

ARTICLE 16 SUBSTITUTE A AS AMENDED

RELATING TO REVENUES

SECTION 1. Sections 31-36-7 and 31-36-20 of the General Laws in Chapter 31-36 entitled "Motor Fuel Tax" are hereby amended to read as follows:

31-36-7. Monthly report of distributors -- Payment of tax. -- (a) State requirements. -

Every distributor shall, on or before the twentieth (20th) day of each month, render a report to the tax administrator, upon forms to be obtained from the tax administrator, of the amount (number of gallons) of fuels purchased, sold, or used by the distributor within this state and the amount of fuels sold by the distributor without this state from fuels within this state during the preceding calendar month, and, if required by the tax administrator as to purchases, the name or names of the person or persons from whom purchased and the date and amount of each purchase, and as to sales, the name or names of the person or persons to whom sold and the amount of each sale, and shall pay at the same time to the administrator tax at the rate of ~~thirty cents (\$.30)~~ thirty-two cents (\$0.32) per gallon on all taxable gallons of fuel sold or used in this state.

(b) Federal requirements. - In the event the federal government requires a certain portion of the gasoline tax to be dedicated for highway improvements, then the state controller is directed to establish a restricted receipt account and deposit that portion of gasoline tax receipts which brings the state into federal compliance.

31-36-20. Disposition of proceeds. -- (a) Notwithstanding any other provision of law to

the contrary, all moneys paid into the general treasury under the provisions of this chapter or chapter 37 of this title, and title 46 shall be applied to and held in a separate fund and be deposited in any depositories that may be selected by the general treasurer to the credit of the fund, which fund shall be known as the Intermodal Surface Transportation Fund; provided, that in fiscal year 2004 for the months of July through April six and eighty-five hundredth cents (\$0.0685) per gallon of the tax imposed and accruing for the liability under the provisions of § 31-36-7, less refunds and credits, shall be transferred to the Rhode Island public transit authority as provided under § 39-18-21. For the months of May and June in fiscal year 2004, the allocation shall be five and five hundredth cents (\$0.0505). Thereafter, until fiscal year 2006, the allocation shall be six and twenty-five hundredth cents (\$0.0625). For fiscal year 2006 through FY 2008, the allocation shall be seven and twenty-five hundredth cents (\$0.0725); provided, that expenditures

1 shall include the costs of a market survey of non-transit users and a management study of the
2 agency to include the feasibility of moving the Authority into the Department of Transportation,
3 both to be conducted under the auspices of the state budget officer. The state budget officer shall
4 hire necessary consultants to perform the studies, and shall direct payment by the Authority. Both
5 studies shall be transmitted by the Budget Officer to the 2006 session of the General Assembly,
6 with comments from the Authority. For fiscal year 2009 ~~and thereafter~~, the allocation shall be
7 seven and seventy-five hundredth cents (\$0.0775), of which one-half cent (\$0.005) shall be
8 derived from the one cent (\$0.01) per gallon environmental protection fee pursuant to § 46-12.9-
9 11. For fiscal years 2010 and thereafter, the allocation shall be nine and seventy-five hundredth
10 cents (\$0.0975), of which one-half cent (\$0.005) shall be derived from the one cent (\$0.01) per
11 gallon environmental protection fee pursuant to section 46-12.9-11. One cent (\$0.01) per gallon
12 shall be transferred to the Elderly/Disabled Transportation Program of the department of elderly
13 affairs, and the remaining cents per gallon shall be available for general revenue as determined by
14 the following schedule:

15 (i) For the fiscal year 2000, three and one fourth cents (\$0.0325) shall be available for
16 general revenue.

17 (ii) For the fiscal year 2001, one and three-fourth cents (\$0.0175) shall be available for
18 general revenue.

19 (iii) For the fiscal year 2002, one-fourth cent (\$0.0025) shall be available for general
20 revenue.

21 (iv) For the fiscal year 2003, two and one-fourth cent (\$0.0225) shall be available for
22 general revenue.

23 (v) For the months of July through April in fiscal year 2004, one and four-tenths cents
24 (\$0.014) shall be available for general revenue. For the months of May through June in fiscal year
25 2004, three and two-tenths cents (\$0.032) shall be available for general revenue, and thereafter,
26 until fiscal year 2006, two cents (\$0.02) shall be available for general revenue. For fiscal year
27 2006 ~~and thereafter~~ through fiscal year 2009 one cent (\$0.01) shall be available for general
28 revenue.

29 (2) All deposits and transfers of funds made by the tax administrator under this section,
30 including those to the Rhode Island public transit authority, the department of elderly affairs and
31 the general fund, shall be made within twenty-four (24) hours of receipt or previous deposit of the
32 funds in question.

33 (3) Commencing in fiscal year 2004, the Director of the Rhode Island Department of
34 Transportation is authorized to remit, on a monthly or less frequent basis as shall be determined

1 by the Director of the Rhode Island Department of Transportation, or his or her designee, or at the
2 election of the Director of the Rhode Island Department of Transportation, with the approval of
3 the Director of the Department of Administration, to an indenture trustee, administrator, or other
4 third party fiduciary, in an amount not to exceed two cents (\$0.02) per gallon of the gas tax
5 imposed, in order to satisfy debt service payments on aggregate bonds issued pursuant to a Joint
6 Resolution and Enactment Approving the Financing of Various Department of Transportation
7 Projects adopted during the 2003 session of the General Assembly, and approved by the
8 Governor.

9 (b) Notwithstanding any other provision of law to the contrary, all other funds in the
10 fund shall be dedicated to the department of transportation, subject to annual appropriation by the
11 general assembly. The director of transportation shall submit to the general assembly, budget
12 office and office of the governor annually an accounting of all amounts deposited in and credited
13 to the fund together with a budget for proposed expenditures for the succeeding fiscal year in
14 compliance with §§ 35-3-1 and 35-3-4. On order of the director of transportation, the state
15 controller is authorized and directed to draw his or her orders upon the general treasurer for the
16 payments of any sum or portion of the sum that may be required from time to time upon receipt
17 of properly authenticated vouchers.

18 (c) At any time the amount of the fund is insufficient to fund the expenditures of the
19 department of transportation, not to exceed the amount authorized by the general assembly, the
20 general treasurer is authorized, with the approval of the governor and the director of
21 administration, in anticipation of the receipts of monies enumerated in § 31-36-20 to advance
22 sums to the fund, for the purposes specified in § 31-36-20, any funds of the state not specifically
23 held for any particular purpose. However, all the advances made to the fund shall be returned to
24 the general fund immediately upon the receipt by the fund of proceeds resulting from the receipt
25 of monies to the extent of the advances.

26 SECTION 2. Section 23-17-38.1 of the General Laws in Chapter 23-17 entitled
27 "Licensing of Health Care Facilities" is hereby amended to read as follows:

28 **23-17-38.1. Hospitals – Licensing fee.** -- ~~(a) There is imposed a hospital licensing fee at~~
29 ~~the rate of three and forty eight hundredths percent (3.48%) upon the net patient services revenue~~
30 ~~of every hospital for the hospital's first fiscal year ending on or after January 1, 2006. This~~
31 ~~licensing fee shall be administered and collected by the tax administrator, division of taxation~~
32 ~~within the department of administration, and all the administration, collection and other~~
33 ~~provisions of chapters 50 and 51 of title 14 shall apply. Every hospital shall pay the licensing fee~~
34 ~~to the tax administrator on or before July 14, 2008 and payments shall be made by electronic~~

1 ~~transfer of monies to the general treasurer and deposited to the general fund in accordance with §~~
2 ~~44-50-11. Every hospital shall, on or before June 16, 2008, make a return to the tax administrator~~
3 ~~containing the correct computation of net patient services revenue for the hospital fiscal year~~
4 ~~ending September 30, 2006, and the licensing fee due upon that amount. All returns shall be~~
5 ~~signed by the hospital's authorized representative, subject to the pains and penalties of perjury.~~

6 ~~(b)~~(a) There is also imposed a hospital licensing fee at the rate of ~~four and seventy-eight~~
7 ~~hundredths percent (4.78%)~~ five and four hundred seventy-three thousandths percent (5.473%)
8 upon the net patient services revenue of every hospital for the hospital's first fiscal year ending on
9 or after January 1, 2007. This licensing fee shall be administered and collected by the tax
10 administrator, division of taxation within the department of administration, and all the
11 administration, collection and other provisions of chapter 50 and 51 of title 14 shall apply. Every
12 hospital shall pay the licensing fee to the tax administrator on or before July 13, 2009 and
13 payments shall be made by electronic transfer of monies to the general treasurer and deposited to
14 the general fund in accordance with § 44-50-11. Every hospital shall, on or before June 15, 2009,
15 make a return to the tax administrator containing the correct computation of net patient services
16 revenue for the hospital fiscal year ending September 30, 2007, and the licensing fee due upon
17 that amount. All returns shall be signed by the hospital's authorized representative, subject to the
18 pains and penalties of perjury.

19 (b) There is also imposed a hospital licensing fee at the rate of five and two hundred
20 thirty-seven thousandths percent (5.237%) upon the net patient services revenue of every hospital
21 for the hospital's first fiscal year ending on or after January 1, 2008. This licensing fee shall be
22 administered and collected by the tax administrator, division of taxation within the department of
23 administration, and all the administration, collection and other provisions of chapter 50 and 51 of
24 title 14 shall apply. Every hospital shall pay the licensing fee to the tax administrator on or before
25 July 12, 2010 and payments shall be made by electronic transfer of monies to the general
26 treasurer and deposited to the general fund in accordance with § 44-50-11. Every hospital shall,
27 on or before June 14, 2010, make a return to the tax administrator containing the correct
28 computation of net patient services revenue for the hospital fiscal year ending September 30,
29 2007, and the licensing fee due upon that amount. All returns shall be signed by the hospital's
30 authorized representative, subject to the pains and penalties of perjury.

