



# **2010 Revenue Report**

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# 2010 Revenue Report – Summary

The following report provides information regarding the major revenue sources in Rhode Island that fund the General Revenue component of the State Budget. While the State receives resources from a wide variety of sources, such as Federal Funds, employment funds, and tuitions for higher education, these are not included in the following report.

For each major revenue item, the report provides insight into each source, discussing trends, rate structure, any major changes in the revenue source and comparisons with Massachusetts and Connecticut. The report is designed to serve as a quick reference guide to major revenue sources to the State.

In FY2010, the State is projected to collect \$2,946.4 million in taxes and other sources, which represents a 2.5% decline from FY2009. The last time total collections were less than \$3.0 billion was FY2004. Approximately 68.6% of all estimated FY2010 collections are generated through personal income, sales and lottery taxes. This has declined since FY2000, where these sources represented 70.3% of total collections. FY2010 personal income tax collections of \$919.2 million represent the largest single tax source to the State - approximately 31.2% of total collections. Sales tax collections, Rhode Island's second largest tax source, represent 25.5% of the State's collections. And the third largest source – lottery – represents approximately 11.9% of the State's total tax collections.

Fiscal Year	FY1990	FY2000	FY2009	FY2010 Nov REC Est.	FY2011 Nov REC Est.
<b>TAXES</b>					
Personal Income Tax	\$433,728,358	\$817,079,620	\$940,513,781	\$919,200,000	\$933,000,000
<b>GENERAL BUSINESS TAXES:</b>					
Business Corporations	\$64,428,973	\$75,741,799	\$104,436,811	\$94,100,000	\$100,000,000
Public Utilities Gross Earnings	\$66,312,767	\$73,011,717	126,664,890	120,000,000	121,000,000
Financial Institutions	\$9,683,373	\$7,683,012	2,901,945	2,000,000	1,000,000
Insurance Companies	\$37,094,985	\$31,324,916	78,016,930	80,000,000	82,400,000
Bank Deposits	\$9,974,023	\$947,979	1,802,796	1,800,000	1,800,000
Health Care Provider Assessments	\$0	\$24,641,523	46,030,570	34,900,000	34,700,000
Subtotal	\$187,494,121	\$213,350,946	\$359,853,942	\$332,800,000	\$340,900,000
<b>SALES AND USE TAXES:</b>					
Sales and Use	\$399,768,790	\$631,304,598	\$808,125,293	\$751,000,000	\$743,700,000
Motor Vehicle	\$29,443,630	\$42,960,129	47,925,805	48,600,000	48,100,000
Motor Fuel	\$74,067,260	\$641,041	1,325,034	1,000,000	1,000,000
Cigarettes	\$38,673,799	\$59,392,252	130,503,213	140,300,000	134,600,000
Alcohol	\$10,832,476	\$9,209,855	10,811,831	11,000,000	11,100,000
Marijuana Controlled Substances	\$1,044	\$165	0	0	0
Subtotal	\$552,786,999	\$743,508,040	\$998,691,176	\$951,900,000	\$938,500,000
<b>OTHER TAXES:</b>					
Inheritance and Gift	\$26,889,781	\$35,563,398	\$28,096,912	\$26,400,000	\$26,000,000
Racing & Athletics Tax	\$11,181,394	\$5,374,515	2,450,809	2,000,000	1,800,000
Realty Transfer	\$4,558,241	\$2,173,033	6,811,322	6,500,000	6,500,000
Subtotal	\$42,629,416	\$43,110,946	\$37,359,043	\$34,900,000	\$34,300,000
<b>TOTAL - Taxes</b>	<b>\$1,216,638,894</b>	<b>\$1,817,049,552</b>	<b>\$2,336,417,942</b>	<b>\$2,238,800,000</b>	<b>\$2,246,700,000</b>
<b>DEPARTMENTAL REVENUE</b>					
<b>TOTAL - Departmental Revenues</b>	<b>\$148,167,563</b>	<b>\$204,991,741</b>	<b>\$319,361,734</b>	<b>\$342,000,000</b>	<b>\$221,000,000</b>
<b>TOTAL - Taxes &amp; Departmentals</b>	<b>\$1,364,806,457</b>	<b>\$2,022,041,293</b>	<b>\$2,655,779,676</b>	<b>\$2,580,800,000</b>	<b>\$2,467,700,000</b>
<b>OTHER SOURCES</b>					
Gas Tax Transfers	\$0	\$15,040,727	\$4,327,710	\$0	\$0
Other Miscellaneous	\$79,415,750	\$83,412,911	17,739,819	8,500,000	4,500,000
Lottery	\$27,218,927	\$150,283,635	337,529,754	351,900,000	356,900,000
Unclaimed Property	\$4,351,835	\$3,520,488	8,044,126	5,200,000	5,300,000
<b>TOTAL - Other Sources</b>	<b>\$110,986,512</b>	<b>\$252,257,761</b>	<b>\$367,641,409</b>	<b>\$365,600,000</b>	<b>\$366,700,000</b>
<b>TOTAL- GENERAL REVENUE</b>	<b>\$1,475,792,969</b>	<b>\$2,274,299,054</b>	<b>\$3,023,421,085</b>	<b>\$2,946,400,000</b>	<b>\$2,834,400,000</b>



**Description:** Rhode Island imposes a Personal Income Tax on the income of every individual, estate and trust who earns income within the State. In general, the rate of tax is based on a taxpayer's federal taxable income.

