

LC02374

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2002

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- THE RHODE ISLAND CARBON FUEL REDUCTION AND AIR POLLUTION CONTROL ACT

Introduced By: Representatives Naughton, and Henseler

Date Introduced: February 05, 2002

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 42 of the General Laws entitled "State Affairs and Government" is
2 hereby amended by adding thereto the following chapter:

3 CHAPTER 17.9

4 THE RHODE ISLAND CARBON FUEL REDUCTION AND AIR POLLUTION CONTROL
5 ACT

6 **42-17.9-1. Declaration of policy -- Purposes.** -- (a) The general assembly finds and
7 therefore declares that:

8 (1) the importation of fossil fuels from foreign nations has been the largest contributor of
9 national debt to the United States;

10 (2) the state of Rhode Island has no extractable fossil fuel resources within its borders;

11 (3) the continued reliance upon the importation of fossil fuels from foreign nations
12 during periodic political uncertainty places the national and local economies at risk;

13 (4) most respected climate researchers hold that several greenhouse gas emissions --
14 mainly carbon dioxide -- are responsible for a significant increase in global average temperatures
15 since the mid-1800's, and especially during the latter half of the twentieth (20th) century and
16 continuing to today;

17 (5) left unchecked, rising carbon-dioxide levels could push the earth's thermostat up by as
18 much as ten (10) degrees Fahrenheit by the year 2100, according to a 2001 assessment by the
19 United Nations intergovernmental panel on climate change's science working group;

1 (6) the International Kyoto Protocols Treaty of 1997, if ratified by the United States and
2 other nations, would require that industrial countries cut greenhouse gas emissions by an average
3 of 5.2 percent between 2008 and 2012;

4 (7) of eighty-seven (87) signatory nations to the Kyoto Protocols, the United States is the
5 single largest emitter of greenhouse gases, and as of January 1, 2002, has declined to ratify the
6 treaty.

7 (b) It is hereby declared to be the policy of the state of Rhode Island to vigorously pursue
8 means to actively reduce the dependence of the state upon the use of fossil fuels, to reduce carbon
9 dioxide and other greenhouse gas emissions and to cooperate with other states and agencies of the
10 federal government in promoting and coordinating efforts to achieve realization of this policy.

11 (c) To this end, there is hereby vested in the public utilities commission, the division of
12 public utilities and the department of environmental management, division of air resources to lead
13 a process of developing comprehensive fossil fuel and greenhouse gas reduction within the state
14 in compliance with the Kyoto Protocols of 1997, with a target of reducing greenhouse gas
15 emissions in Rhode Island by 5.2 percent by the year 2012. Comprehensive planning shall
16 include, but will not be limited to, tax incentives and other economic incentives for businesses
17 and individual residents in the state to adopt energy technologies that reduce or eliminate reliance
18 on fossil fuels and reduce carbon dioxide emissions.

19 SECTION 2. Section 44-18-30 of the General Laws in Chapter 44-18 entitled "Sales and
20 Use Taxes - Liability and Computation" is hereby amended to read as follows:

21 **44-18-30. Gross receipts exempt from sales and use taxes.** -- There are exempted from
22 the taxes imposed by this chapter the following gross receipts:

23 (1) Sales and uses beyond constitutional power of state. - From the sale and from the
24 storage, use, or other consumption in this state of tangible personal property the gross receipts
25 from the sale of which, or the storage, use, or other consumption of which, this state is prohibited
26 from taxing under the Constitution of the United States or under the constitution of this state.

27 (2) Newspapers. - (i) From the sale and from the storage, use, or other consumption in
28 this state of any newspaper.

29 (ii) "Newspaper" means an unbound publication printed on newsprint which contains
30 news, editorial comment, opinions, features, advertising matter, and other matters of public
31 interest.

32 (iii) "Newspaper" does not include a magazine, handbill, circular, flyer, sales catalog, or
33 similar item unless the item is printed for and distributed as a part of a newspaper.

34 (3) School meals. - From the sale and from the storage, use, or other consumption in this

1 state of meals served by public, private, or parochial schools, school districts, colleges,
2 universities, student organizations, and parent teacher associations to the students or teachers of a
3 school, college, or university whether the meals are served by the educational institutions or by a
4 food service or management entity under contract to the educational institutions.

5 (4) Containers. - (i) From the sale and from the storage, use, or other consumption in this
6 state of:

7 (A) Nonreturnable containers, including boxes, paper bags, and wrapping materials
8 which are biodegradable and all bags and wrapping materials utilized in the medical and healing
9 arts, when sold without the contents to persons who place the contents in the container and sell
10 the contents with the container.

11 (B) Containers when sold with the contents if the sale price of the contents is not
12 required to be included in the measure of the taxes imposed by this chapter.

13 (C) Returnable containers when sold with the contents in connection with a retail sale of
14 the contents or when resold for refilling.