31 (c) For purposes of this section the following words and phrases have the following
32 meanings:

33 (1) "Hospital" means a person or governmental unit duly licensed in accordance with
34 this chapter to establish, maintain, and operate a hospital, except a hospital whose primary service

1 and primary bed inventory are psychiatric.

2 (2) "Gross patient services revenue" means the gross revenue related to patient care
3 services.

4 (3) "Net patient services revenue" means the charges related to patient care services less
5 (i) charges attributable to charity care, (ii) bad debt expenses, and (iii) contractual allowances.

6 (d) The tax administrator shall make and promulgate any rules, regulations, and
7 procedures not inconsistent with state law and fiscal procedures that he or she deems necessary
8 for the proper administration of this section and to carry out the provisions, policy and purposes
9 of this section.

10 (e) The licensing fee imposed by this section shall be in addition to the inspection fee
11 imposed by § 23-17-38 and to any licensing fees previously imposed in accordance with § 23-17-
12 38.1.

13 SECTION 3. Chapter 44-50 of the General Laws entitled "Health Care Provider
14 Assessment Act" is hereby repealed in its entirety.

15 ~~CHAPTER 44-50~~

16 ~~Health Care Provider Assessment Act~~

17 ~~**44-50-1. Short title.** -- This chapter shall be known as "The Health Care Provider
18 Assessment Act".~~

19 ~~**44-50-2. Definitions.** -- Except where the context otherwise requires, the following
20 words and phrases as used in this chapter shall have the following meaning:~~

21 ~~(1) "Administrator" means the tax administrator.~~

22 ~~(2) "Assessment" means the assessment imposed upon gross patient revenue pursuant to
23 this chapter.~~

24 ~~(3) "Gross patient revenue" means the gross amount received on a cash basis by the
25 provider from the provider's provision of twenty four (24) hour residential services for
26 individuals with developmental disabilities.~~

27 ~~(4) "Person" means any individual, corporation, company, association, partnership, joint
28 stock association, and the legal successor thereof.~~

29 ~~(5) "Provider" means a licensed facility or operator, including a government facility or
30 operator, subject to an assessment under this chapter.~~

31 ~~(6) "Residential services" means intermediate care facility services for the mentally
32 retarded and similar twenty four (24) hour residential services funded under a waiver of section
33 1915(e) of the federal Medicaid statute, 42 U.S.C. section 1396n(e), and furnished by providers
34 licensed in accordance with chapter 24 of title 40.1 to provide services to individuals with~~

1 ~~developmental disabilities. Semi-independent apartment programs and supported living~~
2 ~~arrangements are not considered residential services for the purposes of this chapter.~~

3 ~~(7) "Semi-independent apartment program" means a residential program in which~~
4 ~~services are provided on a less than twenty-four (24) hour a day basis. Semi-independent~~
5 ~~apartment programs are not licensed pursuant to chapter 24 of title 40.1.~~

6 ~~(8) "Supportive living arrangement" means a residential setting in which an individual or~~
7 ~~individuals with developmental disabilities reside in a private home with a person or persons to~~
8 ~~whom the individual(s) is not related by blood or marriage. Supportive living arrangements are~~
9 ~~not licensed pursuant to chapter 24 of title 40.1.~~

10 ~~**44-50-3. Imposition of assessment --- Residential services for individuals with**~~
11 ~~**developmental disabilities.** --- (a) An assessment is imposed upon the gross patient revenue~~

12 ~~received by every provider for the provision of residential services in each month beginning April~~
13 ~~1, 2003, at a rate of twenty-five percent (25%). Every provider shall pay the monthly assessment~~
14 ~~no later than the twenty-fifth (25th) day of each month following the month of receipt of gross~~
15 ~~patient revenue. Notwithstanding any other provisions of this chapter, no penalty or interest is~~
16 ~~imposed for failure to make timely payments of the assessments due for the months of April, May~~
17 ~~and June 2003; provided, that payment for those months are made within thirty (30) days notice~~
18 ~~from the tax administrator.~~

19 ~~(b) The tax administrator is directed to insure that the assessment rate established in~~
20 ~~subsection (a) of this section does not exceed the maximum rate of assessment that the laws of the~~
21 ~~United States and/or any rules, regulations, or standards issued under those laws, relating to~~
22 ~~health care provider assessments will allow without reduction in federal financial participation. In~~
23 ~~order to make that determination, the tax administrator shall apply the appropriate federal law~~
24 ~~and/or any rules, regulations, or standards relating to health care provider assessments.~~

25 ~~(c) If, after applying the applicable federal law and/or rules, regulations, or standards, the~~
26 ~~tax administrator determines that the assessment rate established in subsection (a) of this section~~
27 ~~exceeds the maximum rate of assessment that the federal law will allow without reduction in~~
28 ~~federal financial participation, then the tax administrator is directed to lower the assessment rate~~
29 ~~to a rate which is equal to the maximum rate which the federal law will allow without reduction~~
30 ~~in federal participation. The authority of the tax administrator to lower the assessment rate~~
31 ~~established in subsection (a) of this section shall be limited solely to a determination that the~~
32 ~~assessment rate in subsection (a) of this section exceeds that which is allowed without reduction~~
33 ~~in federal financial participation, under the laws of the United States and/or any rules, regulations,~~
34 ~~or standards issued under this law, relating to health care provider assessments.~~

1 ~~-(d) In order that the tax administrator may properly carry out the duties under this~~
2 ~~section, the director of the department of human services is directed to keep the tax administrator~~
3 ~~informed of any changes in federal law and/or any rules, regulations, or standards issued under~~
4 ~~this law that affect rates under health care provider assessments.~~

5 ~~**44-50-4. Returns.** -- (a) Every provider shall on or before the twenty fifth (25th) day of~~
6 ~~the month following the month of receipt of gross patient revenue make a return to the tax~~
7 ~~administrator.~~

8 ~~-(b) The tax administrator shall adopt rules, pursuant to this chapter, relative to the form~~
9 ~~of the return and the data which it must contain for the correct computation of gross patient~~
10 ~~revenue and the assessment upon such amount. All returns shall be signed by the provider or by~~
11 ~~its authorized representative, subject to the pains and penalties of perjury. If the return shows an~~
12 ~~overpayment of the assessment due, the tax administrator shall refund or credit the overpayment~~
13 ~~to the provider.~~

14 ~~-(c) For good cause, the tax administrator may extend the time within which a provider is~~
15 ~~required to file a return, and if the return is filed during the period of extension no penalty or late~~
16 ~~filing charge may be imposed for failure to file the return at the time required by this chapter, but~~
17 ~~the provider shall be liable for interest from the date on which the assessment would have been~~
18 ~~due without extension until the date of payment. Failure to file the return during the period for the~~
19 ~~extension shall void the extension.~~

20 ~~**44-50-5. Setoff for delinquent assessments.** -- If a provider shall fail to pay an~~
21 ~~assessment within thirty (30) days of its due date, the tax administrator may request any agency~~
22 ~~of state government making payments to the provider to set off the amount of the delinquency~~
23 ~~against any payment due the provider from the agency of state government and remit that sum to~~
24 ~~the tax administrator. Upon receipt of the setoff request from the tax administrator, any agency of~~
25 ~~state government is authorized and empowered to set off the amount of the delinquency against~~
26 ~~any payment or amounts due the provider. The amount of setoff is credited against the assessment~~
27 ~~due from the provider.~~

28 ~~**44-50-6. Assessment on available information -- Interest on delinquencies --**~~
29 ~~**Penalties -- Collection powers.** -- If any provider shall fail to file a return within the time~~
30 ~~required by this chapter, or shall file an insufficient or incorrect return, or shall not pay the~~
31 ~~assessment imposed by this chapter when it is due, the tax administrator shall assess upon the~~
32 ~~information as may be available, which shall be payable upon demand and shall bear interest at~~
33 ~~the annual rate provided by section 44-1-7 from the date when the assessment should have been~~
34 ~~paid. If any part of the assessment made is due to negligence or intentional disregard of the~~

1 ~~provisions of this chapter, a penalty of ten percent (10%) of the amount of the determination shall~~
2 ~~be added to the assessment. The tax administrator shall collect the assessment with interest in the~~
3 ~~same manner and with the same powers as are prescribed for collection of taxes in this title.~~

4 ~~**44-50-7. Claims for refund -- Hearing upon denial.** -- (a) Any provider, subject to the~~
5 ~~provisions of this chapter, may file a claim for refund with the tax administrator at any time~~
6 ~~within two (2) years after the assessment has been paid. If the tax administrator shall determine~~
7 ~~that the assessment has been overpaid, he or she shall make a refund with interest from the date of~~
8 ~~overpayment.~~

9 ~~(b) Any provider whose claim for refund has been denied may, within thirty (30) days~~
10 ~~from the date of the mailing by the tax administrator of the notice of the tax refund claim denial~~
11 ~~file a written request for hearing with the tax administrator and the tax administrator shall, as~~
12 ~~soon as practicable, set a time and place for the hearing and shall notify the provider. After~~
13 ~~hearing, the tax administrator shall issue a decision as to the correctness of the tax, interest and~~
14 ~~penalty.~~

