



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
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Memorandum

To: The Honorable Raymond E. Gallison, Jr.
Chairman, House Finance Committee

The Honorable Daniel DaPonte
Chairman, Senate Finance Committee

From: Thomas A. Mullaney *Thomas A. Mullaney*
Executive Director/State Budget Officer

Date: April 26, 2016

Subject: Amendment to Article 17 – Relating to Commerce

The Governor requests that the revised Article 17 entitled “Relating to Commerce” submitted on April 4, 2016 be replaced with the attached amended version. This version now includes the language proposed for the new Air Service Development Fund program proposed in the Governor’s FY 2017 Budget. All changes from the original version submitted on February 2, 2016 are described below:

- Section 7** – This section changes the lettering of the subsections of § 42-64.32-5 and adds a new subsection clarifying that the Rhode Island Commerce Corporation cannot commit to overall research and development tax credits in excess of the amount contained in the fund set aside for that purpose.
- Section 8** – This is a new section with legislation implementing the Rhody Pass program, funding for which was proposed in the original budget.
- Section 9** – This is a new section with legislation implementing the Impact Faculty program, funding for which was proposed in the original budget.
- Section 10** – This is a new section with legislation implementing the Air Service Development Fund program, funding for which was proposed in the original budget.
- Section 11** – This section is renumbered to account for the new sections added.

A copy of the amended article is attached, with changes from the original version indicated with gray shading. If you have any questions regarding this amendment, please feel free to call me or my staff at 222-6300.

TAM: 17-Amend-8
Attachment

cc: Sharon Reynolds Ferland, House Fiscal Advisor
Stephen Whitney, Senate Fiscal Advisor
Michael DiBiase, Director of Administration
Jonathan Womer, Director, Office of Management and Budget
Gregory Stack, Supervising Budget Analyst

1 ARTICLE 17 (Revised 4/25/16)

2 RELATING TO COMMERCE

3 SECTION 1. Section 42-64.26-5 of the General Laws in Chapter 42-64.26 entitled "Stay Invested
4 in RI Wavemaker Fellowship" is hereby amended to read as follows:

5 § 42-64.26-5. Administration. – (a) Application. An eligible graduate claiming an award under
6 this chapter shall submit to the commerce corporation an application in the manner that the commerce
7 corporation shall prescribe.

8 (b)(1) Upon receipt of a proper application from an applicant who meets all of the eligibility
9 requirements, the commerce corporation shall select applicants on a competitive basis to receive credits for
10 up to a maximum amount for each service period ~~of one thousand dollars (\$1,000) for an associate's degree~~
11 ~~holder, four thousand dollars (\$4,000) for a bachelor's degree holder, and six thousand dollars (\$6,000) for~~
12 ~~a graduate or post-graduate degree holder, but~~ not to exceed the education loan repayment expenses incurred
13 by such taxpayer during each service period completed, for up to four (4) consecutive service periods
14 provided that the taxpayer continues to meet the eligibility requirements throughout the eligibility period.
15 The commerce corporation shall delegate the selection of the applicants that are to receive awards to a
16 fellowship committee to be convened by the commerce corporation and promulgate the selection
17 procedures the fellowship committee will use, which procedures shall require that the committee's
18 consideration of applications be conducted on a name-blind ~~and employer-blind~~ basis and that the
19 applications and other supporting documents received or reviewed by the fellowship committee shall be
20 redacted of the applicant's name, street address, and other personally-identifying information ~~as well as the~~
21 ~~applicant's employer's name, street address, and other employer-identifying information.~~ The commerce
22 corporation shall determine the composition of the fellowship committee and the selection procedures it
23 will use in consultation with the state's chambers of commerce.

24 (2) An applicant who applies pursuant to subsection (b)(1) shall, subject to appropriations,
25 automatically be allowed a tax credit if the applicant satisfies the eligibility requirements and the applicant
26 satisfies the following additional criteria: the applicant (i) has within one year of applying received a

1 bachelor's or graduate degree with a cumulative grade average of B+ or better, with such average to be
2 determined pursuant to regulations adopted by the commerce corporation, in one of the following fields:
3 life, natural or environmental sciences; computer, information or software technology; advanced
4 mathematics or finance; engineering; or industrial design or other commercially related design field; (ii)
5 has within three months of applying accepted or received an offer of employment satisfying the
6 requirements of section 42-64.26-3(8)(ii); and (iii) has received a bachelor's or graduate degree from a
7 Rhode Island institution of higher education within one year of applying or has graduated from a Rhode
8 Island high school. Applicants not satisfying requirements (i) through (iii) of this subsection (b)(2) may
9 still be considered for tax credits pursuant to the procedure set forth in subsection (b)(1).

10 (c) The credits awarded under this chapter shall not exceed one hundred percent (100%) of the
11 education loan repayment expenses incurred by such taxpayer during each service period completed for up
12 to four (4) consecutive service periods; provided that, an individual may receive an amount in tax credits
13 in excess of one hundred percent (100%) of the education loan repayment expenses incurred by such
14 taxpayer if the excess is provided to ensure that the taxpayer's proceeds upon redemption of the credit, after
15 accounting for federal taxation and any portion of the credit used against state tax liability, is equal to one
16 hundred percent (100%) of the education loan repayment expenses incurred by such the taxpayer for the
17 relevant service period. Tax credits shall be issued annually to the taxpayer upon proof that (i) the taxpayer
18 has actually incurred and paid such education loan repayment expenses; (ii) the taxpayer continues to meet
19 the eligibility requirements throughout the service period; (iii) ~~The~~ the award shall not exceed the original loan
20 amount plus any capitalized interest less award previously claimed under this section; and (iv) that the
21 taxpayer claiming an award is current on his or her student loan repayment obligations.

22 (d) The commerce corporation shall not commit to overall awards in excess of the amount contained
23 in the fund.