15 (ii) As used in this subdivision, the term "returnable containers" means containers of a
16 kind customarily returned by the buyer of the contents for reuse. All other containers are
17 "nonreturnable containers."

18 (5) Charitable, educational, and religious organizations. - (i) From the sale to as in
19 defined in this section, and from the storage, use, and other consumption in this state or any other
20 state of the United States of America of tangible personal property by hospitals not operated for a
21 profit, "educational institutions" as defined in subdivision (18) not operated for a profit, churches,
22 orphanages, and other institutions or organizations operated exclusively for religious or charitable
23 purposes, interest free loan associations not operated for profit, nonprofit organized sporting
24 leagues and associations and bands for boys and girls under the age of nineteen (19) years, the
25 following vocational student organizations that are state chapters of national vocational students
26 organizations: distributive education clubs of America, (DECA); future business leaders of
27 America/phi beta lambda (FBLA/PBL); future farmers of America (FFA); future homemakers of
28 America/home economics related occupations (FHA/HERD); and vocational industrial clubs of
29 America (VICA), organized nonprofit golden age and senior citizens clubs for men and women,
30 and parent teacher associations.

31 (ii) In the case of contracts entered into with the federal government, its agencies or
32 instrumentalities, this state or any other state of the United States of America, its agencies, any
33 city, town, district, or other political subdivision of the states, hospitals not operated for profit,
34 educational institutions not operated for profit, churches, orphanages, and other institutions or

1 organizations operated exclusively for religious or charitable purposes, the contractor may
2 purchase such materials and supplies (materials and/or supplies are defined as those which are
3 essential to the project) that are to be utilized in the construction of the projects being performed
4 under the contracts without payment of the tax.

5 (iii) The contractor shall not charge any sales or use tax to any exempt agency,
6 institution, or organization but shall in that instance provide his or her suppliers with certificates
7 in the form as determined by the division of taxation showing the reason for exemption; and the
8 contractor's records must substantiate the claim for exemption by showing the disposition of all
9 property so purchased. If any property is then used for a nonexempt purpose, the contractor must
10 pay the tax on the property used.

11 (6) Gasoline. - From the sale and from the storage, use, or other consumption in this state
12 of: (i) gasoline and other products taxed under chapter 36 of title 31, and (ii) fuels used for the
13 propulsion of airplanes.

14 (7) Purchase for manufacturing purposes. - (i) From the sale and from the storage, use, or
15 other consumption in this state of computer software, tangible personal property, electricity,
16 natural gas, artificial gas, steam, refrigeration, and water, when the property or service is
17 purchased for the purpose of being manufactured into a finished product for resale, and becomes
18 an ingredient, component, or integral part of the manufactured, compounded, processed,
19 assembled, or prepared product, or if the property or service is consumed in the process of
20 manufacturing for resale computer software, tangible personal property, electricity, natural gas,
21 artificial gas, steam, refrigeration, or water.

22 (ii) "Consumed" means destroyed, used up, or worn out to the degree or extent that the
23 property cannot be repaired, reconditioned, or rendered fit for further manufacturing use.

24 (iii) "Consumed" includes mere obsolescence.

25 (iv) "Manufacturing" means and includes manufacturing, compounding, processing,
26 assembling, preparing, or producing.

27 (v) "Process of manufacturing" means and includes all production operations performed
28 in the producing or processing room, shop, or plant, insofar as the operations are a part of and
29 connected with the manufacturing for resale of tangible personal property, electricity, natural gas,
30 artificial gas, steam, refrigeration, or water and all production operations performed insofar as the
31 operations are a part of and connected with the manufacturing for resale of computer software.

32 (vi) "Process of manufacturing" does not mean or include administration operations such
33 as general office operations, accounting, collection, sales promotion, nor does it mean or include
34 distribution operations which occur subsequent to production operations, such as handling,

1 storing, selling, and transporting the manufactured products, even though the administration and
2 distribution operations are performed by or in connection with a manufacturing business.

3 (8) State and political subdivisions. - From the sale to, and from the storage, use, or other
4 consumption by, this state, any city, town, district, or other political subdivision of this state.
5 Every redevelopment agency created pursuant to chapter 31 of title 45 is deemed to be a
6 subdivision of the municipality wherein it is located.

7 (9) Food products. - (i) From the sale and the storage, use, or other consumption in this
8 state, subsequent to March 31, 1948, of food products for human consumption.

9 (ii) "Food products" includes, except as otherwise provided in this subdivision, cereals
10 and cereal products; milk and milk products, other than candy and confectionery, but including
11 ice cream; oleomargarine; meat and meat products; fish and fish products; eggs and egg products;
12 vegetables and vegetable products; fruit and fruit products, including pure fruit juices; spices,
13 condiments, and salt; sugar and sugar products other than candy and confectionery; coffee and
14 coffee substitutes; tea, cocoa, and cocoa products, other than candy and confectionery; and
15 noncarbonated and noneffervescent bottled waters sold for human consumption.