15 ~~**44-50-8. Hearing by tax administrator on application.** -- Any provider aggrieved by~~
16 ~~the action of the tax administrator in determining the amount of any assessment or penalty~~
17 ~~imposed under the provisions of this chapter may apply to the tax administrator, in writing, within~~
18 ~~thirty (30) days after the notice of the action is mailed to it, for a hearing relative to the~~
19 ~~assessment or penalty. The tax administrator shall fix a time and place for the hearing and shall~~
20 ~~notify the provider. Upon the hearing the tax administrator shall correct manifest errors, if any,~~
21 ~~disclosed at the hearing and thereupon assess and collect the amount lawfully due together with~~
22 ~~any penalty or interest.~~

23 ~~**44-50-9. Appeals.** -- Appeals from administrative orders or decisions made pursuant to~~
24 ~~any provisions of this chapter shall be to the sixth division district court pursuant to chapter 8 of~~
25 ~~title 8. The provider's right to appeal under this section shall be expressly made conditional upon~~
26 ~~prepayment of all assessments, interest, and penalties unless the provider moves for and is~~
27 ~~granted an exemption from the prepayment requirement pursuant to section 8-8-26. If the court,~~
28 ~~after appeal, holds that the provider is entitled to a refund, the provider shall also be paid interest~~
29 ~~on the amount at the rate provided in section 44-1-7.1.~~

30 ~~**44-50-10. Provider records.** -- Every provider shall:~~

31 ~~(1) Keep such records as may be necessary to determine the amount of its liability under~~
32 ~~this chapter;~~

33 ~~(2) Preserve the records for the period of three (3) years following the date of filing of~~
34 ~~any return required by this chapter, or until any litigation or prosecution under this chapter is~~

1 ~~finally determined; and~~

2 ~~-(3) Make the records available for inspection by the tax administrator or his or her~~
3 ~~authorized agents, upon demand, at reasonable times during regular business hours.~~

4 ~~**44-50-11. Method of payment and deposit of assessment.** -- (a) The payments required~~
5 ~~by this chapter may be made by electronic transfer of money to the general treasurer and~~
6 ~~deposited to the general fund.~~

7 ~~-(b) The general treasurer is authorized to establish an account or accounts and to take all~~
8 ~~steps necessary to facilitate the electronic transfer of money. The general treasurer shall provide~~
9 ~~the tax administrator a record of any money transferred and deposited.~~

10 ~~**44-50-12. Rules and regulations.** -- The tax administrator shall make and promulgate~~
11 ~~rules, regulations, and procedures not inconsistent with state law and fiscal procedures as he or~~
12 ~~she deems necessary for the proper administration of this chapter and to carry out the provisions,~~
13 ~~policy, and purposes of this chapter.~~

14 ~~**44-50-13. Release of assessment information.** -- Notwithstanding any other provisions~~
15 ~~of the general laws, the tax administrator shall not be prohibited from providing assessment~~
16 ~~information to the director of the department of human services or his or her designee, with~~
17 ~~respect to the assessment imposed by this chapter; provided, that the director of the department of~~
18 ~~human services and his or her agents and employees may use or disclose the information only for~~
19 ~~purposes directly connected with the administration of the duties and programs of the department~~
20 ~~of human services.~~

21 ~~**44-50-14. Severability.** -- If any provision of this chapter or the application of this~~
22 ~~chapter to any person or circumstances is held invalid, that invalidity shall not affect other~~
23 ~~provisions or applications of the chapter, which can be given effect without the invalid provision~~
24 ~~or application, and to this end the provisions of this chapter are declared to be severable.~~

25 SECTION 4. Chapter 44-11 of the General Laws entitled "Business Corporation Tax" is
26 hereby amended by adding thereto the following section:

27 **44-11-44. Annual Rhode Island corporate income and tax data report.--** No later than
28 March 15, 2010 and every March 15th thereafter, the division of taxation shall annually submit a
29 report for the previous calendar year of Rhode Island corporate income and tax data by size of
30 federal taxable income to the chairpersons of the house finance committee and senate finance
31 committee, and the house fiscal advisor and the senate fiscal advisor. The report should be as
32 similar as practical to the business and income tax data for Rhode Island federal taxpayers issued
33 by the Statistics of Income Division of the Internal Revenue Service.

34 SECTION 5. Section 28-42-38 of the General Laws in Chapter 28-42 entitled

1 "Employment Security - General Provisions" is hereby amended to read as follows:

2 **28-42-38. Records and reports -- Confidentiality of information.** -- (a) Every
3 employer and every employing unit employing any person in employment in this state shall keep
4 true and accurate employment records of all persons employed by him or her, and of the weekly
5 hours worked for him or her by each, and of the weekly wages paid by him or her to each person;
6 and every employer and employing unit shall keep records containing any other information that
7 the director may prescribe. Those records shall at all times be available within this state and shall
8 be open to inspection by the director or his or her authorized representatives at any reasonable
9 time and as often as the director shall deem necessary.

10 (b) The director may require from any employer, or employing unit, employing any
11 person in this state, any reports covering persons employed by him or her, on employment,
12 wages, hours, unemployment, and related matters which the director deems necessary to the
13 effective administration of chapters 42 -- 44 of this title.

14 (c) (1) Information obtained, or information contained in other records of the department
15 obtained from any individual pursuant to the administration of those chapters, shall be held
16 confidential by the director and shall not be published or be open to public inspection in any
17 manner revealing the individual's or employing unit's identity, but any claimant at a hearing
18 provided for in those chapters shall be supplied with information from those records of the extent
19 necessary for the proper presentation of his or her claim. Any department employee guilty of
20 violating this provision shall be subject to the penalties provided in chapters 42 -- 44 of this title;
21 provided, that nothing contained in this subsection shall be construed to prevent:

22 (i) The director, or any qualified attorney whom the director has designated to represent
23 him or her in any court of this state, or the attorney general, from making any record, report, or
24 other information referred to in this section, available in any proceeding before any court of this
25 state in any action to which the director is a party;

26 (ii) The director from making any record, report, or other information referred to in this
27 section, available to any agency of this state or any agency of a political subdivision of this state
28 charged with the administration of public assistance within this state, or any of its political
29 subdivisions;

30 (iii) The director from making any record, report, or other information referred to in this
31 section available to the railroad retirement board or to employees of the Internal Revenue Service
32 in the performance of their public duties, and the director shall furnish, at the expense of the
33 railroad retirement board or the Internal Revenue Service, copies of those records, reports, or
34 other information referred to in this section;

1 (iv) The director from making available upon request and on a reimbursable basis, any
2 record, report, or other information referred to in this section to the federal Department of Health
3 and Human Services in accordance with the provisions of United States P.L. 100-485, Family
4 Support Act of 1988, or to the federal Department of Housing and Urban Development and to
5 authorized representatives of public housing agencies in accordance with the Stewart B.
6 McKinney Homeless Assistance Act, 42 U.S.C. section 11301 et seq.;

7 (v) The director from making available to the Division of Taxation upon request of the
8 tax administrator any record, report, or other information referred to in Title 28, Chapter 42 for
9 the purposes of compiling the annual unified economic development budget report and
10 performing the requirements under subsection 42-142-3(e); enforcing the provisions of Title 28,
11 Chapter 42; and/or performing any of its obligations under Title 44. The information received by
12 the Division of Taxation from the department of labor and training pursuant hereto pertaining to
13 an individual employer shall be held confidential and shall not be open to public inspection.
14 Nothing herein shall prohibit the disclosure of statistics and/or statistical data that do not disclose
15 the identity of individual employers and/or the contents of specific returns.

16 ~~(v)~~(vi) The director from making, and the director shall make, reports in the form and
17 containing any information that the federal Social Security Administration may from time to time
18 require, and complying with any provisions that the federal Social Security Administration may
19 from time to time find necessary to assure the correctness and verification of those reports. The
20 director shall make available, upon request, to any agency of the United States charged with the
21 administration of public works or assistance through public employment, the name, address,
22 ordinary occupation, and employment status of each recipient of unemployment compensation
23 and a statement of that recipient's rights to further compensation under that law;

24 ~~(vi)~~(vii) The director from conducting any investigations he or she deems relevant in
25 connection with these provisions;

26 ~~(vii)~~(viii) The director from conducting any investigations he or she deems relevant in
27 connection with the performance of his or her duties pursuant to the administration of the
28 chapters 29, 32, 33, 34, 36, 37 and 41 of this title, or from making any record, report, or other
29 information referred to in this section available to the Workers' Compensation Fraud Prevention
30 Unit for use in the performance of its duties under section 42-16.1-12; or

31 ~~(viii)~~(ix) The director from forwarding, and the director shall forward to the jury
32 commissioner, the names and addresses of all individuals who are receiving unemployment
33 compensation on a yearly basis in accordance with section 9-9-1(e).

34 (2) The director may publish in statistical form the results of any investigations without

1 disclosing the identity of the individuals involved.

2 SECTION 6. Sections 44-30.1-1, 44-30.1-3 and 44-30.1-4 of the General Laws in
3 Chapter 44-30.1 entitled "Setoff of Refund of Personal Income Tax" are hereby amended to read
4 as follows:

5 **44-30.1-1. Definitions.** -- (a) "Benefit overpayments and interest owed" means any
6 amount in excess of five hundred dollars (\$500) determined to be recoverable under the
7 provisions of chapters 39 – 44 of title 28.