24 (e) The commerce corporation shall reserve seventy percent (70%) of the awards issued in a
25 calendar year to applicants who are permanent residents of the state of Rhode Island or who attended an

1 institution of higher education located in Rhode Island when they incurred the education loan expenses to
2 be repaid.

3 (f) In administering awards, the commerce corporation shall:

4 (1) Require suitable proof that an applicant meets the eligibility requirements for award under this
5 chapter;

6 (2) Determine the contents of applications and other materials to be submitted in support of an
7 application for award under this chapter; and

8 (3) Collect reports and other information during the eligibility period for each award to verify that
9 a taxpayer continues to meet the eligibility requirements for an award.

10 SECTION 2. Chapter 42.64.26 of the General Laws entitled "Stay Invested in RI Wavemaker
11 Fellowship" is hereby amended by adding thereto the following sections:

12 § 42-64.26-5.1. Alternative selection. — (a) An applicant meeting the eligibility requirements and
13 within the eligibility period may receive a tax credit under this chapter if the applicant has been nominated
14 by a business for which tax credits have been reserved under this section.

15 (b) A business may apply to the commerce corporation to reserve tax credits for employees of that
16 business. In determining whether to approve the application of a business, the commerce corporation may
17 take into account: the nature of the positions for which the tax credits are earmarked and whether the
18 positions are new to the state; whether the award of tax credits are for positions that are difficult to fill in
19 this state; and such other factors as the commerce corporation deems relevant.

20 (c) A business for which tax credits are reserved may nominate applicants for tax credits on an
21 annual basis. A business may nominate only new full-time employees of the business or employees who
22 were nominated to receive tax credits in the preceding year.

23 (d) The commerce corporation shall require a business to enter into an incentive agreement prior to
24 tax credits under this chapter being reserved for the business which shall include the following provisions,
25 along with such others as the commerce corporation deems appropriate:

26 (1) the maximum amount of tax credits reserved;

1 (2) the maximum number of employees to be allocated the tax credits reserved;

2 (3) the number of years, not to exceed four, for which credits will be reserved;

3 (4) a provision requiring a business to forfeit reserved tax credits if it fails to allocate applicable
4 tax credits to a specified minimum number of employees; and

5 (5) a provision specifying that the business shall not reduce the compensation or benefits that would
6 otherwise be paid to an employee on account of that employee being nominated for allocation of the tax
7 credits.

8 (e) No more than fifteen percent (15%) of the total amount of tax credits to be committed under
9 this chapter for a given year can be committed through credits reserved for a single business.

10 SECTION 3. Sections 42-64.22-4, 42-64.22-7 and 42-64.22-8 of the General Laws in Chapter 42-
11 64.22 entitled "Tax Stabilization Incentive" are hereby amended as follows:

12 § 42-64.22-4. Incentives for municipalities. – (a) The qualifying community or hope community
13 grants a qualifying tax stabilization agreement in connection with a qualifying project, upon certification
14 by the commerce corporation and subject to availability of appropriated funds, the commerce corporation
15 shall provide a partial reimbursement of no more than ten percent (10%) of the qualifying community and/or
16 hope community's forgone tax revenue. The qualification for reimbursement shall cease upon any
17 termination or cessation of the underlying tax stabilization agreement or upon exhaustion of funds
18 appropriated pursuant to this section.

19 (b) Notwithstanding subsection (a), the commerce corporation in any fiscal year may enter into up
20 to five (5) agreements permitting reimbursement in excess of ten percent (10%) of forgone revenue for a
21 qualifying tax stabilization agreement in connection with a qualifying project, subject to the following
22 conditions:

23 (1) Any community chosen to receive reimbursement in excess of ten percent (10%) of the
24 community's foregone revenue must be selected pursuant to a competitive process administered by the
25 commerce corporation, provided that the commerce corporation may administer more than one such
26 competitive process in any given fiscal year.

1 (2) The reimbursement provided to the community for the qualifying tax stabilization agreement
2 shall not exceed fifty percent (50%) of the community's foregone tax revenue.

3 (3) In the case of a qualifying community,

4 (i) the city or town council must pass a resolution designating the qualifying project as the most
5 important project to the municipality's economic development for that fiscal year; and

6 (ii) in any given fiscal year, a single qualifying community can only receive one (1) agreement
7 from the commerce corporation providing for reimbursement in excess of ten percent (10%) of foregone
8 revenue.

9 (4) In the case of a hope community,

10 (i) the city or town council shall pass a resolution designating the qualifying project as one of the
11 two most important projects to the municipality's economic development for that fiscal year; and

12 (ii) in any given fiscal year, a single hope community can only receive two (2) agreements from
13 the commerce corporation providing for reimbursement in excess of ten percent (10%) of foregone revenue.

14 (5) The qualification for reimbursement shall cease upon any termination or cessation of the
15 underlying tax stabilization agreement or upon exhaustion of funds appropriated pursuant to this section.

16 § 42-64.22-7. Alternative eligibility requirements. – (a) Qualifying communities may receive
17 incentives under this chapter, where the tax stabilization agreement is for a qualified development project
18 involving an adaptive reuse of a recognized historical structure or results in the creation of at least twenty
19 (20) units of residential housing; provided that at least twenty percent (20%) of the residential units are for
20 affordable or workforce housing.

21 (b) Qualifying communities may receive incentives under this chapter, where the tax stabilization
22 agreement is for a qualified development project involving an adaptive reuse of a certified historic structure,
23 if such qualified development project:

24 (i) Has been certified by the state historic preservation officer that the adaptive reuse will be
25 consistent with the standards of the Secretary of the United States Department of the Interior for
26 rehabilitation; and

1 (ii) Results in the creation of at least twenty (20) units of residential housing; provided that at least
2 twenty percent (20%) of the residential units are for affordable or workforce housing.