16 (iii) "Food products" does not include spirituous, malt, or vinous liquors; soft drinks,
17 sodas, or beverages that are ordinarily dispensed at bars or soda fountains or in connection
18 therewith; medicines, tonics, vitamins, and preparations in liquid, powdered, granular, tablet,
19 capsule, lozenge, or pill form, sold as dietary supplements or adjuncts, except when sold on the
20 prescription of a physician; or mineral and carbonated bottled waters and ice.

21 (iv) "Food products" also does not include meals served on or off the premises of the
22 retailer; or drinks or food furnished, prepared, or served for consumption at tables, chairs, or
23 counters, or from trays, glasses, dishes, or other tableware provided by the retailer.

24 (v) The sale of meals and other food products ordinarily sold for immediate consumption
25 on or off the premises of the retailer is a taxable sale even though the products are sold on a "take
26 out" or "to go" order, and are actually packaged or wrapped and taken from the premises.

27 (10) Medicines and drugs. - From the sale and from the storage, use, or other
28 consumption in this state, subsequent to March 31, 1948, of "medicines" and "drugs" as defined
29 in section 5-19-1, sold on prescriptions and proprietary medicines, popularly called patent
30 medicines, including, but not limited to, disposable or reusable devices, such as syringe infusers,
31 ambulatory drug delivery pumps and supplies used with these items which are sold on
32 prescription to individuals to be used by them to dispense or administer prescription drugs, and
33 related ancillary dressings and supplies used to dispense or administer prescription drugs.

34 (11) Prosthetic and orthopedic appliances. - From the sale and from the storage, use, or

1 other consumption in this state, subsequent to March 31, 1948, of crutches, artificial limbs,
2 dentures, spectacles and eyeglasses, artificial eyes, artificial hearing devices, and other prostheses
3 or orthopedic appliances, designed and purchased to be worn on the person of the owner or user.

4 (12) Coffins, caskets, and burial garments. - From the sale and from the storage, use, or
5 other consumption in this state of coffins or caskets, and shrouds or other burial garments which
6 are ordinarily sold by a funeral director as part of the business of funeral directing.

7 (13) Motor vehicles sold to nonresidents. - (i) From the sale, subsequent to June 30,
8 1958, of a motor vehicle to a bona fide nonresident of this state who does not register the motor
9 vehicle in this state, whether the sale or delivery of the motor vehicle is made in this state or at
10 the place of residence of the nonresident; provided, that a motor vehicle sold to a bona fide
11 nonresident whose state of residence does not allow a like exemption to its nonresidents is not
12 exempt from the tax imposed under section 44-18-20; provided, further, that in that event the
13 bona fide nonresident pays a tax to Rhode Island on the sale at a rate equal to the rate that would
14 be imposed in his or her state of residence not to exceed the rate that would have been imposed
15 under section 44-18-20. Notwithstanding any other provisions of law, a licensed motor vehicle
16 dealer shall add and collect the tax required under this subdivision and remit the tax to the tax
17 administrator under the provisions of chapters 18 and 19 of this title. Provided, further, that when
18 a Rhode Island licensed motor vehicle dealer is required to add and collect the sales and use tax
19 on the sale of a motor vehicle to a bona fide nonresident as provided in this section, the dealer in
20 computing the tax takes into consideration the law of the state of the nonresident as it relates to
21 the trade-in of motor vehicles.

22 (ii) The tax administrator, in addition to the provisions of sections 44-19-27 and 44-19-
23 28, may require any licensed motor vehicle dealer to keep records of sales to bona fide
24 nonresidents as the tax administrator deems reasonably necessary to substantiate the exemption
25 provided in this subdivision, including the affidavit of a licensed motor vehicle dealer that the
26 purchaser of the motor vehicle was the holder of, and had in his or her possession a valid out of
27 state motor vehicle registration or a valid out of state driver's license.

28 (iii) Any nonresident who registers a motor vehicle in this state within ninety (90) days
29 of the date of its sale to him or her is deemed to have purchased the motor vehicle for use,
30 storage, or other consumption in this state, and is subject to, and liable for the use tax imposed
31 under the provisions of section 44-18-20.

32 (14) Sales in public buildings by blind people. - From the sale and from the storage, use,
33 or other consumption in all public buildings in this state of all products or wares by any person
34 licensed under section 40-9-11.1.

1 (15) Air and water pollution control facilities. - From the sale, storage, use, or other
2 consumption in this state of tangible personal property or supplies acquired for incorporation into
3 or used and consumed in the operation of a facility, the primary purpose of which is to aid in the
4 control of the pollution or contamination of the waters or air of the state, as defined in chapter 12
5 of title 46 and chapter 25 of title 23, respectively, and which has been certified as approved for
6 that purpose by the director of environmental management. The director of environmental
7 management may certify to a portion of the tangible personal property or supplies acquired for
8 incorporation into those facilities or used and consumed in the operation of those facilities to the
9 extent that that portion has as its primary purpose the control of the pollution or contamination of
10 the waters or air of this state. As used in this subdivision, "facility" means any land, facility,
11 device, building, machinery, or equipment.