Payments are due based on the following schedule:

- Final Payments are due by April 15 of the following calendar year;
- Withholding Payments are due weekly for large employers (> \$24,000 in monthly withholdings) and monthly or quarterly for smaller employers;
- Estimated Payments are due in quarterly installments in April, June, September and January.

Personal Income taxes are deposited as General Revenues. Rhode Island's personal income tax system consists of five brackets and a top rate of 9.9%, kicking in at an income level of \$357,700.

Tax Rate		Single Filers	Married- Joint Filers
3.75%	on first	\$33,950	\$56,700
7.00%	between	\$33,950 and \$82,250	\$56,700 and \$137,050
7.75%	between	\$82,250 and \$171,550	\$137,050 and \$208,850
9.00%	between	\$171,550 and \$372,950	\$208,850 and \$372,950
9.90%	over	\$372,950	\$372,950

**Optional Flat Tax** - The 2006 General Assembly adopted the optional flat tax provision, which allows taxpayers to pay a reduced tax rate, but without the use of exemptions, deductions or tax credits. The flat tax rate for TY2009 is 6.5%, and is scheduled to drop by ½ percent annually until reaching 5.5% in TY2011. Based on TY2007 data, more than 93% of flat tax filers occur in income brackets of greater than \$200,000 annually.

Flat Tax Rate Reduction	
Tax Year	% of AGI
2006	8.0%
2007	7.5%
2008	7.0%
2009	6.5%
2010	6.0%
2011 & Beyond	5.5%

## Collection History:

\$ Millions	Amount	% Change
FY2001	\$913.8	0.0%
FY2002	808.1	-11.6%
FY2003	813.3	0.7%
FY2004	870.2	7.0%
FY2005	979.1	12.5%
FY2006	996.8	1.8%
FY2007	1,065.4	6.9%
FY2008	1,073.8	0.8%
FY2009	940.5	-12.4%
FY2010 Est.	919.2	-2.3%
FY2011 Est.	\$933.0	1.5%

**Recent Amendments:** The 2009 General Assembly made several changes to personal income tax provisions. These included:

**Capital Gains** – As of January 1, 2010, capital gains will be taxed as ordinary income. Previously only short-term gains (held under one year) were taxed as ordinary income, and long term gains received preferential tax treatment. This change is estimated to yield \$23.6 million in additional tax receipts in FY2010.

**Stimulus** – The General Assembly amended the laws to require individuals receiving unemployment benefits to report as taxable income the first \$2,400 in benefits received in TY2009. The change is estimated to yield \$5.4 million in additional tax receipts in FY2010.

## Regional Comparison

**MA:** 5.3% flat rate on all taxable income, including long-term capital gains. Short-term capital gains taxed at 12.0%.

**CT:** 3.0% < \$10,000; 5.0% from \$10,000 to \$500,000; 6.5% above \$500,000. Capital gains taxed as ordinary income.

**Per Capita Collections:** Based on FY2007 data, CT ranked highest nationally in per-capita personal income tax collections at \$1,811 per taxpayer; MA ranked 3<sup>rd</sup> highest with \$1,770/taxpayer; RI ranked 15<sup>th</sup> highest with \$1,024/taxpayer.

**Tax Exemptions and Incentives:** The following tax incentives may be applied against the Personal Income Tax:

- Adult & Child Day Care Assistance and Development Tax Credit
- Adult Education Tax Credit
- Americans' with Disabilities Act Accommodations Credit
- Apprenticeship Credit
- Artists' Modifications
- Artwork Exhibition
- Biotechnology Investment Tax Credit
- Building Rehabilitation Investment Tax Credit
- Computer Company Stock Option Gain Exclusion
- Deduction for Capital Investment in Small Business
- Deduction or Modification for Hiring Unemployed or Welfare Recipients
- Education Assistance and Development Tax Credit
- Employment Tax Credit
- Enterprise Zone
- Historic Structures Credit
- Historical Residence Renovations Credit
- Hydroelectric Power Credit
- Income Tax Paid to Other States
- Interest on Federal Obligations
- Investment Tax Credit
- Innovation and Growth Tax Credit
- Jobs Development Act Rate Reduction
- Jobs Growth Act
- Job Training Tax Credit
- Juvenile Restitution Credit
- K-12 Scholarship Contributions Credit
- Motion Picture Production Credit
- Non-resident Military Pay Exclusion
- Property Tax Relief Credit/Refund
- Qualifying Widower Credit
- Research & Development- Expense Credit
- Research & Development- Property Credit
- Residential Renewable Energy System Credit
- Small Business Investment Exemption
- Small Business Investment Modification
- Welfare Bonus Program



**Description:** Rhode Island imposes a Corporate Income tax equivalent to 9.0% of net income attributable to Rhode Island operations. The minimum tax is \$500 annually. The State also has a franchise tax, with a similar \$500 annual minimum.