3 (c) Hope communities may receive incentives under this chapter, where the tax stabilization
4 agreement is for a qualified development project involving an adaptive reuse of a recognized historical
5 structure or results in the creation of at least twenty (20) units of residential housing.

6 **§ 42-64.22-8. Reimbursement.** – The aggregate value of all reimbursements approved by the
7 commerce corporation pursuant to this chapter during the eligibility period shall not exceed ~~the lesser of~~
8 ~~ten (10%) percent of the qualifying and/or hope communities' forgone tax revenue or annual appropriations~~
9 received by the commerce corporation for the program.

10 SECTION 4. Sections 44-48.3-4 and 44-48.3-6 of the General Laws in Chapter 44-48.3 entitled
11 "Rhode Island New Qualified Jobs Incentive Act of 2015" are hereby amended to read as follows:

12 **§ 44-48.3-4. Rhode Island qualified jobs incentive program.** – (a) The Rhode Island qualified
13 jobs incentive program is hereby established as a program under the jurisdiction of and shall be administered
14 by the commerce corporation. The program may provide tax credits to eligible businesses for an eligibility
15 period not to exceed ten (10) years.

16 (b) An eligible business under the program shall be entitled to a credit against taxes imposed
17 pursuant to chapters 11, 13, 14, 17 or 30 of title 44 as further provided under this chapter.

18 (c) The minimum number of new full-time jobs required to be eligible for a tax credit under this
19 program shall be as follows:

20 (1) For a business in a targeted industry that employs not more than one hundred (100) full-time
21 employees on the date of application to the commerce corporation, the creation of at least ~~ten (10)~~ five (5)
22 new full-time jobs in this state;

23 (2) For a business in a targeted industry that employs more than one hundred (100) full-time
24 employees on the date of application to the commerce corporation, either the creation of new full-time jobs
25 in this state in an amount not less than ~~ten percent (10%)~~ five percent (5%) of the business's existing number

1 of full-time employees or the creation of at least ~~one hundred (100)~~ fifty (50) new full-time jobs in this
2 state;

3 (3) For a business in a non-targeted industry that employs not more than two hundred (200) full-
4 time employees on the date of application to the commerce corporation, the creation of at least ~~twenty (20)~~
5 ten (10) new full-time jobs in this state; or

6 (4) For a business in a non-targeted industry that employs more than two hundred (200) full-time
7 employees on the date of application to the commerce corporation, either the creation of new full-time jobs
8 in this state in an amount not less than ~~ten percent (10%)~~ five percent (5%) of the business's existing number
9 of full-time employees or the creation of at least ~~one hundred (100)~~ fifty (50) new full-time jobs in this
10 state.

11 (d) When a business applies for an incentive under this chapter, in order to assist the commerce
12 corporation in determining whether the business is eligible for the incentives under this chapter, the
13 business's chief executive officer, or equivalent officer, shall attest under oath:

14 (1) That any projected creation of new full-time jobs would not occur, or would not occur in the
15 state of Rhode Island, but for the provision of tax credits under the program;

16 (2) The business will create new full-time jobs in an amount equal to or greater than the applicable
17 number set forth in subsection (c) of this section;

18 (3) That the business's chief executive officer, or equivalent officer, has reviewed the information
19 submitted to the commerce corporation and that the representations contained therein are accurate and
20 complete.

21 (e) The commerce corporation shall establish, by regulation, the documentation an applicant shall
22 be required to provide under this subsection. Such documentation may include documentation showing that
23 the applicant could reasonably locate the new positions outside of this state, or that the applicant is
24 considering locating the positions outside of this state, or that it would not be financially feasible for the
25 applicant to create the positions without the tax credits provided in this chapter.

(f) In the event that this attestation by the business's chief executive officer, or equivalent officer, required under subsection (d) of this section is found to be willfully false, the commerce corporation may revoke any award of tax credits in their entirety, which revocation shall be in addition to any other criminal or civil penalties that the business and/or the officer may be subject to under applicable law. Additionally, the commerce corporation may revoke any award of tax credits in its entirety if the eligible business is convicted of bribery, fraud, theft, embezzlement, misappropriation, and/or extortion involving the state, any state agency or political subdivision of the state.

§ 44-48.3-6. Total amount of tax credit for eligible business. – (a) The base amount of the tax credit for an eligible business for each new full-time job shall be up to two thousand five hundred dollars (\$2,500) annually.

(b) The total tax credit amount shall be calculated and credited to the business annually for each year of the eligibility period after the commerce corporation, in consultation with the division of taxation, has verified that the jobs covered by the tax credit have generated sufficient personal income taxes to comply with subsection (e)(d) of this section.

(c) In addition to the base amount of the tax credit, the amount of the tax credit to be awarded for each new full-time job may be increased, pursuant to the provisions of subsection (d) of this section, if the business meets any of the following criteria or such other additional criteria determined by the commerce corporation from time to time in response to evolving economic or market conditions:

(1) For a business located within a hope community;

(2) For a targeted industry;

(3) For a business located within a transit oriented development area; and

(4) For an out-of-state business that relocates a business unit or units or creates a significant number of new full-time jobs during the commitment period.

~~(d) For any application made to the commerce corporation from 2015 through 2018, the tax credit for an eligible business for each new full-time job shall not exceed seven thousand five hundred dollars (\$7,500) annually.~~

1 ~~(e)~~(d) Notwithstanding the provisions of subsections (a) through ~~(d)~~(c) of this section, for each
2 application approved by the commerce corporation, the amount of tax credits available to be obtained by
3 the business annually shall not exceed the reasonable W-2 withholding received by the state for each new
4 full-time job created by a business for applications received by the commerce corporation in 2015 through
5 2018.

6 ~~(f)~~(e) The commerce corporation shall establish regulations regarding the conditions under which
7 a business may submit more than one application for tax credits over time. The commerce corporation may
8 place limits on repeat applications.