12 (16) Camps. - From the rental charged for living quarters, or sleeping or housekeeping
13 accommodations at camps or retreat houses operated by religious, charitable, educational, or
14 other organizations and associations mentioned in subdivision (5), or by privately owned and
15 operated summer camps for children.

16 (17) Certain institutions. - From the rental charged for living or sleeping quarters in an
17 institution licensed by the state for the hospitalization, custodial, or nursing care of human beings.

18 (18) Educational institutions. - From the rental charged by any educational institution for
19 living quarters, or sleeping or housekeeping accommodations or other rooms or accommodations
20 to any student or teacher necessitated by attendance at an educational institution. "Educational
21 institution" as used in this section means an institution of learning not operated for profit which is
22 empowered to confer diplomas, educational, literary, or academic degrees, which has a regular
23 faculty, curriculum, and organized body of pupils or students in attendance throughout the usual
24 school year, which keeps and furnishes to students and others records required and accepted for
25 entrance to schools of secondary, collegiate, or graduate rank, no part of the net earnings of which
26 inures to the benefit of any individual.

27 (19) Motor vehicle and adaptive equipment for persons with disabilities. - (i) From the
28 sale of: (A) special adaptations, (B) the component parts of the special adaptations, or (C) a
29 specially adapted motor vehicle; provided, that the owner furnishes to the tax administrator an
30 affidavit of a licensed physician to the effect that the specially adapted motor vehicle is necessary
31 to transport a family member with a disability or where the vehicle has been specially adapted to
32 meet the specific needs of the person with a disability. This exemption applies to not more than
33 one motor vehicle owned and registered for personal, noncommercial use.

34 (ii) For the purpose of this subsection the term "special adaptations" includes, but is not

1 limited to: wheelchair lifts; wheelchair carriers; wheelchair ramps; wheelchair securements; hand
2 controls; steering devices; extensions, relocations, and crossovers of operator controls; power
3 assisted controls; raised tops or dropped floors; raised entry doors; or alternative signaling
4 devices to auditory signals.

5 (iii) For the purpose of this subdivision the exemption for a "specially adapted motor
6 vehicle" means a use tax credit not to exceed the amount of use tax that would otherwise be due
7 on the motor vehicle, exclusive of any adaptations. The use tax credit is equal to the cost of the
8 special adaptations, including installation.

9 (20) Heating fuels. - From the sale and from the storage, use, or other consumption in
10 this state of every type of fuel used in the heating of homes and residential premises.

11 (21) Electricity and gas. - From the sale and from the storage, use, or other consumption
12 in this state of electricity and gas furnished for domestic use by occupants of residential premises.

13 (22) Manufacturing machinery and equipment. - (i) From the sale and from the storage,
14 use, or other consumption in this state of tools, dies, and molds, and machinery and equipment
15 (including replacement parts), and related items to the extent used in an industrial plant in
16 connection with the actual manufacture, conversion, or processing of tangible personal property,
17 or to the extent used in connection with the actual manufacture, conversion or processing of
18 computer software as that term is utilized in industry numbers 7371, 7372, and 7373 in the
19 standard industrial classification manual prepared by the technical committee on industrial
20 classification, office of statistical standards, executive office of the president, United States
21 bureau of the budget, as revised from time to time, to be sold, or that machinery and equipment
22 used in the furnishing of power to an industrial manufacturing plant. For the purposes of this
23 subdivision, the term "industrial plant" means a factory at a fixed location primarily engaged in
24 the manufacture, conversion, or processing of tangible personal property to be sold in the regular
25 course of business;

26 (ii) Machinery and equipment and related items are not deemed to be used in connection
27 with the actual manufacture, conversion, or processing of tangible personal property, or in
28 connection with the actual manufacture, conversion or processing of computer software as that
29 term is utilized in industry numbers 7371, 7372, and 7373 in the standard industrial classification
30 manual prepared by the technical committee on industrial classification, office of statistical
31 standards, executive office of the president, United States bureau of the budget, as revised from
32 time to time, to be sold to the extent the property is used in administration or distribution
33 operations;

34 (iii) Machinery and equipment and related items used in connection with the actual

1 manufacture, conversion, or processing of any computer software or any tangible personal
2 property which is not to be sold and which would be exempt under subdivision (7) or this
3 subdivision if purchased from a vendor or machinery and equipment and related items used
4 during any manufacturing, converting or processing function is exempt under this subdivision
5 even if that operation, function, or purpose is not an integral or essential part of a continuous
6 production flow or manufacturing process;

7 (iv) Where a portion of a group of portable or mobile machinery is used in connection
8 with the actual manufacture, conversion, or processing of computer software or tangible personal
9 property to be sold, as previously defined, that portion, if otherwise qualifying, is exempt under
10 this subdivision even though the machinery in that group is used interchangeably and not
11 otherwise identifiable as to use.