Payments are generally due based on the following schedule:

- Estimated payments for the current year require 40% of estimated liability due by March 15, and 60% by June 15.
- Final payments are due by March 15 of the following calendar year.

Business Corporations taxes are deposited as General Revenues.

Based on TY2007 data, of the 50,605 corporate filers, 47,078 (93.0%) claimed the minimum tax liability (\$500), but represented 18.8% of total collections.

*Multi-State Apportionment* – Rhode Island uses a three-factor apportionment formula for calculating the amount of tax due to the State for business that operate in more than one State. The formula places equal weight on the amount of property, sales and payroll attributable by a company to Rhode Island operations relative to its total operations. Since 2005, certain manufacturing companies may utilize a formula that “double-weights” the sales factor; essentially allocating based on 25% property, 25% payroll, and 50% sales (RIGL 44-11-14.6).

An **example** comparing the three-factor apportionment with the double-weighted sales apportionment can be found on the following page.

## Collection History:

<i>\$ Millions</i>	Amount	% Change
FY2001	\$68.8	0.0%
FY2002	32.8	-52.4%
FY2003	62.8	91.7%
FY2004	76.0	21.0%
FY2005	116.0	52.7%
FY2006	165.1	42.3%
FY2007	148.1	-10.2%
FY2008	151.4	2.2%
FY2009	104.4	-31.0%
FY2010 Est.	94.1	-9.9%
FY2011 Est.	\$100.0	6.3%

**Recent Amendments:** The 2009 General Assembly required Rhode Island business corporations to report in 2009 and 2010 income from the discharge of business indebtedness that is deferred on federal returns until 2014 to 2018. Prior to the change, Rhode Island law treated the cancellation of business income under the same guidelines as the federal government. No estimated revenue impact was included, however the Center on Budget and Policy Priorities estimated that Rhode Island could realize up to \$4.0 million in personal income, business corporations and insurance tax income in FY2010 if the change were not implemented.

### Regional Comparison

**RI:** 9.0% of net income attributable to RI operations. \$500 minimum

**MA:** 9.5% rate on all corporate net income. MA begins a phase-down in 2010.

2010: 8.75%

2011: 8.25%

2012: 8.00%

Additional tax of \$2.60 per \$1,000 on tangible personal property.

**CT:** 7.5% rate on all corporate net income.

**Tax Exemptions and Incentives:** The following tax incentives may be applied against the Business Corporations Tax:

- Adult & Child Day Care Assistance and Development Tax Credit
- Adult Education Tax Credit
- Americans' with Disabilities Act Accommodations Credit
- Apprenticeship Credit
- Biotechnology Investment Tax Credit
- Building Rehabilitation Investment Tax Credit
- Deduction for Capital Investment in Small Business
- Deduction / Modification for Hiring Unemployed or Welfare Recipients
- Education Assistance and Development Tax Credit
- Employment Tax Credit
- Enterprise Zone
- Historic Structures Credit
- Hydroelectric Power Credit
- Investment Tax Credit
- Innovation and Growth Tax Credit
- Jobs Development Act Rate Reduction
- Jobs Growth Act
- Job Training Tax Credit
- Juvenile Restitution Credit
- K-12 Scholarship Contributions Credit
- Motion Picture Production Credit
- Research & Development- Expense Credit
- Research & Development- Property Credit
- Residential Renewable Energy System Credit
- Small Business Investment Exemption
- Small Business Investment Modification

**Apportionment Example:** Company A is a manufacturing company located in Rhode Island, with sales in multiple states. 100% of company property and payroll are located within the State, however RI sales make up only 11% of the company's total sales. The following shows the tax liability based on the two available formulae:

**3-Factor Formula:**  $33.3 \times (100\% \text{ property}) + 33.3 \times (100\% \text{ payroll}) + 33.3 \times (11\% \text{ sales}) =$   
**70.33%** of net income allocable to RI.

**Double-Weighted Sales:**  $25 \times (100\% \text{ property}) + 25 \times (100\% \text{ payroll}) + 50 \times (11\% \text{ sales}) =$   
**55.5%** of net income allocable to RI.

As can be seen in the example, Company A benefits by applying a double-weighted sales factor when apportioning their income, as their liability allocation decreases from 70.3% of net income, to 55.5%.