9 SECTION 5. Section 42-64.20-7 of the General Laws in Chapter 42-64.20 entitled "Rebuild Rhode
10 Island Tax Credit" is hereby amended to read as follows:

11 § 42-64.20-7. Rebuild Rhode Island tax credit fund. – There is hereby established at the
12 commerce corporation a restricted account known as the rebuild Rhode Island tax credit fund (the "fund")
13 in which all amounts appropriated for the redemption and/or reimbursement of tax credits under this chapter
14 shall be deposited. The Fund shall be used (i) to pay for the redemption of tax credits or reimbursement to
15 the state for tax credits applied against a taxpayer's liability; and (ii) to provide reimbursements to
16 municipalities authorized by the commerce corporation pursuant to chapter 42-64.22 of the general laws.
17 The Fund shall be exempt from attachment, levy or any other process at law or in equity. The director of
18 the department of revenue shall make a requisition to the commerce corporation for funding during any
19 fiscal year as may be necessary to pay for the redemption of tax credits presented for redemption or to
20 reimburse the state for tax credits applied against a taxpayer's tax liability. The commerce corporation shall
21 pay from the Fund such amounts as requested by the director of the department of revenue necessary for
22 redemption or reimbursement in relation to tax credits granted under this chapter.

23 SECTION 6. Section 42-64.30-8 of the General Laws in Chapter 42-64.30 entitled "Anchor
24 Institution Tax Credit" is hereby amended to read as follows:

25 § 42-64.30-8. Anchor institution tax credit fund. – (a) There is hereby established at the
26 commerce corporation a restricted account known as the Anchor Institution tax credit fund (the "fund") in

1 which all amounts appropriated for the redemption and/or reimbursement of tax credits under this chapter
2 shall be deposited. The Fund shall be used to pay for the redemption of tax credits or reimbursement to the
3 state for tax credits applied against a taxpayer's liability. The Fund shall be exempt from attachment, levy
4 or any other process at law or in equity. The director of the department of revenue shall make a requisition
5 to the commerce corporation for funding during any fiscal year as may be necessary to pay for the
6 redemption of tax credits presented for redemption or to reimburse the state for tax credits applied against
7 a taxpayer's tax liability. The commerce corporation shall pay from the Fund such amounts as requested by
8 the director of the department of revenue necessary for redemption or reimbursement in relation to tax
9 credits granted under this chapter.

10 (b) The executive office of commerce may authorize the commerce corporation to transfer amounts
11 in the Fund to the rebuild Rhode Island tax credit fund created pursuant to § 42-64.20-7.

12 SECTION 7. TITLE 42 of the General Laws entitled "State Affairs and Government" is hereby
13 amended by adding thereto the following chapter:

14 CHAPTER 64.32

15 REFUNDABLE RESEARCH AND DEVELOPMENT TAX CREDIT

16 § 42-64.32-1. Short title. -- This chapter shall be known and may be cited as the "Refundable
17 Research and Development Tax Credit Act."

18 § 42-64.32-2. Legislative findings. -- Underinvestment in research and development stunts the
19 growth of Rhode Island's economy and inhibits the potential of Rhode Island businesses. Through the
20 establishment of the refundable research and development tax credit program, Rhode Island can foster
21 research and development activity and thereby encourage local companies to expand their innovation
22 activities and also induce out-of-state businesses to consider Rhode Island as a location to conduct research
23 and development. In so doing, this program will further advance the competitiveness of Rhode Island and
24 its companies in the national and global economies and result in the creation and/or retention of jobs and
25 tax revenues for the state.

1 § 42-64.32-3. Definitions. -- As used in this chapter:

2 (1) "Base amount" shall have the same meaning as defined in 26 U.S.C. § 41.

3 (2) "Business" means a C corporation, S corporation, partnership, limited partnership, limited
4 liability partnership, limited liability company, or sole proprietorship;

5 (3) "Commerce corporation" means the Rhode Island commerce corporation established pursuant
6 to general laws § 42-64-1 et. seq;

7 (4) "Municipal property taxes" means taxes imposed by a municipality and incurred by a business
8 on real or personal property.

9 (5) "Qualified research expenses" shall have the same meaning as defined in 26 U.S.C. § 41.

10 § 42-64.32-4. Establishment of program. -- A refundable research and development tax credit
11 program is hereby established as a program under the jurisdiction of and administered by the commerce
12 corporation. The program may authorize businesses to receive a refund of the tax credit authorized under
13 this chapter for an eligibility period of up to five (5) years.

14 § 42-64.32-5. Tax credits. – (a) To be eligible for tax credits under this chapter, a business shall
15 apply to the commerce corporation for approval prior to incurring the qualified research expenses that will
16 give rise to the tax credit sought. Such approval shall require that the business submit a completed
17 application as developed by the commerce corporation.

18 (b) The commerce corporation may take into account the following factors in determining whether
19 to approve a business for a refundable tax credit pursuant to this section: whether the business has made a
20 multi-year commitment to conduct research and development activities in this state; whether the business
21 will make a substantial new investment in plant, equipment, or personnel in order to accomplish the
22 proposed research and development activities; whether the receipt of the credit is a factor in the business's
23 decision to conduct research and development activities in this state; and such other factors as the commerce
24 corporation deems relevant.

1 (c) The commerce corporation may authorize a business to receive a refundable tax credit for an
2 eligibility period of not more than five (5) years, beginning no earlier than the year in which the business
3 applied to the commerce corporation for a refundable tax credit.

4 (d) The amount of the credit shall be five percent (5%) (and in the case of amounts paid or accrued
5 after July 1, 2016, twenty-two and one-half percent (22.5%) for the first twenty-five thousand dollars
6 (\$25,000) worth of credit and sixteen and nine-tenths percent (16.9%) for the amount of credit above
7 twenty-five thousand dollars (\$25,000)) of the excess, if any, of:

8 (1) The qualified research expenses for the taxable year, over

9 (2) The base amount.