12 (23) Trade in value of motor vehicles. - From the sale and from the storage, use, or other
13 consumption in this state of so much of the purchase price paid for a new or used automobile as is
14 allocated for a trade in allowance on the automobile of the buyer given in trade to the seller or of
15 the proceeds applicable only to the motor vehicle as are received from an insurance claim as a
16 result of a stolen or damaged motor vehicle, or of the proceeds applicable only to the automobile
17 as are received from the manufacturer of automobiles for the repurchase of the automobile
18 whether the repurchase was voluntary or not towards the purchase of a new or used automobile
19 by the buyer; provided, that the proceeds from an insurance claim or repurchase is in lieu of the
20 benefit prescribed in section 44-18-21 for the total loss or destruction of the automobile; and
21 provided, further, that the tax has not been reimbursed as part of the insurance claim or
22 repurchase. For the purpose of this subdivision, the word "automobile" means a private passenger
23 automobile not used for hire and does not refer to any other type of motor vehicle.

24 (24) Precious metal bullion. - (i) From the sale and from the storage, use, or other
25 consumption in this state of precious metal bullion, substantially equivalent to a transaction in
26 securities or commodities.

27 (ii) For purposes of this subdivision, "precious metal bullion" means any elementary
28 precious metal which has been put through a process of smelting or refining, including, but not
29 limited to, gold, silver, platinum, rhodium, and chromium, and which is in a state or condition
30 that its value depends upon its content and not upon its form.

31 (iii) The term does not include fabricated precious metal which has been processed or
32 manufactured for some one or more specific and customary industrial, professional, or artistic
33 uses.

34 (25) [Deleted by P.L. 2000, ch. 109, section 48.]

1 (26) Commercial vessels. - From sales made to a commercial ship, barge, or other vessel
2 of fifty (50) tons burden or over, primarily engaged in interstate or foreign commerce, and from
3 the repair, alteration, or conversion of the vessels, and from the sale of property purchased for the
4 use of the vessels including provisions, supplies, and material for the maintenance and/or repair
5 of the vessels.

6 (27) Commercial fishing vessels. - From the sale and from the storage, use, or other
7 consumption in this state of vessels and other water craft which are in excess of five (5) net tons
8 and which are used exclusively for "commercial fishing", and the boats' nets, cables, tackle, and
9 other fishing equipment appurtenant to or used in connection with the commercial fishing of the
10 vessels. "Commercial fishing" means the taking or the attempting to take any fish, shellfish,
11 crustacea, or bait species with the intent of disposing of them for profit or by sale, barter, trade, or
12 in commercial channels. The term does not include subsistence fishing, i.e., the taking for
13 personal use and not for sale or barter; or sport fishing; but shall include vessels with a Rhode
14 Island party and charter boat license issued by the department of environmental management
15 pursuant to section 20-2-27.1 which meet the following criteria: (i) the operator must have a
16 current U.S.C.G. license to carry passengers for hire; (ii) U.S.C.G. vessel documentation in the
17 coast wide fishery trade; (iii) U.S.C.G. vessel documentation as to proof of Rhode Island home
18 port status or a Rhode Island boat registration to prove Rhode Island home port status; (iv) the
19 vessel must be used as a commercial passenger carrying fishing vessel to carry passengers for
20 fishing. The vessel must be able to demonstrate that at least fifty percent (50%) of its annual gross
21 income derives from charters or provides documentation of a minimum of one hundred (100)
22 charter trips annually; (v) the vessel must have a valid Rhode Island party and charter boat
23 license. The tax administrator shall implement the provisions of this subdivision by promulgating
24 rules and regulations relating thereto.

25 (28) Clothing and footwear. - From the sales of articles of clothing, including footwear,
26 intended to be worn or carried on or about the human body. For the purposes of this section,
27 "clothing or footwear" does not include special clothing or footwear primarily designed for
28 athletic activity or protective use and which is not normally worn except when so used; and sales
29 of wearing materials or any cloth made of natural or synthetic fibers and used for clothing
30 purposes.

31 (29) Water for residential use. - From the sale and from the storage, use, or other
32 consumption in this state of water furnished for domestic use by occupants of residential
33 premises.

34 (30) Bibles. - [Unconstitutional; see Ahlburn v. Clark, 728 A.2d 449 (R.I. 1999); see

1 Notes to Decisions.]From the sale and from the storage, use, or other consumption in the state of
2 any canonized scriptures of any tax exempt non profit religious organization including, but not
3 limited to, the Old Testament and the New Testament versions.