8 (b) "Cash assistance benefit overpayments" means any amount of cash assistance
9 benefits which constitutes an overpayment of benefits under the provisions of ~~the Family~~
10 ~~Independence Act, chapter 5.1 of~~ the Rhode Island Works Program as previously established by
11 chapter 5.2 of title 40, and/or the predecessor family assistance programs, formerly known as the
12 Family Independence Program, as previously established by chapter 5.1 of title 40, and the Aid
13 to Families With Dependent Children program, as previously established by § 40-6-4, which
14 overpayment amount has been established by court order, by administrative hearing conducted by
15 the department of human services, or by written agreement between the department of human
16 services and the individual.

17 (c) "Claimant agency" means either:

18 (1) The department of human services, with respect (1) to past-due support which has
19 been assigned to the department of human services by public assistance and medical assistance
20 recipients or by the department for children, youth and families, (2) past-due support which it is
21 attempting to collect on behalf of any individual not eligible as a public assistance recipient, and
22 (3) cash assistance benefit overpayments or medical assistance benefit overpayments, as defined
23 herein; or

24 (2) The Rhode Island higher education assistance authority (RIHEAA), with respect to
25 obligations owed to that agency or to the state of Rhode Island by reason of default or failure to
26 pay student loans, health professions contract advances or scholarships or grant over-awards, or

27 (ii) The Rhode Island higher education assistance authority (RIHEAA), acting as agent
28 for the United States Department of Education or other student loan guarantee agencies in other
29 states which have negotiated a reciprocal arrangement with the RIHEAA for the setoff of refunds
30 of personal income taxes against defaulted loan obligations.

31 (3) The Rhode Island court administrative office, with respect to court costs, fines, and
32 restitution owed; or

33 (4) The department of labor and training with respect to benefit overpayments and
34 interest owed in excess of five hundred dollars (\$500).

1 (d) "Court costs owed" means any fines, fees, and/or court costs which have been
2 assessed pursuant to a criminal disposition by a judge of the district, family and superior courts,
3 including, but not limited to, those amounts assessed pursuant to chapters 20 and 25 of title 12
4 and those amounts assessed pursuant to title 31, including also those fines, fees, and/or court costs
5 assessed by the traffic tribunal or municipal court associated with motor vehicle violations which
6 have not been paid and which have been declared delinquent by the administrative judge of the
7 court making the assessment.

8 (e) "Debtor" means:

9 (1) Any individual who owes past-due support which has been assigned to the
10 department of human services by public assistance and medical assistance recipients or by the
11 department of children, youth and families, or owes past due support to any individual not
12 eligible as a public assistance recipient;

13 (2) Any individual who has obligations owed to RIHEAA or the state of Rhode Island,
14 the United States Department of Education or other states and agencies that have negotiated
15 reciprocal agreements with RIHEAA;

16 (3) Any individual who owes fines, fees, and/or court costs to the superior, family,
17 district courts and the traffic tribunal and municipal court associated with motor vehicle
18 violations;

19 (4) Any individual who owes restitution to any victim of any offense which has been
20 ordered by a judge of the district, family and superior courts pursuant to a disposition in a
21 criminal case and which has been made payable through the administrative office of state courts
22 pursuant to § 12-19-34 except that obligations discharged in bankruptcy shall not be included;

23 (5) Any individual who owes any sum in excess of five hundred dollars (\$500) for
24 benefit overpayments and interest to the department of labor and training determined to be
25 recoverable under the provisions of chapters 39-44 of title 28.

26 (6) Any individual who owes any sum of cash assistance benefit overpayments to the
27 department of human services.

28 (f) "Division" means the department of revenue, division of taxation.

29 (g) "Fines owed" means any fines, fees, and/or court costs which have been ordered
30 paid as a penalty in a criminal case by a judge of the district, family and superior courts and those
31 fines, fees, and/or court costs ordered paid by the traffic tribunal or municipal court for motor
32 vehicle violations as described in § 31-41.1-4 which have not been paid and which have been
33 declared delinquent by the administrative judge of the court making the assessment.

34 (h) "Medical assistance benefit overpayment" means any amount of medical assistance

1 benefits which constitutes an overpayment of medical assistance benefits. The department is
2 authorized to promulgate rules and regulations to provide for notice and hearing prior to the
3 income tax intercept by the department for income tax intercept for medical assistance benefits
4 overpaid to the recipient. The amount of overpayment of benefits may include the overpayment
5 of benefits due to the fact that the Medicaid recipient failed to pay the cost share obligation
6 lawfully imposed in accordance with Rhode Island law.

7 (i) "Medical assistance cost share arrearage" means any amount due and owing to the
8 department of human services as a result of a Medicaid recipient's failure to pay their cost share
9 obligation, including any amount due for a cost sharing obligation or medical assistance premium
10 obligation, imposed in accordance with Title 40, Chapter 8.4 of the Rhode Island General Laws.

11 ~~(h)~~(j) "Obligation owed" means the total amount owed by any individual on:

12 (1) Any guaranteed student loan or parent loan for undergraduate students for which
13 RIHEAA has had to pay the guarantee, or for which RIHEAA is acting as agent on behalf of the
14 United States Department of Education or other state cooperating agencies which have had to pay
15 a guarantee,

16 (2) Any contract fee advanced by either RIHEAA or the state of Rhode Island on behalf
17 of any individual participating in a health professions educational program for which payment has
18 not been made according to the terms of the contract, and

19 (3) Any amount of scholarship or grant funds which constitutes an over-award, whether
20 due to error or to the submission of false information, and for which repayment has been
21 demanded by the agency, but which has not been paid.

22 ~~(h)~~(k) "Past-due support" means the amount of court-ordered child support or
23 maintenance, child medical support or a spousal support order for a custodial parent having
24 custody of a minor child, which is overdue or otherwise in arrears, regardless of whether there is
25 an outstanding judgment for that amount, and whether the order for the support or maintenance
26 has been established by a court or by an administrative process authorized under the laws of any
27 state.

28 ~~(h)~~(l) "Refund" means the Rhode Island income tax refund which the division of taxation
29 determines to be due to a taxpayer.

30 ~~(h)~~(m) "Restitution owed" means any amount which has been ordered paid pursuant to
31 a criminal case disposition by a judge of the district, family and superior courts pursuant to
32 chapter 19 of title 12, which has not been paid and which has been declared delinquent by the
33 administrative judge of the court making the assessment.

34 **44-30.1-3. Collection of debts by setoff.** -- Within a time frame established by the

1 division of taxation, the claimant agency shall supply the information necessary relative to each
2 debtor owing the state money, and further, shall certify the amount of debt or debts owed to the
3 state by each debtor. Upon receiving notice from the claimant agency that a named debtor owes
4 past-due support, delinquent court costs, fines, or restitution or benefit overpayments and interest
5 owed, has obligations owed as described in § 44-30.1-1(g), ~~or~~ cash assistance benefit
6 overpayments, medical assistance benefit overpayments, or medical assistance cost share
7 arrearsages, the division of taxation shall determine whether any amount, as a refund of taxes paid,
8 is payable to the debtor, regardless of whether the debtor filed an income tax return as a married
9 or unmarried individual. If the division of taxation determines that any refund is payable, the
10 division of taxation shall set off the past-due support, delinquent court costs, fines or restitution or
11 benefit overpayments and interest owed, the obligation owed, ~~or~~ cash assistance benefit
12 overpayments, medical assistance benefit overpayments, or medical assistance cost share
13 arrearsages, the division of taxation shall against the debtor's refund and shall reduce the debtor's
14 refund by the amount so determined. The division of taxation shall transfer the amount of past-
15 due support, delinquent court costs, fines or restitution, or benefit overpayments and interest
16 owed, obligation owed, ~~or~~ cash assistance benefit overpayments, medical assistance benefit
17 overpayments, or medical assistance cost share arrearsages, set off against the debtor's refund to
18 the claimant agency or in the case of the United States Department of Education or other out-of-
19 state agencies, to Rhode Island higher education assistance authority (RIHEAA) as its agent. The
20 pendency of judicial proceedings to contest the setoff shall not stay nor delay the setoff and
21 transfer of refunds to the claimant agency. If the amount of the debtor's refund exceeds the
22 amount of the past-due support, delinquent court costs, fines, or restitution or benefit
23 overpayments and interest owed, obligation owed, ~~or~~ cash assistance benefit overpayments,
24 medical assistance benefit overpayments, or medical assistance cost share arrearsages, the division
25 of taxation shall refund the excess amount to the debtor. If in any instance with regard to the
26 debtor the division of taxation has received notice from more than one claimant agency, the claim
27 by the bureau of child support shall receive first priority, the obligations owed shall have second
28 priority, and the delinquent court costs, fines or restitution shall have third priority, the benefit
29 overpayments and interest owed the fourth priority and the cash assistance benefit overpayments
30 the fifth priority, and medical assistance benefit overpayments, or medical assistance cost share
31 arrearsages the sixth priority.

32 **44-30.1-4. Procedures for setoff and notification of a debtor.** -- (a) The division of
33 taxation shall prescribe the time or times at which the claimant agency must submit notices of
34 past-due support, the manner in which the notices must be submitted, and the necessary

1 information that must be contained in or accompany the notices. The division of taxation shall,
2 from time to time, determine the minimum amount of claim to which the setoff procedure may be
3 applied.