10 (e) Notwithstanding subsection (d), the amount of the credit available to any business in any given
11 year shall not exceed the municipal property taxes incurred by the business in the municipality or
12 municipalities in which the qualified research expenses took place for the year in which the business
13 incurred the qualified research expenses up to a maximum of two-hundred thousand dollars (\$200,000).

14 (f) Prior to issuance of any credits to an approved business, the commerce corporation shall require
15 the business to enter into an incentive agreement setting forth the business's eligibility period for credits
16 under this section, which is not to exceed five (5) years, and the terms and conditions on the receipt of the
17 credits.

18 (g) To claim a tax credit authorized by the corporation, an approved business shall apply annually
19 in each year of its eligibility period to the commerce corporation for a certification that the business has
20 met all the requirements of this section and the incentive agreement. The commerce corporation shall issue
21 to the business a certification or a written response detailing any deficiencies precluding certification. The
22 commerce corporation may deny certification, or may revoke the incentive agreement if the business does
23 not meet all requirements of this section and any additional requirements set by the commerce corporation
24 in the incentive agreement.

1 (h) Upon issuance of a certification by the commerce corporation under subsection (g) of this
2 section, the division of taxation shall, on behalf of the State of Rhode Island and at the request of the
3 business, issue tax credit certificates as specified in the certification.

4 (i) Subject to annual appropriation, a taxpayer shall be entitled to use the tax credit available under
5 this chapter against taxes imposed pursuant to chapters 11, 17, or 30 of title 44.

6 (j) Upon request of a taxpayer and subject to annual appropriation, the state shall refund a credit
7 provided under this chapter in whole or in part for one hundred percent (100%) of the value of the tax credit.
8 A taxpayer may only claim a refund of a credit amount for the year in which the credit was issued. Credits
9 carried over pursuant to subsection (k) shall not be refundable.

10 (k) If the portion of the tax credit allowed under this chapter exceeds the taxpayer's total tax liability
11 for the year in which the credit is allowed, the amount that exceeds the taxpayer's tax liability may be
12 refunded pursuant to subsection (j) or carried forward for credit against the taxes imposed for the succeeding
13 four (4) years, or until the full credit is used, whichever occurs first.

14 (l) In the case of a corporation, this credit is only allowed against the tax of a corporation included
15 in a consolidated return that qualifies for the credit and not against the tax of other corporations that may
16 join in the filing of a consolidated tax return.

17 (m) Credits allowed to a partnership, a limited liability company taxed as a partnership, or multiple
18 owners of property shall be passed through to the persons designated as partners, members or owners
19 respectively pro rata or pursuant to an executed agreement among such persons designated as partners,
20 members or owners documenting an alternate distribution method without regard to their sharing of other
21 tax or economic attributes of such entity.

22 (n) The commerce corporation shall not commit to overall awards in excess of the amount contained
23 in the fund established pursuant to section 42-64.32-6.

24 **§ 42-64.32-6. Refundable research and development tax credit fund.** – There is hereby
25 established at the commerce corporation a restricted account known as the refundable research and
26 development tax credit fund (the "fund") in which all amounts appropriated for the refund and/or

1 reimbursement of tax credits under this chapter shall be deposited. The fund shall be used to pay for the
2 refund of tax credits or reimbursement to the state for tax credits applied against a taxpayer's liability. The
3 fund shall be exempt from attachment, levy or any other process at law or in equity. The director of the
4 department of revenue shall make a requisition to the commerce corporation for funding during any fiscal
5 year as may be necessary to pay for the refund of tax credits presented for refunding or to reimburse the
6 state for tax credits applied against a taxpayer's tax liability. The commerce corporation shall pay from the
7 fund such amounts as requested by the director of the department of revenue necessary for refund or
8 reimbursement in relation to tax credits granted under this chapter.

9 § 42-64.32-7. Election of tax credit. – In a given tax year, a business cannot use the credit
10 provided for under this chapter in conjunction with the tax credit provided for in section 44-32-3 of the
11 general laws.

12 § 42-64.32-8. Program integrity. – (a) Program integrity being of paramount importance, the
13 commerce corporation shall establish procedures to ensure ongoing compliance with the terms and
14 conditions of the program established herein, including procedures to safeguard the expenditure of public
15 funds and to ensure that the funds further the objectives of the program.

16 (b) The commerce corporation and division of taxation shall promulgate such rules and regulations
17 pursuant to § 42-35-3 of the general laws as are necessary to carry out the intent and purpose and
18 implementation of the responsibilities of each under this chapter.

19 § 42-64.32-9. Reporting requirements. – (a) By September 1, 2017 and each year thereafter, the
20 commerce corporation shall report the name and address of each business entering into an incentive
21 agreement during the previous state fiscal year to the division of taxation. The commerce corporation shall
22 also make this information publicly available on its website.

23 (b) By December 1, 2017 and each year thereafter, the office of management and budget shall
24 provide the governor with the sum, if any, to be appropriated to fund the refundable research and
25 development tax credit program.

1 modes of transportation more convenient and affordable; and offering discounted fares on
2 passenger rail service; and

3 (2) providing discounted fares or tickets (i) for passenger rail service within, to, or from
4 Rhode Island or (ii) for other modes of transportation within Rhode Island for passengers
5 connecting to or from rail travel.

6 (c) The fund shall consist of:

7 (1) money appropriated by the general assembly and deposited into the fund;

8 (2) proceeds derived from the operation of any software application developed pursuant to
9 this chapter; and

10 (3) any other money made available to the fund.

11 § 42-64.33-3. Authority. – (a) The commerce corporation may cooperate and contract
12 with the National Railroad Passenger Corporation, the Massachusetts Bay Transportation
13 Authority, or other transportation agencies for carrying out the purposes of this chapter. Any such
14 contract shall not be subject to the provisions of chapter 37-2 of the general laws.