4 (31) Boats. - (i) From the sale of a boat or vessel to a bona fide nonresident of this state
5 who does not register the boat or vessel in this state, or document the boat or vessel with the
6 United States government at a home port within the state, whether the sale or delivery of the boat
7 or vessel is made in this state or elsewhere; provided, that the nonresident transports the boat
8 within thirty (30) days after delivery by the seller, outside the state for use thereafter solely
9 outside the state.

10 (ii) The tax administrator, in addition to the provisions of sections 44-19-17 and 44-19-
11 28, may require the seller of the boat or vessel to keep records of the sales to bona fide
12 nonresidents as the tax administrator deems reasonably necessary to substantiate the exemption
13 provided in this subdivision, including the affidavit of the seller that the buyer represented
14 himself or herself to be a bona fide nonresident of this state and of the buyer that he or she is a
15 nonresident of this state.

16 (32) Youth activities equipment. - From the sale, storage, use, or other consumption in
17 this state of items for not more than twenty dollars (\$20.00) each by nonprofit Rhode Island
18 eleemosynary organizations, for the purposes of youth activities which the organization is formed
19 to sponsor and support; and by accredited elementary and secondary schools for the purposes of
20 the schools or of organized activities of the enrolled students.

21 (33) Farm equipment. - From the sale and from the storage or use of machinery and
22 equipment used directly for commercial farming and agricultural production; including, but not
23 limited to, tractors, ploughs, harrows, spreaders, seeders, milking machines, silage conveyors,
24 balers, bulk milk storage tanks, trucks with farm plates, mowers, combines, irrigation equipment,
25 greenhouses and greenhouse coverings, graders and packaging machines, tools and supplies and
26 other farming equipment, including replacement parts, appurtenant to or used in connection with
27 commercial farming and tools and supplies used in the repair and maintenance of farming
28 equipment. "Commercial farming" means the keeping or boarding of five (5) or more horses or
29 the production within this state of agricultural products, including, but not limited to, field or
30 orchard crops, livestock, dairy, and poultry, or their products, where the keeping, boarding, or
31 production provides at least two thousand five hundred dollars (\$2,500) in annual gross sales to
32 the operator, whether an individual, a group, a partnership, or a corporation. This exemption
33 applies even if the same equipment is used for ancillary uses, or is temporarily used for a non-
34 farming or a non-agricultural purpose.

1 (34) Compressed air. - From the sale and from the storage, use, or other consumption in
2 the state of compressed air.

3 (35) Flags. - From the sale and from the storage, consumption, or other use in this state
4 of United States, Rhode Island or POW-MIA flags.

5 (36) Motor vehicle and adaptive equipment to certain veterans. - From the sale of a
6 motor vehicle and adaptive equipment to and for the use of a veteran with a service connected
7 loss of or the loss of use of a leg, foot, hand, or arm, or any veteran who is a double amputee,
8 whether service connected or not. The motor vehicle must be purchased by and especially
9 equipped for use by the qualifying veteran. Certificate of exemption or refunds of taxes paid is
10 granted under rules or regulations that the tax administrator may prescribe.

11 (37) Textbooks. - From the sale and from the storage, use, or other consumption in this
12 state of textbooks by an "educational institution" as defined in subdivision (18) and as well as any
13 educational institution within the purview of section 16-63-9(4) and used textbooks by any
14 purveyor.

15 (38) Tangible personal property and supplies used in on-site hazardous waste recycling,
16 reuse, or treatment. - From the sale, storage, use, or other consumption in this state of tangible
17 personal property or supplies used or consumed in the operation of equipment, the exclusive
18 function of which is the recycling, reuse, or recovery of materials (other than precious metals, as
19 defined in subdivision (24)(ii)) from the treatment of "hazardous wastes", as defined in section
20 23-19.1-4, where the "hazardous wastes" are generated in Rhode Island solely by the same
21 taxpayer and where the personal property is located at, in, or adjacent to a generating facility of
22 the taxpayer in Rhode Island. The taxpayer shall procure an order from the director of the
23 department of environmental management certifying that the equipment and/or supplies as used,
24 or consumed, qualify for the exemption under this subdivision. If any information relating to
25 secret processes or methods of manufacture, production, or treatment is disclosed to the
26 department of environmental management only to procure an order, and is a "trade secret" as
27 defined in section 28-21-10(b), it is not open to public inspection or publicly disclosed unless
28 disclosure is required under chapter 21 of title 28 or chapter 24.4 of title 23.

29 (39) Promotional and product literature of boat manufacturers. - From the sale and from
30 the storage, use, or other consumption of promotional and product literature of boat
31 manufacturers shipped to points outside of Rhode Island which either (i) accompany the product
32 which is sold, (ii) are shipped in bulk to out of state dealers for use in the sale of the product, or
33 (iii) are mailed to customers at no charge.