4 (b) Prior to submitting information relating to a debtor for purposes of setoff of the
5 debtor's income tax refund, the claimant agency shall provide written notice to each debtor, the
6 amount of past-due support, delinquent court costs, fines or restitution, or benefit overpayments
7 and interest owed, other obligation owed, ~~or~~ cash assistance benefit overpayments, medical
8 assistance benefit overpayments, or medical assistance cost share arrearages, the intention to set
9 off the amount owed against the refund, the debtor's right to an administrative hearing to contest
10 the setoff upon written request made within thirty (30) days of the mailing of the notice to the
11 debtor, the debtor's right to judicial review of the administrative hearing decision, the general
12 nature of the potential defenses available to the debtor, and, in general terms, the rights of non-
13 obligated spouses with respect to income tax refunds in the event a joint return is filed.

14 (c) At the time of the transfer of funds to a claimant agency as provided in this chapter,
15 the division of taxation shall notify the debtor whose refund is sought to be set off that the
16 transfer has been made. The notice shall state the name of the debtor, the amount of the past-due
17 support being claimed, the transfer of funds to the claimant agency, the amount of the refund in
18 excess of the amount claimed, if any. In the case of a joint refund, the notice shall also state the
19 name of a taxpayer-spouse named in the return, if any, against whom no past-due support,
20 delinquent court costs, fines or restitution, or benefit overpayments and interest owed, obligation
21 owed, ~~or~~ cash assistance benefit overpayments, medical assistance benefit overpayments, or
22 medical assistance cost share arrearages is claimed, the opportunity to request that the refund be
23 divided between the spouses by filing an amended income tax return in conformance with § 44-
24 30-11 showing each spouse's share of the tax and the contribution to the overpayment of tax
25 resulting in the refund.

26 (d) Upon receipt of funds transferred from the division of taxation, the claimant agency
27 deposits and holds the funds in an escrow account until final determination of setoff. Upon final
28 determination of the amount of the claim to be set off by: (1) default for failure to apply for a
29 hearing pursuant to subsection (b) of this section, or (2) decision of the hearing officer pursuant to
30 § 44-30.1-5, the claimant agency shall remove the account of the claim payment from the escrow
31 account, and credit the amount to the debtor's obligation. The pendency of judicial proceedings
32 pursuant to § 42-35-15 to review the administrative decision shall not stay nor delay the setoff,
33 transfer, and disbursement of the tax refund in question.

34 (e) With respect to setoff for past-due support, ~~or~~ cash assistance benefit overpayments,

1 [medical assistance benefit overpayments, or medical assistance cost share arrearages](#), the division
2 of taxation shall provide the debtor's address and social security number to the department of
3 human services.

4 (f) With respect to setoff for past-due support, the department of human services must
5 inform a non-public assistance custodial parent in advance if it will first apply any setoff amount
6 to be received from the division of taxation to satisfy past-due support assigned to it.

7 SECTION 7. Section 44-30-85 of the General Laws in Chapter 44-30 entitled "Personal
8 Income Tax" is hereby amended to read as follows:

9 **44-30-85. Additions to tax and civil penalties.** -- (a) *Failure to file tax returns or to*
10 *pay tax.* In the case of failure:

11 (1) To file the Rhode Island personal income tax return or the employer's withheld tax
12 return on or before the prescribed date, unless it is shown that the failure is due to reasonable
13 cause and not due to willful neglect, an addition to tax shall be made equal to five percent (5%) of
14 the tax required to be reported if the failure is for not more than one month, with an additional
15 five percent (5%) for each additional month or fraction thereof during which the failure
16 continues, not exceeding twenty-five percent (25%) in the aggregate. For this purpose, the
17 amount of tax required to be reported shall be reduced by an amount of the tax paid on or before
18 the date prescribed for payment and by the amount of any credit against the tax which may
19 properly be claimed upon the return;

20 (2) To pay the amount shown as tax on the personal income tax return [or the employer's](#)
21 [withheld tax return](#) on or before the prescribed date for payment of the tax (determined with
22 regard to any extension of time for payment) unless it is shown that the failure is due to
23 reasonable cause and not due to willful neglect, there shall be added to the amount shown as tax
24 on the return five-tenths percent (0.5%) of the amount of the tax if the failure is for not more than
25 one month, with an additional five-tenths percent (0.5%) for each additional month or fraction
26 thereof during which the failure continues, not exceeding twenty-five percent (25%) in the
27 aggregate; or

28 (3) To pay any amount in respect of any tax required to be shown on a return which is
29 not so shown, including an assessment made as a result of mathematical error, within ten (10)
30 days of the date of the notice and demand therefor, unless it is shown that the failure is due to
31 reasonable cause and not due to willful neglect, there shall be added to the amount of tax stated in
32 the notice and demand five-tenths percent (0.5%) of the amount of the tax if the failure is for not
33 more than one month, with an additional five-tenths percent (0.5%) for each additional month or
34 fraction thereof during which the failure continues, not exceeding twenty-five percent (25%) in

1 the aggregate.

2 (b) *Negligence.* If any part of a deficiency is due to negligence or intentional disregard
3 of the Rhode Island personal income tax law or rules or regulations under this section (but
4 without intent to defraud), five percent (5%) of that part of the deficiency shall be added to the
5 tax.

6 (c) *Fraud.* If any part of a deficiency is due to fraud, fifty percent (50%) of that part of
7 the deficiency shall be added to the tax. This amount shall be in lieu of any other additional
8 amounts imposed by subsections (a) and (b) of this section.

9 (d) *Determination of deficiency.* For purposes of subsections (b) and (c) of this section,
10 the amount shown as the tax by the taxpayer upon his or her return shall be taken into account in
11 determining the amount of the deficiency only if the return was filed on or before the last day
12 prescribed for the filing of the return, determined with regard to any extension of time for the
13 filing.

14 (e) *Failure to collect and pay over tax.* Any person required to collect, truthfully
15 account for, and pay over the Rhode Island personal income tax who willfully fails to collect the
16 tax or truthfully account for and pay over the tax or willfully attempts in any manner to evade or
17 defeat the tax or the payment thereof, shall, in addition to other penalties provided by law, be
18 liable to a civil penalty equal to the total amount of the tax evaded, or not collected, or not
19 accounted for and paid over.

20 (f) *Failure to file certain information returns.* In case of each failure to file an
21 information statement as required under authority of § 44-30-58(c) in respect of payments to
22 another person, unless it is shown that the failure is due to reasonable cause and not to willful
23 neglect, the person failing to file the required statement shall, upon notice and demand by the tax
24 administrator made in the same manner as for tax, pay a civil penalty of one dollar (\$1.00) for
25 each statement not so filed, but the total amount imposed on the delinquent person for all the
26 failures during any calendar year shall not exceed one thousand dollars (\$1,000).

27 (g) *Additions and penalties treated as tax.* The additions to the tax and civil penalties
28 provided by this section shall be paid upon notice and demand and shall be assessed, collected,
29 and paid in the same manner as taxes, except that any additional amount under subsection (a) of
30 this section, not attributable to a deficiency, may be assessed without regard to the restrictions of
31 § 44-30-81.

32 (h) *Bad checks.* If any check or money order in payment of any amount receivable
33 under this title is not duly paid, in addition to any other penalties provided by law, there shall be
34 paid as a penalty by the person who tendered the check, upon notice and demand by the tax

1 administrator or his or her delegate, in the same manner as tax, an amount equal to one percent
2 (1%) of the amount of the check, except that if the amount of the check is less than five hundred
3 dollars (\$500), the penalty under this section shall be five dollars (\$5.00). This subsection shall
4 not apply if the person tendered the check in good faith and with reasonable cause to believe that
5 it would be duly paid.

6 (i) "Person" defined. As used in this section, the term "person" includes an officer or
7 employee of a corporation, including a dissolved corporation, or a member or employee of a
8 partnership, who as an officer, employee, or member is under a duty to perform the act in respect
9 of which the violation occurs.

10 SECTION 8. Section 44-18-15 of the General Laws in Chapter 44-18 entitled "Sales and
11 Use Taxes - Liability and Computation" is hereby amended to read as follows:

12 **44-18-15. "Retailer" defined.** -- (a) "Retailer" includes:

13 (1) Every person engaged in the business of making sales at retail, including sales at
14 auction of tangible personal property owned by the person or others.

15 (2) Every person making sales of tangible personal property through an independent
16 contractor or other representative, if the retailer enters into an agreement with a resident of this
17 state, under which the resident, for a commission or other consideration, directly or indirectly
18 refers potential customers, whether by a link on an Internet website or otherwise, to the retailer,
19 provided the cumulative gross receipts from sales by the retailer to customers in the state who are
20 referred to the retailer by all residents with this type of an agreement with the retailer, is in excess
21 of five thousand dollars (\$5,000) during the preceding four (4) quarterly periods ending on the
22 last day of March, June, September and December. Such retailer shall be presumed to be
23 soliciting business through such independent contractor or other representative, which
24 presumption may be rebutted by proof that the resident with whom the retailer has an agreement
25 did not engage in any solicitation in the state on behalf of the retailer that would satisfy the nexus
26 requirement of the United States Constitution during such four (4) quarterly periods.

27 ~~(2)~~(3) Every person engaged in the business of making sales for storage, use, or other
28 consumption, or the business of making sales at auction of tangible personal property owned by
29 the person or others for storage, use, or other consumption.

30 ~~(3)~~(4) A person conducting a horse race meeting with respect to horses, which are
31 claimed during the meeting.

32 ~~(4)~~(5) Every person engaged in the business of renting any living quarters in any hotel,
33 rooming house, or tourist camp.