15 (b) The commerce corporation may charge a fee for the use of any software application
16 developed pursuant to this chapter.

17 § 42-64.33-4. Program integrity. – Program integrity being of paramount importance,
18 the commerce corporation shall establish procedures to ensure ongoing compliance with the terms
19 and conditions of the program established herein, including procedures to safeguard the
20 expenditure of public funds and to ensure that the funds further the objectives of the program.

21 § 42-64.33-5. Reporting requirements. – No later than sixty (60) days after the end of
22 the fiscal year, the commerce corporation shall submit an annual report to the speaker of the house

1 and the president of the senate detailing the uses of the fund and such other information as the
2 commerce corporation deems necessary.

3 SECTION 9. TITLE 42 of the General Laws entitled "State Affairs and Government" is
4 hereby amended by adding thereto the following chapter:

5 CHAPTER 64.34

6 IMPACT FACULTY FUND

7 § 42-64.34-1. Legislative findings. – It is hereby found and declared as follows:

8 (a) Rhode Island's capacity to innovate is a critical element of its ability to compete and
9 prosper in the 21st century economy. The state's college and university research base helps drive
10 innovation in Rhode Island. Rhode Island, however, lags behind other states in the region in the
11 transfer of knowledge and the commercialization of the innovations developed through the
12 research and development conducted at the state's colleges and universities.

13 (b) It is the intention of the general assembly to foster innovation by supporting recruitment
14 and retention of faculty at Rhode Island's public colleges and universities with track records of
15 commercializing their research, thereby fostering Rhode Island higher education institutions as
16 centers for innovation that can create new businesses and jobs and improve the economy.

17 § 42-64.34-2. Fund established. – (a) There is hereby established within the Rhode Island
18 commerce corporation the impact faculty fund (the "fund") to be administered by the commerce
19 corporation as set forth in this chapter. The fund shall consist of money appropriated by the general
20 assembly and deposited into the fund and any other money made available to the fund from any
21 other source.

22 (b) The purpose of the fund is to provide the opportunity for the University of Rhode Island,
23 Rhode Island College and the Community College of Rhode Island to receive grants to support the

1 hiring or retention of faculty members with a track record of commercializing the innovations
2 derived from their research and development activities.

3 § 42-64.34-3. Public solicitation. – The commerce corporation may make grants under
4 this chapter pursuant to one or more publicized solicitations. The commerce corporation shall
5 consult with the office of the postsecondary commissioner in developing any such solicitation and
6 in making any grant under this chapter.

7 § 42-64.34-4. Program integrity. – Program integrity being of paramount importance, the
8 commerce corporation shall establish procedures to ensure ongoing compliance with the terms and
9 conditions of the program established herein, including procedures to safeguard the expenditure
10 of public funds and to ensure that the funds further the objectives of the program.

11 § 42-64.34-5 Reporting requirements. – No later than sixty (60) days after the end of the
12 fiscal year, the commerce corporation shall submit an annual report to the speaker of the house
13 and the president of the senate detailing grants made from the impact faculty fund and such other
14 information as the commerce corporation deems necessary.

15 SECTION 10. TITLE 42 of the General Laws entitled “State Affairs and Government” is
16 hereby amended by adding thereto the following chapter:

17 CHAPTER 64.35

18 AIR SERVICE DEVELOPMENT FUND

19 § 42-64.35-1. Legislative findings. – It is hereby found and declared as follows:

20 (a) The development of additional scheduled air carrier and cargo services (“air service”)
21 to T. F. Green State Airport is essential to improving the overall economic climate of the state,
22 attracting businesses, promoting tourism and growing jobs. Such additional air service is
23 particularly important to advanced industries, industries characterized by high levels of research

1 and development expenditures and reliance on science, technology, design, engineering, and
2 mathematics workers.

3 (b) Providing incentives, revenue guarantees and/or other support for new or additional air
4 service on new or additional routes is an important step in meeting these economic development
5 goals.

6 (c) An air service development fund provides flexibility in increasing and providing
7 incentives for air service to T. F. Green State Airport that the Rhode Island airport corporation
8 may otherwise not be able to finance under the regulations and policies of the federal aviation
9 administration. For that reason, this program is established independently of, and unrelated to, the
10 Rhode Island airport corporation.

11 § 42-64.35-2. Fund established. – (a) There is hereby established within the Rhode Island
12 commerce corporation the air service development fund (the "fund") to be administered by the
13 commerce corporation as set forth in this chapter. The fund shall consist of money appropriated
14 by the general assembly and deposited into the fund, and any other money made available to the
15 fund from any other source; provided that any revenue deemed to be airport revenue shall not be
16 included in the fund.

17 § 42-64.35-3. Air service development council. – (a) The Rhode Island commerce
18 corporation shall establish an air service development council (the "council"), which shall have
19 the authority and responsibility for entering into agreements with scheduled air carriers and/or
20 cargo carriers to provide direct financial incentives, revenue guarantees and/or other support to
21 incentivize air service to T. F. Green Airport.

22 (b) The air service development council shall consist of the secretary of commerce or his
23 or her designee, who shall serve as chair of the council, and four members appointed by the board

1 of the Rhode Island commerce corporation, at least one of whom shall have airport management
2 or air carrier experience, at least one of whom shall be a representative from a chamber of
3 commerce, and at least one of whom shall represent a business with more than one hundred (100)
4 employees located in Rhode Island. No member of the council shall be a director or employee of
5 the Rhode Island airport corporation. Members shall serve at the pleasure of the board of the
6 commerce corporation. The members shall not receive a salary but shall be reimbursed for any
7 necessary expenses incurred in the performance of their duties.