# Public Service Corporation Tax (Utilities)

# RIGL 44-13

**Description:** An annual excise tax applied based on the gross earnings of companies engaged in the following activities:

<u>Activity</u>	<u>Rate</u>
Steamboat / Ferryboat:	1.25%
Gas:	3.00%
Electric:	4.00%
Telegraph:	4.00%
Telecommunications:	5.00%
Cable (Public Service)	8.00%

Payments are due based on the following schedule:

- 40% of the estimated liability is due by March 15;
- 60% is due by June 15;
- Final payments are due by March 1 of following year.

Public Service Corporation taxes are deposited as General Revenues. The minimum tax is \$100 annually.

**Exemptions:** The following are exempt from the public service corporation tax:<sup>1</sup>

- Electricity used in manufacturing;
- Gas used in manufacturing.

**Tax Incentives:** The following tax incentives may be applied against the public service corporation tax:

- Adult & Child Day Care Assistance and Development Tax Credit
- Adult Education Tax Credit
- Deduction for Capital Investment in Small Business
- Education Assistance & Development Tax Credit
- Employment Tax Credit
- Historic Structures Credit
- Jobs Development Act Rate Reduction
- Jobs Growth Act
- Job Training Credit
- K-12 Scholarship Contributions Credit

## Collection History:

<u>\$ Millions</u>	<u>Amount</u>	<u>% Change</u>
FY2001	\$82.1	0.0%
FY2002	80.8	-1.6%
FY2003	76.1	-5.8%
FY2004	92.2	21.1%
FY2005	86.4	-6.3%
FY2006	96.0	11.2%
FY2007	102.1	6.3%
FY2008	99.4	-2.6%
FY2009	126.7	27.4%
FY2010 Est.	120.0	-5.3%
FY2011 Est.	\$121.0	0.8%

**Recent Amendments:** The 2008 General Assembly repealed the Comprehensive Energy Conservation, Efficiency and Affordability Act. The Act, passed in 2006, would have required a portion of electric and gas gross earnings taxes to be deposited into a restricted receipt Affordable Energy Fund. The effective date of the Act was delayed in 2007, and then the Act was repealed before any deposits were made to the Fund.

## Regional Comparison

	<u>RI</u>	<u>MA</u>	<u>CT</u>
Electric	4.0%	6.5%	8.5%
Gas	3.0%	6.5%	5.0%
Telecomm.	5.0%	6.5%	4.5%
Cable	8.0%	6.5%	5.0%

**MA:** 6.5% of net income allocable to business done within the Commonwealth.

**CT:** Variable rates, based on gross earnings.

<sup>1</sup> "Gross earnings from the sale and from the storage, use or other consumption in this state of electricity and natural gas when purchased for the purpose of being manufactured into a finished product for resale, as further defined by § 44-18-30(7), are subject to the following public service corporation tax rates:...0%." RIGL 44-13-35



**Description:** Banking institutions subject to the Financial Institutions tax include every State bank, Federal savings bank, trust company, national banking association, mutual savings bank, building and loan association, and loan and investment company, (Excluding credit unions). The tax is assessed at 9.0% of net income or a calculable portion of the capitalized stock, whichever is greater. The minimum tax is \$100 annually.

Payments are due based on the following schedule:

- 40% of the estimated liability is due by March 15;
- 60% is due by June 15;
- Final payments are due by March 15 of following year.

Financial Institutions taxes are deposited as General Revenues.

**Exemptions:** The following are exempt from the financial institutions tax:

- Credit Unions (*they are subject to the Bank Deposits tax*)

**Tax Incentives:** The following tax incentives may be applied against the public service corporation tax:

- Adult & Child Day Care Assistance and Development Tax Credit
- Adult Education Tax Credit
- Deduction for Capital Investment in Small Business
- Education Assistance and Development Tax Credit
- Employment Tax Credit
- Historic Structures Credit
- Investment Tax Credit
- Jobs Development Act Rate Reduction
- Jobs Growth Act
- Job Training Tax Credit
- K-12 Scholarship Contributions Credit
- Motion Picture Production Credit

## **Collection History:**

<i>\$ Millions</i>	Amount	% Change
FY2001	\$19.1	0.0%
FY2002	3.4	-82.3%
FY2003	9.8	189.6%
FY2004	(7.3)	-174.4%
FY2005	(1.5)	-79.7%
FY2006	4.0	369.4%
FY2007	4.4	10.9%
FY2008	1.8	-58.6%
FY2009	2.9	58.6%
FY2010 Est.	2.0	-31.1%
FY2011 Est.	\$1.0	-50.0%

**Recent Amendments:** None

### **Regional Comparison**

**RI:** 9.0% of net income

**MA:** 10.5% on net corporate income

**CT:** 7.5% on net corporate income



**Description:** Tax assessed equal to 2.0% of gross premiums on all insurance contracts and renewals written in the State during a calendar year (RIGL 44-17-2).