34 ~~(5)~~(6) Every person maintaining a business within or outside of this state who engages in

1 the regular or systematic solicitation of sales of tangible personal property in this state by means
2 of:

3 (i) Advertising in newspapers, magazines, and other periodicals published in this state,
4 sold over the counter in this state or sold by subscription to residents of this state, billboards
5 located in this state, airborne advertising messages produced or transported in the airspace above
6 this state, display cards and posters on common carriers or any other means of public conveyance
7 incorporated or operated primarily in this state, brochures, catalogs, circulars, coupons,
8 pamphlets, samples, and similar advertising material mailed to, or distributed within this state to
9 residents of this state;

10 (ii) Telephone;

11 (iii) Computer assisted shopping networks; and

12 (iv) Television, radio or any other electronic media, which is intended to be broadcast to
13 consumers located in this state.

14 (b) When the tax administrator determines that it is necessary for the proper
15 administration of chapters 18 and 19 of this title to regard any salespersons, representatives,
16 truckers, peddlers, or canvassers as the agents of the dealers, distributors, supervisors, employers,
17 or persons under whom they operate or from whom they obtain the tangible personal property
18 sold by them, irrespective of whether they are making sales on their own behalf or on behalf of
19 the dealers, distributors, supervisors, or employers, the tax administrator may so regard them and
20 may regard the dealers, distributors, supervisors, or employers as retailers for purposes of
21 chapters 18 and 19 of this title.

22 SECTION 9. Chapter 44-19 of the General Laws entitled "Sales and Use Taxes -
23 Enforcement and Collection" is hereby amended by adding thereto the following section:

24 **44-19-10.3. Electronic filing of sales tax returns. -- (a) Beginning on January 1, 2010,**
25 **any person required to collect and remit sales and use tax to the state of Rhode Island who had an**
26 **average monthly sales and use tax liability of two hundred dollars (\$200) or more per month for**
27 **the previous calendar year, shall remit said payments by electronic funds transfer or other**
28 **electronic means defined by the tax administrator. The tax administrator shall adopt rules**
29 **necessary to administer a program of electronic funds transfer or other electronic filing system.**

30 **(b) If any person fails to remit said taxes by electronic funds transfer or other electronic**
31 **means defined by the tax administrator as required hereunder, the amount of tax required to have**
32 **been electronically transferred shall be increased by the lesser of five percent (5%) of the amount**
33 **that was not so transferred or five hundred dollars (\$500), whichever is less, unless there was**
34 **reasonable cause for the failure and such failure was not due to negligence or willful neglect.**

1 (c) The tax administrator is authorized to waive the electronic filing requirement in a
2 given year a person who can show that filing electronically will cause undue hardship.

3 SECTION 10. Section 44-30-71 of the General Laws in Chapter 44-30 entitled "Personal
4 Income Tax" is hereby amended to read as follows:

5 **44-30-71. Requirement of withholding tax from wages.** -- (a) General. - Every
6 employer maintaining an office or transacting business within this state and making payment of
7 any wages subject to Rhode Island personal income tax to a resident or nonresident individual
8 shall deduct and withhold from the wages for each payroll period a tax computed in such manner
9 as to result, so far as practicable, in withholding from the employee's wages during each calendar
10 year an amount substantially equivalent to the tax reasonably estimated to be due resulting from
11 the inclusion in the employee's Rhode Island income of his or her wages received during the
12 calendar year. The method of determining the amount to be withheld shall be prescribed by
13 regulations of the tax administrator, with due regard to the withholding exemptions of the
14 employee.

15 (b) Withholding exemptions. - For purposes of this section:

16 (1) An employee shall be entitled to the equivalent of the same number of Rhode Island
17 withholding exemptions as the number of withholding exemptions to which he or she is entitled
18 for federal income tax withholding purposes. An employer may rely upon the number of federal
19 withholding exemptions claimed by the employee.

20 (2) The amount of the equivalent of each Rhode Island withholding exemption shall be
21 equal to and correspond to those set forth in 26 U.S.C. section 3402(b).

22 (c) Electronic filing. Any person required to withhold and remit tax under this section
23 with ten (10) or more employees must make the payments by electronic funds transfer or other
24 electronic means defined by the tax administrator. The tax administrator shall adopt rules
25 necessary to administer a program of electronic funds transfer or other electronic filing system.

26 (1) In the case of failure of a person required to deposit taxes by electronic funds transfer
27 or other electronic means defined by the tax administrator under the provisions of this section,
28 unless it is shown that such failure is due to reasonable cause and not due to willful neglect, there
29 shall be added to the amount shown as tax required to have electronically transferred five percent
30 (5%) of the amount or five hundred dollars (\$500) per required payment, whichever is less.

31 (2) The tax administrator is authorized to waive the electronic filing requirement in a
32 given year for persons who can show that filing electronically will cause undue hardship.

33 SECTION 11. Title 44 of the General Laws entitled "Taxation" is hereby amended by
34 adding thereto the following chapter:

1 CHAPTER 67

2 RECOGNITION OF INCOME FROM DISCHARGE OF BUSINESS INDEBTEDNESS

3 44-67-1. Recognition of income from discharge of business indebtedness. -- For
4 purposes of Rhode Island taxable income under Chapters 11, 14 and 30 of this title, the
5 recognition of income from the discharge of business indebtedness deferred under the American
6 Recovery and Reinvestment Act of 2009 for federal tax purposes, must be reported as a
7 modification increasing federal income for Rhode Island tax purposes in the year it occurred.
8 When claimed as income on a future federal tax return it may be reported as a modification
9 decreasing federal income for Rhode Island tax purposes to the extent it had been added back.

10 SECTION 12. Section 42-64.5-2 of the General Laws in Chapter 42-64.5 entitled "Jobs
11 Development Act" is hereby amended to read as follows:

12 42-64.5-2. Definitions. -- As used in this chapter, unless the context clearly indicates
13 otherwise:

14 (1) "Adjusted current employment" means, for any taxable year ending on or after July 1,
15 1995, the aggregate of the average daily number of full-time equivalent active employees
16 employed within the State by an eligible company and its eligible subsidiaries during each taxable
17 year.

18 (2) "Affiliated entity" means any corporation owned or controlled by the same persons or
19 shareholders who own or control an eligible company.

20 (3) "Base employment" means, except as otherwise provided in section 42-64.5-7, the
21 aggregate number of full-time equivalent active employees employed within the State by an
22 eligible company and its eligible subsidiaries on July 1, 1994, or at the election of the eligible
23 company, on an alternative date as provided by section 42-64.5-5. In the case of a manufacturing
24 company which is ruined by disaster, the aggregate number of full-time equivalent active
25 employees employed at the destroyed facility would be zero, under which circumstance the base
26 employment date shall be July 1 of the calendar year in which the disaster occurred. Only one
27 base employment period can be elected for purposes of a rate reduction by an eligible company.

28 (4) "Disaster" means an occurrence, natural or otherwise, which results in the destruction
29 of sixty percent (60%) or more of an operating manufacturing business facility in this state,
30 thereby making the production of products by the eligible company impossible and as a result
31 active employees of the facility are without employment in that facility. However, disaster does
32 not include any damage resulting from the willful act of the owner(s) of the manufacturing
33 business facility.

34 (5) "Eligible company" means any corporation, state bank, federal savings bank, trust

1 company, national banking association, bank holding company, loan and investment company,
2 mutual savings bank, credit union, building and loan association, insurance company, investment
3 company, broker-dealer company, manufacturing company, telecommunications company or
4 surety company or an eligible subsidiary of any of the foregoing. An eligible company does not
5 have to be in existence, be qualified to do business in the state or have any employees in this state
6 at the time its base employment is determined.

7 (6) "Eligible subsidiary" means each corporation eighty percent (80%) or more of the
8 outstanding common stock of which is owned by an eligible company.

9 (7) "Full-time equivalent active employee" means any employee of an eligible company
10 who: (1) works a minimum of thirty (30) hours per week within the State, or two (2) or more part-
11 time employees whose combined weekly hours equal or exceed thirty (30) hours per week within
12 the State; and (2) earns no less than one hundred fifty percent (150%) of the hourly minimum
13 wage prescribed by Rhode Island law; provided, however, for tax years ending after the later of
14 July 1, 2003 and the first tax year that an eligible company qualifies for a rate reduction pursuant
15 to section 42-64.5-3, for purposes of this section, one hundred fifty percent (150%) of the hourly
16 minimum wage prescribed by Rhode Island law shall mean one hundred fifty percent (150%) of
17 the hourly minimum wage prescribed by Rhode Island law at: (a) the time the employee was first
18 treated as a full-time equivalent active employee during a tax year that the eligible company
19 qualified for a rate reduction pursuant to section 42-64.5-3, or, if later, (b) the time the employee
20 first earned at least one hundred fifty percent (150%) of the hourly minimum wage prescribed by
21 Rhode Island law as an employee of the eligible company. For eligible companies qualifying on
22 or after July 1, 2009 for a rate reduction pursuant to section 42-64.5-3, the term "full-time
23 equivalent active employee" means any employee of an eligible company who: (1) works a
24 minimum of thirty (30) hours per week within the state; (2) earns healthcare insurance benefits,
25 and retirement benefits; and (3) earns no less than two hundred fifty percent (250%) of the hourly
26 minimum wage prescribed by Rhode Island law at the later of : (i) the time the employee was first
27 treated as a full-time equivalent active employee during a tax year that the eligible company
28 qualified for a rate reduction pursuant to section 42-64.5-3; or (ii) the time the employee first
29 earned at least two hundred fifty percent (250%) of the hourly minimum wage prescribed by
30 Rhode Island law as an employee of the eligible company. For eligible companies qualifying
31 before July 1, 2009 for a rate reduction pursuant to section 42-64.5-3, any new "full-time
32 equivalent active employee", who replaces an existing "full-time equivalent active employee",
33 shall meet the following standards to remain eligible: (1) works a minimum of thirty (30) hours
34 per week within the state; (2) earns healthcare insurance benefits, and retirement benefits; and (3)

1 earns no less than two hundred fifty percent (250%) of the hourly minimum wage prescribed by
2 Rhode Island law at the later of: (i) the time the employee was first treated as a full-time
3 equivalent active employee during a tax year that the eligible company qualified for a rate
4 reduction pursuant to section 42-64.5-3; or (ii) the time the employee first earned at least two
5 hundred fifty percent (250%) of the hourly minimum wage prescribed by Rhode Island law as an
6 employee of the eligible company.