34 (40) Food items paid for by food stamps. - From the sale and from the storage, use, or

1 other consumption in this state of eligible food items payment for which is properly made to the
2 retailer in the form of U.S. government food stamps issued in accordance with the Food Stamp
3 Act of 1977, 7 U.S.C. section 2011 et seq., as amended.

4 (41) Transportation charges. - From the sale or hiring of motor carriers as defined in
5 section 39-12-2(1) to haul goods, when the contract or hiring cost is charged by a motor freight
6 tariff filed with the Rhode Island public utilities commission on the number of miles driven or by
7 the number of hours spent on the job.

8 (42) Trade in value of boats. - From the sale and from the storage, use, or other
9 consumption in this state of so much of the purchase price paid for a new or used boat as is
10 allocated for a trade in allowance on the boat of the buyer given in trade to the seller or of the
11 proceeds applicable only to the boat as are received from an insurance claim as a result of a stolen
12 or damaged boat, towards the purchase of a new or used boat by the buyer.

13 (43) Equipment used for research and development. - From the sale and from the
14 storage, use, or other consumption of equipment to the extent used for research and development
15 purposes by a qualifying firm. For the purposes of this subdivision, "qualifying firm" means a
16 business for which the use of research and development equipment is an integral part of its
17 operation, and "equipment" means scientific equipment, computers, software, and related items.

18 (44) Coins. - From the sale and from the other consumption in this state of coins having
19 numismatic or investment value.

20 (45) Farm structure construction materials. - Lumber, hardware and other materials used
21 in the new construction of farm structures, including production facilities such as, but not limited
22 to, farrowing sheds, free stall and stanchion barns, milking parlors, silos, poultry barns, laying
23 houses, fruit and vegetable storages, rooting cellars, propagation rooms, greenhouses, packing
24 rooms, machinery storage, seasonal farm worker housing, certified farm markets, bunker and
25 trench silos, feed storage sheds, and any other structures used in connection with commercial
26 farming.

27 (46) Telecommunications carrier access service. - Carrier access service or
28 telecommunications service when purchased by a telecommunications company from another
29 telecommunications company to facilitate the provision of telecommunications service.

30 (47) Boats or vessels brought into the state exclusively for winter storage, maintenance,
31 repair or sale. - Notwithstanding the provisions of sections 44-18-10, 44-18-11, 44-18-20, the tax
32 imposed by section 44-18-20 is not applicable for the period commencing on the first day of
33 October in any year to and including the 30th day of April next succeeding with respect to the use
34 of any boat or vessel within this state exclusively for purposes of: (i) delivery of the vessel to a

1 facility in this state for storage, including dry storage and storage in water by means of apparatus
2 preventing ice damage to the hull, maintenance, or repair; (ii) the actual process of storage,
3 maintenance, or repair of the boat or vessel; or (iii) storage for the purpose of selling the boat or
4 vessel.

5 (48) Jewelry display product. - From the sale and from the storage, use, or other
6 consumption in this state of tangible personal property used to display any jewelry product;
7 provided, that title to the jewelry display product is transferred by the jewelry manufacturer or
8 seller and that the jewelry display product is shipped out of state for use solely outside the state
9 and is not returned to the jewelry manufacturer or seller.

10 (49) Boats or vessels generally. - Notwithstanding the provisions of this chapter, the tax
11 imposed by sections 44-18-20 and 44-18-18 shall not apply with respect to the sale and to the
12 storage, use, or other consumption in this state of any new or used boat. Provided, that the
13 exemption provided for in this subdivision does not apply after October 1, 1993 unless prior to
14 October 1, 1993 the federal ten percent (10%) surcharge on luxury boats is repealed.

15 (50) Banks and Regulated investment companies interstate toll-free calls. -
16 Notwithstanding the provisions of this chapter, the tax imposed by this chapter does not apply to
17 the furnishing of interstate and international, toll-free terminating telecommunication service that
18 is used directly and exclusively by or for the benefit of an eligible company as defined in this
19 subdivision; provided, further, that an eligible company employs on average during the calendar
20 year no less than five hundred (500) full-time equivalent employees as that term is defined in
21 section 42-64.5-2. For purposes of this section, an "eligible company" means a "regulated
22 investment company" as that term is defined in the Internal Revenue Code of 1986, 26 U.S.C.
23 section 1 et seq., as amended, or a corporation to the extent the service is provided, directly or
24 indirectly, to or on behalf of a regulated investment company, an employee benefit plan, a
25 retirement plan or a pension plan or a state chartered bank.

26 (51) Mobile and manufactured homes generally. - From the sale and from the storage,
27 use, or other consumption in this state of mobile and/or manufactured homes as defined and
28 subject to taxation pursuant to the provisions of chapter 44 of title 31.