- 40% of the estimated liability is due by March 15;
- 60% is due by June 15;
- Final payments are due by March 1 of following year.

Insurance taxes are deposited as General Revenues.

**Exemptions:** The following insurance premiums are exempt from the gross premiums tax:

- Ocean Marine Insurance
- Fraternal Benefit Society

**Tax Incentives:** The following tax incentives may be applied against the Insurance Premiums Tax:

- Adult Education Tax Credit
- Employment Tax Credit
- Historic Structures Credit
- Innovative Technology Credit
- Investment Credit
- Jobs Growth Act
- Job Training Credit
- K-12 Scholarship Contributions Credit
- Motion Picture Production Credit

**Collection History:**

<i>\$ Millions</i>	<i>Amount</i>	<i>% Change</i>
FY2001	\$37.4	0.0%
FY2002	32.4	-13.6%
FY2003	51.3	58.5%
FY2004	43.4	-15.3%
FY2005	53.3	22.8%
FY2006	52.9	-0.9%
FY2007	56.6	7.1%
FY2008	68.0	20.1%
FY2009	78.0	14.7%
FY2010 Est.	80.0	2.5%
FY2011 Est.	\$82.4	3.0%

**Recent Amendments:** The 2009 General Assembly increased the tax rate for health insurers from 1.75% to 2.0% of gross premiums in the FY2009 Supplemental Budget. Additionally, the tax was amended to apply to Managed Care plans under Title XIX (Medicaid). The Budget included \$12.7 million in additional estimated collections from the change.

The 2008 General Assembly included non-profit dental insurers to the defined pool of insurers subject to the tax, and increased the non-profit health insurer rates from 1.1% of gross premiums to 1.75% of gross premiums. The FY2009 Budget as Enacted included \$10.8 million in additional estimated collections from the change.

**Regional Comparison**

**RI:** 2.0% of gross premiums

**MA:** 2.0% of gross premiums, less certain deductions

**CT:** 1.75% net premiums





**Description:** Credit Unions are subject to a tax on deposits that bear interest or are entitled to dividends, subject to a variable rate based on total institutional deposits in a calendar year:

Total Deposits < \$150.0 million:  
\$0.0625/\$100 in deposits  
Equivalent to 0.0625%

Total Deposits > \$150.0 million:  
\$0.0695/\$100 in deposits  
Equivalent to 0.0695%

Payments are due based on the following schedule:

- 40% of the estimated liability is due by March 15;
- 60% is due by June 15;
- Final payments are due by June 15 of following year.

Bank Deposit taxes are deposited as General Revenues.

**Exemptions:** The following are exempt from the Bank Deposits tax:

- Banking institutions, other than credit unions, were exempted from the tax beginning in CY1998. *(They are subject to the Financial Institutions Tax)*

**Tax Incentives:** The following tax incentives may be applied against the public service corporation tax:

- Adult Education Tax Credit
- Employment Tax Credit
- K-12 Scholarship Contributions Credit

### Collection History:

<i>\$ Millions</i>	Amount	% Change
FY2001	\$1.0	0.0%
FY2002	1.1	18.6%
FY2003	1.7	49.2%
FY2004	1.6	-6.9%
FY2005	1.5	-3.5%
FY2006	1.5	-2.0%
FY2007	1.7	12.0%
FY2008	1.7	2.2%
FY2009	1.8	5.4%
FY2010 Est.	1.8	-0.2%
FY2011 Est.	\$1.8	0.0%

**Recent Amendments:** The 1995 General Assembly phased out the bank deposits tax for all banking institutions other than credit unions. Beginning in CY1998, credit unions became the only institutions subject to the tax.

### Regional Comparison

**RI:** 0.0625% to 0.0695%, based on total institutional deposits in a calendar year.

**MA:** Credit Unions are exempt from the financial institutions excise tax.

**CT:** Credit Unions are considered financial service companies if their loan assets exceed \$50.0 million, and would be subject to the 7.5% corporate tax rate.



# Health Care Provider Taxes (Group Homes and Nursing Facilities)

# RIGL 44-50 and 44-51

**Description:** The State levies Health Care Provider taxes on gross patient revenue of nursing facilities, and prior to FY2010, on residential facilities for the developmentally disabled (group homes). Gross patient revenue means the gross amount received on a cash basis by the provider from all patient care services, and excludes charitable contributions and donated goods and services.

The tax rate for nursing facilities is 5.5%, and because many patients are Medicaid eligible, the State and Federal governments pay a large portion of the tax.

Payments are due on the 25<sup>th</sup> day of the month following the month of receipt of gross patient revenue.