7 (8) "Initial new employment level" means the number of units of new employment
8 reported by an eligible company in 1997, or, if applicable, the third taxable year following the
9 base employment period election set forth in section 42-64.5-5.

10 (9) (i) "New employment" means for each taxable year the amount of adjusted current
11 employment for each taxable year minus the amount of base employment, but in no event less
12 than zero; provided, however, no eligible company is permitted to transfer, assign or hire
13 employees who are already employed within the State by such eligible company from itself or
14 any affiliated entity or utilize any other artifice or device for the purpose of artificially creating
15 new employees in order to qualify for the rate reduction provided for in this chapter.

16 (ii) Except as provided in section 42-64.5-7, "new employment" shall not include
17 employees already employed in this state who become employees of an eligible company as a
18 result of an acquisition of an existing company by purchase, merger, or otherwise, if the existing
19 company was eligible for a rate reduction. In the case of a manufacturing company that suffers a
20 disaster, it shall mean any employment retained or added as the result of reconstruction of the
21 manufacturing facility.

22 (10) "Rate reduction" means the reduction in tax rate specified in section 42-64.5-4.

23 (11) "Small business concern" means, except as otherwise provided in section 42-64.5-7,
24 any eligible company which has a base employment level of less than one hundred (100);
25 provided, however, that a telecommunications company may not qualify as a small business
26 concern.

27 (12) "State" means the State of Rhode Island and Providence Plantations.

28 (13) "Telecommunications company" means any public service company or corporation
29 whose rate of taxation is determined under section 44-13-4(4).

30 (14) "Total employment" for an eligible company as of any date means the total number
31 of full-time equivalent active employees employed within the State by the eligible company and
32 its eligible subsidiaries on such date.

33 (15) "Units of new employment" means: (i) for eligible companies which are not small
34 business concerns, the amount of new employment divided by fifty (50), rounded down to the

1 nearest multiple of fifty (50), and (ii) for eligible companies which are small business concerns
2 the amount of new employment divided by ten (10), rounded down to the nearest multiple of ten
3 (10); provided, however, that an eligible company (other than an eligible company that is a
4 telecommunications company) with adjusted current employment of one hundred (100) or more
5 employees in its first year of operation or in any other period following the date its base
6 employment is determined shall determine its units of new employment by dividing the first one
7 hundred (100) employees less its base employment by ten (10), rounded down to the nearest
8 multiple of ten (10), and by dividing the number of additional employees in excess of one
9 hundred (100) by fifty (50), rounded down to the nearest multiple of fifty (50).

10 SECTION 13. Chapter 42-64.5 of the General Laws entitled "Jobs Development Act" is
11 hereby amended by adding thereto the following section:

12 **42-64.5-8. Reporting requirement.** – On or before September 1, 2009, and every
13 September 1 thereafter, all eligible companies qualifying for a rate reduction pursuant to section
14 42-64.5-3 shall file an annual report with the tax administrator. Said report shall contain each full-
15 time equivalent active employee's name, social security number, date of hire, and hourly wage as
16 of the immediately preceding July 1 and such other information deemed necessary by the tax
17 administrator. The report shall be filed on a form and in a manner prescribed by the tax
18 administrator.

19 SECTION 14. Section 44-22-1.1 of the General Laws in Chapter 44-22 entitled "Estate
20 and Transfer Taxes - Liability and Computation" is hereby amended to read as follows:

21 **44-22-1.1. Tax on net estate of decedent.** -- (a) (1) For decedents whose death occurs on
22 or after January 1, 1992, but prior to January 1, 2002, a tax is imposed upon the transfer of the net
23 estate of every resident or nonresident decedent as a tax upon the right to transfer. The tax is a
24 sum equal to the maximum credit for state death taxes allowed by 26 U.S.C. § 2011.

25 (2) For decedents whose death occurs on or after January 1, 2002, but prior to January 1,
26 2010 a tax is imposed upon the transfer of the net estate of every resident or nonresident decedent
27 as a tax upon the right to transfer. The tax is a sum equal to the maximum credit for state death
28 taxes allowed by 26 U.S.C. § 2011 as it was in effect as of January 1, 2001- ; provided, however,
29 that the tax shall be imposed only if the net taxable estate shall exceed six hundred seventy-five
30 thousand dollars (\$675,000). Any scheduled increase in the unified credit provided in 26 U.S.C. §
31 2010 in effect on January 1, 2001, or thereafter, shall not apply.

32 (3) For decedents whose death occurs on or after January 1, 2010, a tax is imposed upon
33 the transfer of the net estate of every resident or nonresident decedent as a tax upon the right to
34 transfer. The tax is a sum equal to the maximum credit for state death taxes allowed by 26 U.S.C.

1 section 2011 as it was in effect as of January 1, 2001; provided, however, that the tax shall be
2 imposed only if the net taxable estate shall exceed eight hundred and fifty thousand dollars
3 (\$850,000); provided, further, beginning on January 1, 2011 and each January 1 thereafter, said
4 amount shall be adjusted by the percentage of increase in the Consumer Price Index for all Urban
5 Consumers (CPI-U) as published by the United States Department of Labor Statistics determined
6 as of September 30 of the prior calendar year; said adjustment shall be compounded annually and
7 shall be rounded up to the nearest five dollar (\$5.00) increment. Any scheduled increase in the
8 unified credit provided in 26 U.S.C. section 2010 in effect on January 1, 2003, or thereafter, shall
9 not apply.

10 (b) If the decedent's estate contains property having a tax situs not within the state, then
11 the tax determined by this section is reduced to an amount determined by multiplying the tax by a
12 fraction whose numerator is the gross estate excluding all property having a tax situs not within
13 the state at the decedent's death and whose denominator is the gross estate. In determining the
14 fraction, no deductions are considered and the gross estate is not reduced by a mortgage or other
15 indebtedness for which the decedent's estate is not liable.

16 (c) The ~~term~~ terms "gross taxable estate", ~~or~~ "federal gross estate" or "net taxable estate"
17 used in this chapter or chapter 23 of this title has the same meaning as when used in a comparable
18 context in the laws of the United States, unless a different meaning is clearly required by the
19 provisions of this chapter or chapter 23 of this title. Any reference in this chapter or chapter 23 of
20 this title to the Internal Revenue Code or other laws of the United States means the Internal
21 Revenue Code of 1954, 26 U.S.C. § 1 et seq.

22 (2) For decedents whose death occurs on or after January 1, 2002, the ~~term~~ terms "gross
23 taxable estate" ~~or~~ "federal gross estate" or "net taxable estate" used in this chapter or chapter 23
24 of this title has the same meaning as when used in a comparable context in the laws of the United
25 States, unless a different meaning is clearly required by the provisions of this chapter or chapter
26 23 of this title. Any reference in this chapter or chapter 23 of this title to the Internal Revenue
27 Code or other laws of the United States means the Internal Revenue Code of 1954, 26 U.S.C.
28 section 1 et seq., as they were in effect as of January 1, 2001, unless otherwise provided.

29 (d) All values are as finally determined for federal estate tax purposes.

30 (e) Property has a tax situs within the state of Rhode Island:

31 (1) If it is real estate or tangible personal property and has actual situs within the state of
32 Rhode Island; or

33 (2) If it is intangible personal property and the decedent was a resident.

34 SECTION 15. Section 44-30-2.6 of the General Laws in Chapter 44-30 entitled "Personal

1 Income Tax" is hereby amended to read as follows:

2 **44-30-2.6. Rhode Island taxable income -- Rate of tax.** -- (a) "Rhode Island taxable
3 income" means federal taxable income as determined under the Internal Revenue Code, 26 U.S.C.
4 section 1 et seq., not including the increase in the basic standard deduction amount for married
5 couples filing joint returns as provided in the Jobs and Growth Tax Relief Reconciliation Act of
6 2003 and the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), and as
7 modified by the modifications in section 44-30-12.

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

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

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

33 (2) For the period January 1, 2007 through December 31, 2007, and thereafter, Rhode
34 Island taxable income shall be determined by deducting from federal adjusted gross income as

1 defined in 26 U.S.C. section 62 as modified by the modifications in section 44-30-12 the Rhode
2 Island itemized deduction amount and the Rhode Island exemption amount as determined in this
3 section.

4 (A) Tax imposed.