29 (52) Alternative fuel motor vehicle fuels. ~~[Effective until January 1, 2003.]~~ From the
30 sale and from the storage, use, or other consumption in this state of alternative fuel motor vehicle
31 fuels, including, but not limited to, electricity, hydrogen and ethanol, as defined pursuant to the
32 Energy Policy Act of 1992 (P.L. 102-486, section 301 (42 U.S.C. section 13211)), ~~from January~~
33 ~~1, 1998 to December 31, 2002.~~

34 ~~(53) Alternative fueled vehicles. [Effective until January 1, 2003.] From the sale and~~

1 ~~from the storage, use or other consumption in this state, from January 1, 1998 to December 31,~~
2 ~~2002, of: (i) so much of the purchase price paid for a new dedicated alternative fueled vehicle as~~
3 ~~is allocated to the incremental cost of purchasing a new dedicated alternative fueled vehicle; or~~
4 ~~(ii) or so much of the purchase price paid for a converted gasoline or diesel fueled motor vehicle~~
5 ~~as is allocated to the cost of conversion; and (iii) all costs associated with the construction of~~
6 ~~filling stations dispensing alternative fuel and motor vehicle electric recharging stations.~~
7 ~~"Alternative fuel" and "alternative fueled vehicle" are defined pursuant to the Energy Policy Act~~
8 ~~of 1992 (P.L. 102-486, section 301 (42 U.S.C. section 13211)). "Incremental costs" means the~~
9 ~~increase to the sale price of an alternative fueled vehicle, above the sale price of a comparable~~
10 ~~motor vehicle similar in all other respects but for the equipment necessary to render it an~~
11 ~~alternative fueled vehicle, which increased sale price is attributable to the vehicle being equipped~~
12 ~~to render it an alternative fueled vehicle.~~

13 (54) Manufacturing business reconstruction materials. - (i) From the sale and from the
14 storage, use or other consumption in this state of lumber, hardware, and other building materials
15 used in the reconstruction of a manufacturing business facility which suffers a disaster, as defined
16 in this subdivision, in this state. "Disaster" means any occurrence, natural or otherwise, which
17 results in the destruction of sixty percent (60%) or more of an operating manufacturing business
18 facility within this state. Provided, that "disaster" does not include any damage resulting from the
19 willful act of the owner of the manufacturing business facility.

20 (ii) Manufacturing business facility includes, but is not limited to, the structures housing
21 the production and administrative facilities.

22 (iii) In the event a manufacturer has more than one manufacturing site in this state, the
23 sixty percent (60%) provision applies to the damages suffered at that one site.

24 (iv) To the extent that the cost of the reconstruction material are reimbursed by
25 insurance, this exemption does not apply.

26 (55) Tangible personal property and supplies used in the processing or preparation of
27 floral products and floral arrangements. - From the sale, storage, use, or other consumption in this
28 state of tangible personal property or supplies purchased by florists, garden centers, or other like
29 producers or vendors of flowers, plants, floral products, and natural and artificial floral
30 arrangements which are ultimately sold with flowers, plants, floral products, and natural and
31 artificial floral arrangements or are otherwise used in the decoration, fabrication, creation,
32 processing, or preparation of flowers, plants, floral products, or natural and artificial floral
33 arrangements, including descriptive labels, stickers, and cards affixed to the flower, plant, floral
34 product or arrangement, artificial flowers, spray materials, floral paint and tint, plant shine, flower

1 food, insecticide and fertilizers.

2 (56) Horse food products. - From the sale and from the storage, use, or other
3 consumption in this state of horse food products purchased by a person engaged in the business of
4 the boarding of horses.

5 (57) Hybrid gasoline-electric, fuel cell and other hydrogen or alternative fueled vehicles.

6 From the sale and from the storage, use or other consumption in this state of: (i) the purchase
7 price paid for a new hybrid gasoline-electric, fuel cell or other hydrogen fueled vehicles; or (ii) so
8 much of the purchase price paid for a converted gasoline or diesel-fueled motor vehicle as is
9 allocated to the cost of conversion; and (iii) all costs associated with the construction of motor
10 vehicle electric recharging stations or filling stations dispensing hydrogen fuel or other alternative
11 fuels. "Alternative fuel" and "alternative fueled vehicle" are defined pursuant to the Energy
12 Policy Act of 1992 (P.L. 102-486, section 301 (42 U.S.C. section 13211)).

13 (58) Alternative energy equipment for homes and businesses. From the sale and from the
14 storage, use or other consumption in this state of: (i) the purchase price and installation paid for
15 active solar hot water heating systems installed in homes or businesses; or (ii) the purchase price
16 and installation of photo-voltaic, wind generation, mini-hydroelectric or other systems that allow
17 on-site electrical generation in homes or businesses.

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

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO STATE AFFAIRS AND GOVERNMENT -- THE RHODE ISLAND CARBON
FUEL REDUCTION AND AIR POLLUTION CONTROL ACT

- 1 This act would create a new chapter directing DEM to develop plans for fossil fuel and
- 2 greenhouse gas reduction and would exempt from taxation certain alternative energy equipment.
- 3 This act would take effect upon passage.

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