The following approximates the payment breakdown for the nursing facilities tax, assuming an average of 75% of patients are Medicaid eligible:

Nursing Facilities Tax	% of Payment	Estimated Tax
Total Estimate FY2010	100.0%	\$34.9
Rate = 5.5% of Gross Patient Revenue		
Medicaid Eligible (Approx.)	75.0%	26.2
Medicaid Match Rate *	63.9%	16.7
Medicaid Match (Adjusted)	47.9%	16.7
State Match to Medicaid	27.1%	9.4
Payment by Facilities	25.0%	\$8.7

\* The Medicaid Match rate reflects the enhanced FMAP percentage for FY2010 from the Stimulus package. For comparison purposes, the FY2009 rate was 53.8%.

As can be seen in the example above, facilities pay roughly 25% of the tax, while the Federal Government covers almost 48%, and the State pays approximately 27%.

Health Care Provider taxes are deposited as General Revenues.

**Exemptions:** None

**Tax Incentives:** None

## Collection History:

\$ Millions	Amount	% Change
FY2001	\$27.3	0.0%
FY2002	27.8	1.9%
FY2003	28.1	1.1%
FY2004	40.3	43.3%
FY2005	46.8	16.1%
FY2006	47.0	0.4%
FY2007	48.0	2.1%
FY2008	53.4	11.3%
FY2009	46.0	-13.8%
FY2010 Est.	34.9	-24.2%
FY2011 Est.	\$34.7	-0.6%

**Recent Amendments:** The 2009 General Assembly eliminated the health care provider assessment levied against group homes for developmentally disabled individuals (RIGL 44-50). The State was required to eliminate the provision to be in compliance with terms set forth in the Global Medicaid Waiver. The change resulted in an estimated \$11.1 million reduction in collections for FY2010.

### Regional Comparison

**RI:** 5.5% on gross patient revenues.

**MA:** Provider tax is levied on all hospitals, Intermediate Care Facilities for the Mentally Retarded or Developmentally Disabled, and nursing homes. Rates vary- hospitals and Intermediate Care Facilities are matched with Medicaid funding.

**CT:** 6.0% resident day user fee is levied on each Medicaid nursing home bed.



**Description:** Rhode Island levies a sales and use tax equivalent to 7% of the retail sales price of certain goods. The sales tax is charged by retailers at the point of purchase, and retailers are required to remit sales tax receipts by the 20<sup>th</sup> day of the month following the month in which the sales were made. Retailers are required to carry a valid sales tax permit that is issued by the Division of Taxation.

Sales taxes are applied in accordance with the following bracket system:

Sales Amount	Tax
\$0.01 to \$0.07	No Tax
\$0.08 to \$0.21	\$0.01
\$0.22 to \$0.35	\$0.02
\$0.36 to \$0.49	\$0.03
\$0.50 to \$0.64	\$0.04
\$0.65 to \$0.78	\$0.05
\$0.79 to \$0.92	\$0.06
\$0.93 to \$1.07	\$0.07
\$1.08 and above	7% of sales price

**Use Tax** – In addition to the sales tax, the State has a use tax that applies to goods purchased outside of the State, but stored, used or consumed in Rhode Island. Contrary to sales tax collections, the user or purchaser is responsible for filing use taxes in Rhode Island. In essence, any purchase that would be subject to the sales tax had the purchase been made within the State, is subject to the use tax.

**Exemptions:** Rhode Island exempts nearly all services, and sales of food, clothing, and prescription and over-the-counter medications from the sales and use tax. While these are the major categories of exemptions, there are numerous other exemptions contained in the General Laws. The Division of Taxation estimated the total value of sales tax exemptions in 2008 at \$625.6 million.

**Tax Incentives:**

- EDC Project Status (*see tax credits section*)

**Collection History:**

\$ Millions	Amount	% Change
FY2001	\$712.6	0.0%
FY2002	745.9	4.7%
FY2003	777.4	4.2%
FY2004	822.9	5.9%
FY2005	847.7	3.0%
FY2006	869.2	2.5%
FY2007	873.2	0.5%
FY2008	845.4	-3.2%
FY2009	808.1	-4.4%
FY2010 Est.	751.0	-7.1%
FY2011 Est.	\$743.7	-1.0%

**Recent Amendments:** The 2009 General Assembly enacted what’s been termed the “Amazon” tax, which applies the sales tax to internet purchases from companies that have formal business relationships within the State. Any sales that would be subject to the new law were already subject to the use tax — the law does not increase the final tax liability due for the product. The law applies to companies with referred sales in excess of \$5,000 during a period of the four preceding quarters. While the law is expected to increase revenue, no estimated additional revenue was included during budget deliberations.

**Regional Comparison**

**RI:** 7.0%

**MA:** 6.25% effective August 1, 2009.  
Previously the rate was 5.0%.

**CT:** 6.0%

### **Streamlined Sales and Use Tax Agreement:**

The Streamlined Sales and Use Tax Agreement (Agreement) is the result of a cooperative effort aimed at simplifying and providing uniformity to sales and use tax collections in various jurisdictions. The Agreement reduces administrative costs for retailers conducting business in multiple taxing jurisdictions, and encourages “remote sellers” to apply sales taxes on purchases. The ultimate project goal is to achieve federal implementation of a uniform system, thereby requiring collection of sales taxes by remote sellers and removing their competitive advantage over “brick-and-mortar” store locations.