8 (c) The Rhode Island commerce corporation shall have the authority under this chapter to
9 enter into contracts providing for incentives, guarantees, and/or other support for new or additional
10 flights to T. F. Green State Airport by scheduled air carriers or cargo carriers, provided that such
11 contracts have been previously approved by the air service development council. Such incentives,
12 guarantees and other support shall be financed only with proceeds from the air service development
13 fund established pursuant to § 42-64.35-2, and not with any airport revenue, subject to regulation
14 pursuant to the policies or regulations of the federal aviation administration.

15 (d) The air service development council shall publish the criteria that it will use in
16 evaluating proposals or arrangements that further the purposes of this chapter. Such criteria shall
17 require, at a minimum, that to qualify for incentives a scheduled air carrier or cargo carrier must
18 commit to new or additional flights for an agreed upon duration which represent an increase in
19 service.

20 (e) The air service development council may, at its discretion, provide incentives to service
21 to one scheduled air carrier or cargo carrier without offering identical incentives to other scheduled
22 air carriers or cargo carriers if doing so furthers the purposes of this chapter.

1 § 42-64.35-4. Program integrity. – Program integrity being of paramount importance, the
2 Rhode Island commerce corporation shall establish procedures to ensure ongoing compliance with
3 the terms and conditions of the program established herein, including procedures to safeguard the
4 expenditure of public funds and to ensure that the funds further the purposes of the program.

5 § 42-64.35-5. Reporting requirements. – No later than sixty (60) days after the end of the
6 fiscal year, the Rhode Island commerce corporation shall submit an annual report to the governor,
7 the speaker of the house and the president of the senate detailing any incentives provided for under
8 this chapter and such other information as the commerce corporation deems necessary.

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

11 § 44-30-2.6. Rhode Island taxable income – Rate of tax. – (a) "Rhode Island taxable income"
12 means federal taxable income as determined under the Internal Revenue Code, 26 U.S.C. § 1 et seq., not
13 including the increase in the basic standard deduction amount for married couples filing joint returns as
14 provided in the Jobs and Growth Tax Relief Reconciliation Act of 2003 and the Economic Growth and Tax
15 Relief Reconciliation Act of 2001 (EGTRRA), and as modified by the modifications in § 44-30-12.

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

beginning on or after January 1, 2006, a taxpayer may elect to use the alternative flat tax rate provided in § 44-30-2.10 to calculate his or her personal income tax liability.

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

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

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

(A) Tax imposed.

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

If taxable income is:	The tax is:
Not over \$53,150	3.75% of taxable income
Over \$53,150 but not over \$128,500	\$1,993.13 plus 7.00% of the excess over \$53,150
Over \$128,500 but not over \$195,850	\$7,267.63 plus 7.75% of the excess over \$128,500
Over \$195,850 but not over \$349,700	\$12,487.25 plus 9.00% of the excess over \$195,850
Over \$349,700	\$26,333.75 plus 9.9% of the excess over \$349,700

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

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

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

If taxable income is:	The tax is:
Not over \$31,850	3.75% of taxable income
Over \$31,850 but not over \$77,100	\$1,194.38 plus 7.00% of the excess over \$31,850
Over \$77,100 but not over \$160,850	\$4,361.88 plus 7.75% of the excess over \$77,100
Over \$160,850 but not over \$349,700	\$10,852.5 plus 9.00% of the excess over \$160,850
Over \$349,700	\$27,849.00 plus 9.90% of the excess over \$349,700

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

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

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 be
13 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 imposed
17 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 26 U.S.C.
19 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 U.S.C.
23 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).

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

(C) Itemized deductions.

(1) In general

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

(2) Individuals who do not itemize their deductions

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

(3) Basic standard deduction.

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

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

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

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

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

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

(a) \$850;

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

(6) Certain individuals not eligible for standard deduction.

1 In the case of:

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

3 (b) Nonresident alien individual;

4 (c) An estate or trust;

5 The standard deduction shall be zero.

6 (7) Adjustments for inflation.

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

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

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

10 (D) Overall limitation on itemized deductions

11 (1) General rule.

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

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

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

19 (2) Applicable amount.

20 (a) In general.

21 For purposes of this section, the term "applicable amount" means \$156,400 (\$78,200 in the case of
22 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.

1 (3) Phase-out of Limitation.

2 (a) In general.

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

6 (b) Applicable fraction.

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

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

12 (E) Exemption amount

13 (1) In general.

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

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

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

19 (3) Adjustments for inflation.

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

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

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

23 (4) Limitation.

24 (a) In general.

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

1 (b) Applicable percentage.

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

8 (c) Threshold Amount.

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

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

16 (d) Adjustments for inflation.

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

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

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

20 (5) Phase-out of Limitation.

21 (a) In general.

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

25 (b) Applicable fraction.

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

For Taxable years beginning in calendar year	The applicable fraction is
2006 and 2007	2/3
2008 and 2009	1/3

(F) Alternative minimum tax

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

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

(b) The regular tax for the taxable year.

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

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

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

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

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

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

(6) Exemption amount.

For purposes of this section "exemption amount" means:

Filing status	Amount
Single	\$39,150
Married filing jointly or qualifying widow(er)	\$53,700
Married filing separately	\$26,850

1 Head of Household \$39,150

2 Estate or trust \$24,650

3 (7) Treatment of unearned income of minor children

4 (a) In general.

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

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

8 (ii) \$6,000.

9 (8) Adjustments for inflation.

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

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

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

13 (9) Phase-out.

14 (a) In general.

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

18 (b) Threshold amount.

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

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

1 (c) Adjustments for inflation

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

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

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

5 (G) Other Rhode Island taxes

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

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

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

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

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

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

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

14 (I) Averaging of farm income

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

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

18 (J) Cost-of-living adjustment

19 (1) In general.

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

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

22 (b) The CPI for the base year.

23 (2) CPI for any calendar year.

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

26 (3) Consumer Price Index

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

5 (4) Rounding.

6 (a) In general.

