

2010 -- S 2186

LC00707

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2010

A N A C T

RELATING TO TAXATION -- PERSONAL INCOME TAX

Introduced By: Senator Harold M. Metts

Date Introduced: February 09, 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<br>26 over \$53,150   |
| 27 Over \$128,500 but not over \$195,850 | \$7,267.63 plus 7.75% of the excess<br>28 over \$128,500  |
| 29 Over \$195,850 but not over \$349,700 | \$12,487.25 plus 9.00% of the excess<br>30 over \$195,850 |
| 31 Over \$349,700                        | \$26,333.75 plus 9.90% of the excess<br>32 over \$349,700 |

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

| 1  | If taxable income is:                 | The tax is:                          |
|----|---------------------------------------|--------------------------------------|
| 2  | Not over \$42,650                     | 3.75% of taxable income              |
| 3  | Over \$42,650 but not over \$110,100  | \$1,599.38 plus 7.00% of the excess  |
| 4  |                                       | over \$42,650                        |
| 5  | Over \$110,100 but not over \$178,350 | \$6,320.88 plus 7.75% of the excess  |
| 6  |                                       | over \$110,100                       |
| 7  | Over \$178,350 but not over \$349,700 | \$11,610.25 plus 9.00% of the excess |
| 8  |                                       | over \$178,350                       |
| 9  | Over \$349,700                        | \$27,031.75 plus 9.90% of the excess |
| 10 |                                       | over \$349,700                       |

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

| 14 | If taxable income is:                 | The tax is:                          |
|----|---------------------------------------|--------------------------------------|
| 15 | Not over \$31,850                     | 3.75% of taxable income              |
| 16 | Over \$31,850 but not over \$77,100   | \$1,194.38 plus 7.00% of the excess  |
| 17 |                                       | over \$31,850                        |
| 18 | Over \$77,100 but not over \$160,850  | \$4,361.88 plus 7.75% of the excess  |
| 19 |                                       | over \$77,100                        |
| 20 | Over \$160,850 but not over \$349,700 | \$10,852.50 plus 9.00% of the excess |
| 21 |                                       | over \$160,850                       |
| 22 | Over \$349,700                        | \$27,849.00 plus 9.90% of the excess |
| 23 |                                       | over \$349,700                       |

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

| 26 | If taxable income is:                | The tax is:                          |
|----|--------------------------------------|--------------------------------------|
| 27 | Not over \$26,575                    | 3.75% of taxable income              |
| 28 | Over \$26,575 but not over \$64,250  | \$996.56 plus 7.00% of the excess    |
| 29 |                                      | over \$26,575                        |
| 30 | Over \$64,250 but not over \$97,925  | \$3,633.81 plus 7.75% of the excess  |
| 31 |                                      | over \$64,250                        |
| 32 | Over \$97,925 but not over \$174,850 | \$6,243.63 plus 9.00% of the excess  |
| 33 |                                      | over \$97,925                        |
| 34 | Over \$174,850                       | \$13,166.88 plus 9.90% of the excess |

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over \$174,850

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

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

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

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

(B) Maximum capital gains rates

(1) In general If a taxpayer has a net capital gain for any taxable year, the tax imposed by this section for such taxable year shall not exceed the sum of:

- (a) 2.5 % of the net capital gain as reported for federal income tax purposes under section 26 U.S.C. 1(h)(1)(a) and 26 U.S.C. 1(h)(1)(b).
- (b) 5% of the net capital gain as reported for federal income tax purposes under 26 U.S.C. 1(h)(1)(c).
- (c) 6.25% of the net capital gain as reported for federal income tax purposes under 26 U.S.C. 1(h)(1)(d).
- (d) 7% of the net capital gain as reported for federal income tax purposes under 26 U.S.C. 1(h)(1)(e).

(C) Itemized deductions.

(1) In general  
For the purposes of section (2) "itemized deductions" means the amount of federal

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

2 (2) Individuals who do not itemize their deductions

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

5 (3) Basic standard deduction.

6 The Rhode Island standard deduction shall be allowed in accordance with the following  
7 table:

| 8 Filing status                                   | Amount  |
|---|---------|
| 9 Single  | \$5,350 |
| 10 Married filing jointly or qualifying widow(er) | \$8,900 |
| 11 Married filing separately                      | \$4,450 |
| 12 Head of Household                              | \$7,850 |

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

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

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

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

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

24 In the case of:

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

28 The standard deduction shall be zero.

29 (7) Adjustments for inflation.

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

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

1 (D) Overall Limitation on Itemized Deductions

2 (1) General rule.

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

6 (a) Three percent (3%) of the excess of adjusted gross income as modified by section 44-  
7 30-12 over the applicable amount; or

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

10 (2) Applicable amount.

11 (a) In general. For purposes of this section, the term "applicable amount" means \$156,400  
12 (\$78,200 in the case of a separate return by a married individual)

13 (b) Adjustments for inflation.

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

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

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

17 (3) Phase-out of Limitation.

18 (a) In general.