The 2006 General Assembly adopted changes to conform the sales tax statutes to the Agreement. Rhode Island became one of 19 “full member” states on January 1, 2007, meaning the State is in compliance with the agreement through applicable laws, rules, regulations and policies. At this writing 23 states were full or associate member states, representing more than one-third of the nation’s population.

The Streamlined Sales Tax Governing Board focuses on improving sales and use tax administration systems for all sellers and for all types of commerce through the following:<sup>1</sup>

- State level administration of sales and use tax collections;
- Uniformity in the State and local tax bases;
- Uniformity of major tax base definitions;
- Central, electronic registration system for all member states;
- Simplification of State and local tax rates;
- Uniform sourcing rules for all taxable transactions;
- Simplified administration of exemptions;
- Simplified tax returns;
- Simplification of tax remittances;
- Protection of consumer privacy.

**Member States under Agreement:** The following states are members under the Streamlined Sales and Use Tax Agreement:

### **Full Members**

Arkansas	North Carolina
Indiana	North Dakota
Iowa	Oklahoma
Kansas	Rhode Island
Kentucky	South Dakota
Michigan	Vermont
Minnesota	Washington
Nebraska	West Virginia
Nevada	Wyoming
New Jersey	

**Associate Members** (*laws, rules, regulations and policies scheduled to take effect in next 12 months*)

Ohio  
Tennessee  
Wisconsin  
Utah

<sup>1</sup> Streamlined Sales Tax Governing Board, Inc. <http://www.streamlined.salestax.org/oprules.html>

# Motor Vehicle Registration & License Fees RIGL 31-6, -10

**Description:** The State levies motor vehicle registration (RIGL 31-6) and operator license fees (RIGL 31-10).

**Registration Fees:** Motor vehicle registration fees are based on the type of vehicle and the gross vehicle weight (RIGL 31-6-2). Fees range from \$30 annually (automobiles under 4,000 pounds), to more than \$1,000 for heavy vehicles. An abbreviated current fee schedule is shown below.

Motor Vehicle Registration Fees		
More than (pounds)	Not more than (pounds)	Fee
0	4,000	\$30
4,000	10,000	40 - 78
10,000	30,000	106 - 316
30,000	50,000	422 - 660
50,000	74,000	712 - 972
74,000	and above	\$972 plus \$24/ton

Registration fees are deposited as General Revenues and are payable at the time of registration.

**License Fees:** General operator licenses for motor vehicles cost \$25 for the first license and \$30 for a five-year renewal. Fees are payable upon application for the license, and are deposited as General Revenues.

Motor Vehicle License Fees	
Operator First License	\$25.00
Chauffeur's License	25.00
Learner's Permit (Motorcycle)	25.00
Operator First License (Motorcycle)	25.00
License Renewal	30.00
License Renewal (Age > 75)	8.00
Duplicate License	25.00
Certified Copy of License	10.00
Duplicate Instruction Permit	10.00
Information Update	5.00

## Collection History:

\$ Millions	Amount	% Change
FY2001	\$40.9	0.0%
FY2002	43.4	6.2%
FY2003	44.6	2.6%
FY2004	44.8	0.5%
FY2005	44.2	-1.4%
FY2006	50.0	13.2%
FY2007	43.7	-12.5%
FY2008	45.8	4.7%
FY2009	45.3	-1.0%
FY2010 Est.	46.0	1.5%
FY2011 Est.	\$45.5	-1.1%

## Recent Amendments:

### Regional Comparison

**RI:** Registrations last for two years and begin at \$60. Licenses are five years for \$25-\$30.

**MA:** Registrations last for two years and cost \$50. Licenses are generally five years for \$50.

**CT:** Two-year registrations cost \$75. Licenses last between five and a half and seven years, and cost between \$66 and \$77.

**Exemptions:** RIGL 31-6-6 through 31-6-10 lists organizations exempt from motor vehicle registration fees. The list is largely comprised of emergency response organizations, disabled veterans, and certain listed non-profit organizations.

**Tax Incentives:** None





# Rental Vehicle Surcharge

# RIGL 31-34.1

**Description:** The State levies a 6.0% surcharge on the gross receipts of rental vehicle contracts for the first consecutive 30 days of a rental period. Gross receipts include the total charges assessed to the customer, inclusive of gasoline, insurance, etc. The surcharge is applied prior to assessment of the State sales tax.

Rental vehicle companies are required to submit 50% of collected surcharge revenues quarterly, and may retain 50% to pay for motor vehicle licensing, title, transfer, and registration fees and excise taxes. Any surcharge amounts remaining after payment of aforementioned fees must be annually remitted to the State not later than February 15.