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

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

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

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

15 (2) Child and dependent care credit;

16 (3) General business credits;

17 (4) Credit for elderly or the disabled;

18 (5) Credit for prior year minimum tax;

19 (6) Mortgage interest credit;

20 (7) Empowerment zone employment credit;

21 (8) Qualified electric vehicle credit.

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

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

7 (N) Rhode Island earned income credit

8 (1) In general.

9 For tax years beginning before January 1, 2015 a taxpayer entitled to a federal earned income credit
10 shall be allowed a Rhode Island earned income credit equal to twenty-five percent (25%) of the federal
11 earned income credit. Such credit shall not exceed the amount of the Rhode Island income tax.

12 For tax years beginning on or after January, 1, 2015 and before January 1, 2016, a taxpayer entitled
13 to a federal earned income credit shall be allowed a Rhode Island earned income credit equal to ten percent
14 (10%) of the federal earned income credit. Such credit shall not exceed the amount of the Rhode Island
15 income tax.

16 For tax years beginning on or after January, 1, 2016 and before January 1, 2017, a taxpayer entitled
17 to a federal earned income credit shall be allowed a Rhode Island earned income credit equal to twelve and
18 one-half percent (12.5%) of the federal earned income credit. Such credit shall not exceed the amount of
19 the Rhode Island income tax.

20 For tax years beginning on or after January 1, 2017, a taxpayer entitled to a federal earned income
21 credit shall be allowed a Rhode Island earned income credit equal to fifteen percent (15%) of the federal
22 earned income credit. Such credit shall not exceed the amount of the Rhode Island income tax.

23 (2) Refundable portion.

24 In the event the Rhode Island earned income credit allowed under paragraph (N)(1) of this section
25 ~~(J)~~ exceeds the amount of Rhode Island income tax, a refundable earned income credit shall be allowed as
26 follows.

(i) For tax years beginning before January 1, 2015, for purposes of paragraph (2) refundable earned income credit means fifteen percent (15%) of the amount by which the Rhode Island earned income credit exceeds the Rhode Island income tax.

~~(a)~~(ii) For tax years beginning on or after January 1, 2015, For for purposes of paragraph (2) refundable earned income credit means one hundred percent (100%) of the amount by which the Rhode Island earned income credit exceeds the Rhode Island income tax.

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

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

(A) Tax imposed.

(I) There is hereby imposed on the taxable income of married individuals filing joint returns, qualifying widow(er), every head of household, unmarried individuals, married individuals filing separate returns and bankruptcy estates, a tax determined in accordance with the 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		\$5,388+5.99%	\$125,000

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

RI Taxable Income	RI Income Tax
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1	Over	But not over	Pay+% on Excess	On the amount over
2	\$0-	\$2,230	\$0+3.75%	\$0
3	\$2,230	\$7,022	\$84+4.75%	\$2,230
4	\$7,022		\$312+5.99	\$7,022

5 (B) Deductions:

6 (I) Rhode Island Basic Standard Deduction.

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

8	Filing status:	Amount
9	Single	\$7,500
10	Married filing jointly or qualifying widow(er)	\$15,000
11	Married filing separately	\$7,500
12	Head of Household	\$11,250

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

14 (III) In the case of any taxpayer whose adjusted gross income, as modified for Rhode Island
15 purposes pursuant to § 44-30-12, for the taxable year exceeds one hundred seventy-five thousand dollars
16 (\$175,000), the standard deduction amount shall be reduced by the applicable percentage. The term
17 "applicable percentage" means twenty (20) percentage points for each five thousand dollars (\$5,000) (or
18 fraction thereof) by which the taxpayer's adjusted gross income for the taxable year exceeds one hundred
19 seventy-five thousand dollars (\$175,000).

20 (C) Exemption Amount:

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

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

1 (D) In the case of any taxpayer whose adjusted gross income, as modified for Rhode Island
2 purposes pursuant to § 33-30-12, for the taxable year exceeds one hundred seventy- five thousand dollars
3 (\$175,000), the exemption amount shall be reduced by the applicable percentage. The term "applicable
4 percentage" means twenty (20) percentage points for each five thousand dollars (\$5,000) (or fraction
5 thereof) by which the taxpayer's adjusted gross income for the taxable year exceeds one hundred seventy-
6 five thousand dollars (\$175,000).

7 (E) *Adjustment for inflation.* The dollar amount contained in subparagraphs 44-30-2.6(c)(3)(A), 44-
8 30-2.6(c)(3)(B) and 44-30-2.6(c)(3)(C) shall be increased annually by an amount equal to:

9 (I) Such dollar amount contained in subparagraphs 44-30-2.6(c)(3)(A), 44-30-2.6(c)(3)(B) and 44-
10 30-2.6(c)(3)(C) adjusted for inflation using a base tax year of 2000, multiplied by;

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

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

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

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

25 (E) Credits against tax.

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

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

5 (b) Property Tax Relief Credit: Credit shall be allowed for property tax relief as provided in § 44-
6 33-1 et seq.

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

9 (d) *Credit for income taxes of other states.* Credit shall be allowed for income tax paid to other
10 states pursuant to § 44-30-74.

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

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

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

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

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

1 (j) *Stay Invested in RI Wavemaker Fellowship*: Credit shall be allowed for stay invested in RI
2 wavemaker fellowship program as provided in § 42-64.26-1 et seq.

3 (k) *Rebuild Rhode Island*: Credit shall be allowed for rebuild RI tax credit as provided in § 42-
4 64.20-1 et seq.

5 (l) *Rhode Island Qualified Jobs Incentive Program*: Credit shall be allowed for Rhode Island new
6 qualified jobs incentive program credit as provided in § 44-48.3-1 et seq.

7 (m) Refundable Research and Development Tax Credit: Credit shall be allowed for refundable
8 research and development tax credit as provided in § 42-64.32-1 et seq.

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

11 SECTION 12. This article shall take effect upon passage.