19 In the case of taxable year beginning after December 31, 2005, and before January 1,  
20 2010, the reduction under section (1) shall be equal to the applicable fraction of the amount which  
21 would be the amount of such reduction.

22 (b) Applicable fraction.

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

| 25 For taxable years beginning in calendar year | The applicable fraction is |
|---|----------------------------|
| 26 2006 and 2007                                | 2/3                        |
| 27 2008 and 2009                                | 1/3                        |

28 (E) Exemption Amount

29 (1) In general.

30 Except as otherwise provided in this subsection, the term "exemption amount" mean  
31 \$3,400.

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

33 In the case of an individual with respect to whom a deduction under this section is  
34 allowable to another taxpayer for the same taxable year, the exemption amount applicable to such

1 individual for such individual's taxable year shall be zero.

2 (3) Adjustments for inflation.

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

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

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

6 (4) Limitation.

7 (a) In general.

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

10 (b) Applicable percentage.

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

17 (c) Threshold Amount.

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

| 20 Filing status                                  | Amount    |
|---|-----------|
| 21 Single   | \$156,400 |
| 22 Married filing jointly of qualifying widow(er) | \$234,600 |
| 23 Married filing separately                      | \$117,300 |
| 24 Head of Household                              | \$195,500 |

25 (d) Adjustments for inflation.

26 Each dollars amount contain in paragraph (b) shall be increased by an amount equal to:

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

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

29 (5) Phase-out of Limitation.

30 (a) In general.

31 In the case of taxable years beginning after December 31, 2005, and before January 1,  
32 2010, the reduction under section 4 shall be equal to the applicable fraction of the amount which  
33 would be the amount of such reduction.

34 (b) Applicable fraction.

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

| 3 For taxable years beginning in calendar year | The applicable fraction is |
|--|----------------------------|
| 4 2006 and 2007                                | 2/3                        |
| 5 2008 and 2009                                | 1/3                        |

6 (F) Alternative Minimum Tax

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

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

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

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

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

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

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

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

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

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

| 22 Filing status                                  | Amount   |
|---|----------|
| 23 Single   | \$39,150 |
| 24 Married filing jointly or qualifying widow(er) | \$53,700 |
| 25 Married filing separately                      | \$26,850 |
| 26 Head of Household                              | \$39,150 |
| 27 Estate or trust                                | \$24,650 |

28 (7) Treatment of unearned income of minor children

29 (a) In general.

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

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

33 (ii) \$6,000.

34 (8) Adjustments for inflation.



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

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

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

6 (9) Phase-out.

7 (a) In general.

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

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

| 13 Filing status                                  | Amount    |
|---|-----------|
| 14 Single   | \$123,250 |
| 15 Married filing jointly or qualifying widow(er) | \$164,350 |
| 16 Married filing separately                      | \$82,175  |
| 17 Head of Household                              | \$123,250 |
| 18 Estate or Trust                                | \$82,150  |

19 (c) Adjustments for inflation

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

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

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

23 (G) Other Rhode Island Taxes

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

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

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

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

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

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

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

33 (I) Averaging of farm income

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

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

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

3 (J) Cost-of-Living Adjustment

4 (1) In general.

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

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

7 (b) The CPI for the base year.

8 (2) CPI for any calendar year.

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

12 (3) Consumer Price Index

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

17 (4) Rounding.

18 (a) In general.

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

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

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

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

27 (2) Child and dependent care credit;

28 (3) General business credits;

29 (4) Credit for elderly or the disabled;

30 (5) Credit for prior year minimum tax;

31 (6) Mortgage interest credit;

32 (7) Empowerment zone employment credit;

33 (8) Qualified electric vehicle credit.

34 (L) Credit Against Tax for Adoption. - For tax years beginning on or after January 1,

1 2006, a taxpayer entitled to the federal adoption credit shall be entitled to a credit against the  
2 Rhode Island tax imposed under this section if the adopted child was under the care, custody, or  
3 supervision of the Rhode Island department of children, youth and families prior to the adoption.

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

11 (N) Rhode Island Earned Income Credit

12 (1) In general.

13 A taxpayer entitled to a federal earned income credit shall be allowed a Rhode Island  
14 earned income credit equal to twenty-five percent (25%) of the federal earned income credit.  
15 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 (P) In addition to the taxes levied under this chapter, for tax years beginning January 1,  
26 2010 and after, taxpayers reporting annual taxable income, as modified by section 44-30-12 for  
27 resident taxpayers and by section 44-30-32 for nonresident taxpayers, of more than five hundred  
28 thousand dollars (\$500,000) shall pay an additional tax of three percent (3%) on that income  
29 which exceeds five hundred thousand dollars (\$500,000).

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

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LC00707  
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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
A N A C T  
RELATING TO TAXATION – PERSONAL INCOME TAX

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1           This act would require taxpayers earning more than five hundred thousand dollars  
2 (\$500,000) to pay an additional three percent (3%) on income above five hundred thousand  
3 dollars (\$500,000).

4           This act would take effect upon passage.

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