; six and one half percent (6.5%) for tax year 2009; six percent (6%) for tax year~~  
14 ~~2010; and five and one half percent (5.5%) for tax years 2011 and thereafter;~~

15 ~~-(d) The alternative personal income tax shall be determined by multiplying the taxpayer's~~  
16 ~~alternative Rhode Island taxable income by the alternative tax rate, less the following credits:~~

17 ~~-(1) Credit for income taxes paid to other states as provided for in section 44-30-18;~~

18 ~~-(2) Credit for Rhode Island personal income tax withheld as provided in section 44-30-~~

19 ~~74;~~

1 ~~(3) Credit for Rhode Island payments of estimated tax as provided in section 44-30-56(e)~~  
2 ~~and RI Reg. Sec. PIT 90-17;~~

3 ~~(4) Credit for Rhode Island overpayment of taxes as provided in section 44-30-86(a); and~~

4 ~~(5) Credit for Rhode Island amount remitted by a limited liability company on behalf of~~  
5 ~~a nonresident member as provided in section 7-16-73(4).~~

6 ~~No other state or federal tax credits shall be available to the taxpayer in computing the~~  
7 ~~alternative personal income tax liability.~~

8 ~~(e) The provisions of this section may apply regardless of the taxpayer's filing status.~~

9 SECTION 2. Chapter 44-30 of the General Laws entitled "Personal Income Tax" is  
10 hereby amended by adding thereto the following section:

11 **44-30-2.11. Small business tax credit.** – (a) Any person, partnership, corporation, or  
12 other form of business entity individually owned and operated, who files a state income tax return  
13 and owns a small business employing between five (5) and nine (9) employees and whose gross  
14 sales does not exceed five million dollars (\$5,000,000) may claim in income tax credit of up to  
15 three thousand five hundred dollars (\$3,500). The income tax credit provided for in this section  
16 must be taken in the year the taxpayer has added at least one new employee to the business.  
17 Unused portions of the credit may be carried forward to succeeding tax years by the taxpayer.  
18 The tax credit is computed at the rate of one thousand dollars (\$1,000) per new full-time  
19 employee hired and five hundred dollars (\$500) per new part-time employee hired.

20 (b) The maximum income tax credit provided for in this section which may be taken in a  
21 single tax year is three thousand five hundred dollars (\$3,500), commencing January 1, 2011, and  
22 each year thereafter.

23 (c) The income tax credit may only be claimed by the taxpayer of an eligible small  
24 business. If the taxpayer ceases to be the owner of an eligible small business or if the business  
25 ceases to exist, any unused income tax credit shall be forfeited.

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

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
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- 1           This act would repeal the alternative flat tax rate for state taxpayers and would provide a
- 2 tax credit for small businesses that add new employees.
- 3           This act would take effect upon passage.

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