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

7 If taxable income is:	The tax is:
8 Not over \$53,150	3.75% of taxable income
9 Over \$53,150 but not over \$128,500	\$1,993.13 plus 7.00% of the 10 excess over \$53,150
11 Over \$128,500 but not over \$195,850	\$7,267.63 plus 7.75% of the 12 excess over \$128,500
13 Over \$195,850 but not over \$349,700	\$12,487.25 plus 9.00% of the 14 excess over \$195,850
15 Over \$349,700	\$26,333.75 plus 9.90% of the 16 excess over \$349,700

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

19 If taxable income is:	The tax is:
20 Not over \$42,650	3.75% of taxable income
21 Over \$42,650 but not over \$110,100	\$1,599.38 plus 7.00% of the 22 excess over \$42,650
23 Over \$110,100 but not over \$178,350	\$6,320.88 plus 7.75% of the 24 excess over \$110,100
25 Over \$178,350 but not over \$349,700	\$11,610.25 plus 9.00% of the 26 excess over \$178,350
27 Over \$349,700	\$27,031.75 plus 9.90% of the 28 excess over \$349,700

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

32 If taxable income is:	The tax is:
33 Not over \$31,850	3.75% of taxable income
34 Over \$31,850 but not over \$77,100	\$1,194.38 plus 7.00% of the

1		excess over \$31,850
2	Over \$77,100 but not over \$160,850	\$4,361.88 plus 7.75% of the
3		excess over \$77,100
4	Over \$160,850 but not over \$349,700	\$10,852.50 plus 9.00% of the
5		excess over \$160,850
6	Over \$349,700	\$27,849.00 plus 9.90% of the
7		excess over \$349,700

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

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

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

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

32 (6) Adjustments for inflation.

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

34 (a) Such dollar amount contained in paragraph (A) in the year 1993, multiplied by;

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

5 (B) Maximum capital gains rates

6 (1) In general

7 If a taxpayer has a net capital gain for ~~any taxable year~~ tax years ending prior to January
8 1, 2010, the tax imposed by this section for such taxable year shall not exceed the sum of: (a) 2.5
9 % of the net capital gain as reported for federal income tax purposes under section 26 U.S.C.
10 1(h)(1)(a) and 26 U.S.C. 1(h)(1)(b).

11 (b) 5% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.
12 1(h)(1)(c).

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

15 (d) 7% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.
16 1(h)(1)(e).

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

19 (C) Itemized deductions.

20 (1) In general

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

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

26 (3) Basic standard deduction. The Rhode Island standard deduction shall be allowed in
27 accordance with the following table:

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

33 (4) Additional standard deduction for the aged and blind. An additional standard
34 deduction shall be allowed for individuals age sixty-five (65) or older or blind in the amount of

1 \$1,300 for individuals who are not married and \$1,050 for individuals who are married.

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

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

8 In the case of:

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

12 The standard deduction shall be zero.

13 (7) Adjustments for inflation.

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

- 16 (a) Such dollar amount contained in paragraphs (3), (4) and (5) in the year 1988,
17 multiplied by
 - 18 (b) The cost-of-living adjustment determined under section (J) with a base year of 1988.
- 19 (D) Overall Limitation on Itemized Deductions
- 20 (1) General rule.

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

- 24 (a) Three percent (3%) of the excess of adjusted gross income as modified by section 44-
25 30-12 over the applicable amount; or
- 26 (b) Eighty percent (80%) of the amount of the itemized deductions otherwise allowable
27 for such taxable year.

28 (2) Applicable amount.

29 (a) In general.

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

32 (b) Adjustments for inflation.

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

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

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

2 (3) Phase-out of Limitation.

3 (a) In general.

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

7 (b) Applicable fraction.

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

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

11 2006 and 2007 $\frac{2}{3}$

12 2008 and 2009 $\frac{1}{3}$

13 (E) Exemption Amount

14 (1) In general.

15 Except as otherwise provided in this subsection, the term "exemption amount" mean
16 \$3,400.

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

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

21 (3) Adjustments for inflation.

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

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

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

25 (4) Limitation.

26 (a) In general.

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

29 (b) Applicable percentage.

30 In the case of any taxpayer whose adjusted gross income for the taxable year exceeds the
31 threshold amount, the exemption amount shall be reduced by two (2) percentage points for each
32 \$2,500 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year
33 exceeds the threshold amount. In the case of a married individual filing a separate return, the
34 preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In no event shall the

1 applicable percentage exceed one hundred percent (100%).

2 (c) Threshold Amount. For the purposes of this paragraph, the term "threshold amount"
3 shall be determined with the following table:

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

9 (d) Adjustments for inflation.

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

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

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

13 (5) Phase-out of Limitation.

14 (a) In general.

15 In the case of taxable years beginning after December 31, 2005, and before January 1,
16 2010, the reduction under section 4 shall be equal to the applicable fraction of the amount which
17 would be the amount of such reduction.

18 (b) Applicable fraction.

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

21	For taxable years beginning in calendar year The applicable fraction is
22	2006 and 2007 $\frac{2}{3}$
23	2008 and 2009 $\frac{1}{3}$

24 (F) Alternative Minimum Tax

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

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

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

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

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

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

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

34 (4) Taxable excess. - For the purposes of this subsection the term "taxable excess" means

1 so much of the federal alternative minimum taxable income as modified by the modifications in
2 section 44-30-12 as exceeds the exemption amount.

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

5 (6) Exemption amount.

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

7 Filing status Amount

8 Single \$39,150

9 Married filing jointly or qualifying widow(er) \$53,700

10 Married filing separately \$26,850

11 Head of Household \$39,150

12 Estate or trust \$24,650

13 (7) Treatment of unearned income of minor children

14 (a) In general.

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

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

18 (ii) \$6,000.

19 (8) Adjustments for inflation.

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

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

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

25 (9) Phase-out.

26 (a) In general.

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

30 (b) Threshold amount.

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

33 Filing status Amount

34 Single \$123,250

1 Married filing jointly or qualifying widow(er) \$164,350

2 Married filing separately \$82,175

3 Head of Household \$123,250

4 Estate or Trust \$82,150

5 (c) Adjustments for inflation

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

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

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

9 (G) Other Rhode Island Taxes

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

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

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

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

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

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

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

19 (I) Averaging of farm income

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

22 (a) The Federal averaging of farm income as determined in IRC section 1301. (J) Cost-
23 of-Living Adjustment

24 (1) In general.

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

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

27 (b) The CPI for the base year.

28 (2) CPI for any calendar year.

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

32 (3) Consumer Price Index

33 For purposes of paragraph (2), the term "consumer price index" means the last consumer
34 price index for all urban consumers published by the department of labor. For purposes of the

1 preceding sentence, the revision of the consumer price index which is most consistent with the
2 consumer price index for calendar year 1986 shall be used.

3 (4) Rounding.

4 (a) In general.

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

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

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

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

13 (2) Child and dependent care credit;

14 (3) General business credits;

15 (4) Credit for elderly or the disabled;

16 (5) Credit for prior year minimum tax;

17 (6) Mortgage interest credit;

18 (7) Empowerment zone employment credit;

19 (8) Qualified electric vehicle credit.

20 (L) Credit Against Tax for Adoption. - For tax years beginning on or after January 1,
21 2006, a taxpayer entitled to the federal adoption credit shall be entitled to a credit against the
22 Rhode Island tax imposed under this section if the adopted child was under the care, custody, or
23 supervision of the Rhode Island department of children, youth and families prior to the adoption.

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

31 (N) Rhode Island Earned Income Credit

32 (1) In general.

33 A taxpayer entitled to a federal earned income credit shall be allowed a Rhode Island
34 earned income credit equal to twenty-five percent (25%) of the federal earned income credit.

1 Such credit shall not exceed the amount of the Rhode Island income tax.

2 (2) Refundable portion. In the event the Rhode Island earned income credit allowed
3 under section (J) exceeds the amount of Rhode Island income tax, a refundable earned income
4 credit shall be allowed.

5 (a) For purposes of paragraph (2) refundable earned income credit means fifteen percent
6 (15%) of the amount by which the Rhode Island earned income credit exceeds the Rhode Island
7 income tax.

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

11 SECTION 16. Section 44-30-2.7 of the General Laws in Chapter 44-30 entitled "Personal
12 Income Tax" is hereby amended to read as follows:

13 **44-30-2.7. Capital gains rates for assets held more than five (5) years.** -- (a) All
14 capital assets purchased prior to January 1, 2002 and sold on or after January 1, 2007, shall be
15 deemed to have a holding period beginning January 1, 2002. For tax years beginning in 2007 and
16 ending prior to January 1, 2010, the capital gains rate for assets held more than five (5) years shall
17 be as follows:

18 (i) 0.83% of the net capital gain as reported for federal income tax purposes under 26
19 U.S.C. section 1(h)(1)(a) and 26 U.S.C. section 1(h)(1)(b).

20 (ii) 1.67% of the net capital gain as reported for federal income tax purposes under 26
21 U.S.C. section 1(h)(1)(c).

22 (iii) 2.08% of the net capital gain as reported for federal income tax purposes under 26
23 U.S.C. section 1(h)(1)(d).

24 (iv) 2.33% of the net capital gain as reported for federal income tax purposes under 26
25 U.S.C. section 1(h)(1)(e).

26 SECTION 17. Sections 1, 12, and 13 shall take effect on July 1, 2009. Section 2 shall take effect
27 on July 1, 2009 and shall apply to hospitals, as defined in Section 2, which are duly licensed on
28 July 1, 2009. The licensing fee imposed by Section 2 shall be in addition to the inspection fee
29 imposed by Section 23-17-38 and to any licensing fees previously imposed in accordance with
30 section 23-17-38.1. Section 3 shall take effect upon passage and apply to provider tax assessment
31 of gross patient revenues related to services provided after June 30, 2009, but shall not apply to
32 assessments of gross patient revenue due and payable to the State for services provided prior to
33 July 1, 2009. Section 10 shall take effect on January 1, 2010. Section 15 thru 17 shall take effect
34 upon passage and apply to tax years beginning on or after January 1, 2010. The remainder of the
35 article shall take effect upon passage.