Rental vehicle surcharge receipts are deposited as General Revenues.

**Exemptions:**

**Tax Incentives:** None

**Customer Facility Charge – RIGL 1-2-1.1**

The RI Airport Corporation levies a customer facility charge (CFC) for all vehicle rentals from companies operating at T.F Green Airport. Revenues from the CFC are to be used to pay for the construction, expansion, reconfiguration, operation and maintenance of the Warwick Intermodal Transit station.

The CFC rate is set by the Board of the Corporation, and currently equates to \$4.50 per rental day per vehicle. Based on the Corporation’s 2006 Operating Statement, the CFC is expected to remain at \$4.50 through at least FY2014.

**Payment to Warwick:** Per RIGL 1-2-17.1, all sales taxes and rental vehicle surcharges collected from the application to the CFC shall be deposited into a restricted receipt account for the City of Warwick. In FY2008, these payments totaled \$788,400.

**Collection History:**

<i>\$ Millions</i>	<i>Amount</i>	<i>% Change</i>
FY2001	\$3.5	0.0%
FY2002	2.7	-24.5%
FY2003	2.7	0.7%
FY2004	2.6	-4.7%
FY2005	3.0	16.3%
FY2006	2.6	-11.2%
FY2007	3.1	18.7%
FY2008	2.8	-10.3%
FY2009	2.6	-8.1%
FY2010 Est.	2.6	0.5%
FY2011 Est.	\$2.6	0.0%

**Recent Amendments:**

**Regional Comparison**

**RI:** 6.0% surcharge on rental vehicle contracts

**MA:** \$10 surcharge for most vehicle rental contracts.

**CT:** 3% surcharge for private passenger vehicle rentals, plus \$1 daily Tourism Account Surcharge.



# Motor Carrier Fuel Use Tax

# RIGL 31-36.1

**Description:** The State imposes a pro-rated motor fuel tax (currently \$0.32/gallon) on qualified motor vehicles that operate in two or more jurisdictions, and are designed or maintained for transportation of persons or property, and have two axles and a gross vehicle weight or registered gross vehicle weight exceeding 26,000 pounds; or have three or more axles regardless of weight; or is used in combination, when the weight of such combination exceeds 26,000 pounds gross vehicle or registered gross vehicle weight.

**In-State Purchases:** For in-State fuel purchases, motor carriers pay the fuel tax at the point of purchase.

**Out-of-State Purchases:** Motor carriers are also subject to the fuel tax for fuel purchased at locations outside of the State. Quarterly reports are filed with the Division of Taxation detailing the number of miles travelled within Rhode Island and the total miles travelled. Taxes due the State are based on the percentage of miles travelled within the State.

**Tax Due:** The total tax due to Rhode Island is calculated by subtracting the total tax due from the amount of motor fuel taxes paid in-State. For motor carriers who owe additional tax, quarterly payments are required. For those who paid more in-State than is due, the balance may be carried forward and applied against the tax liability for the subsequent eight quarters, or the carrier may request a refund.

Motor fuel tax receipts are deposited as General Revenues.

**Exemptions:** Recreational vehicles, defined as motor homes, pickup trucks with attached campers, and buses, when used exclusively for non-business purposes, are exempt for the tax.

**Tax Incentives:** None

## Collection History:

<i>\$ Millions</i>	Amount	% Change
FY2001	\$1.2	0.0%
FY2002	0.8	-29.4%
FY2003	1.0	25.8%
FY2004	0.9	-15.9%
FY2005	2.0	128.2%
FY2006	0.0	-98.4%
FY2007	1.3	4118.0%
FY2008	1.0	-24.4%
FY2009	1.3	33.6%
FY2010 Est.	1.0	-24.5%
FY2011 Est.	\$1.0	0.0%

**Recent Amendments:** None

<b>Regional Comparison</b>		
<b>Per Gallon Fuel Taxes</b>		
	<b>Gasoline</b>	<b>Diesel</b>
<b>RI</b>	\$0.32	\$0.32
<b>MA</b>	\$0.21	\$0.21
<b>CT</b>	\$0.25	\$0.45



**Description:** The State levies taxes on cigarettes and other tobacco products sold or held in the State.

Cigarette Tax History		
Year	Tax/Pack	% Increase
1993	\$0.44	
1994	0.56	27.3%
1995	0.61	8.9%
1997	0.71	16.4%
2001	1.00	40.8%
2002	1.32	32.0%
2003	1.71	29.5%
2004	2.46	43.9%
2009	\$3.46	40.7%

**Cigarettes:** Rhode Island taxes cigarettes at \$3.46 per pack of twenty, or the equivalent of \$0.173 per cigarette effective April 10, 2009. Dealers and distributors are required to purchase cigarette stamps which are then affixed to packages of cigarettes and provide proof of payment. Stamp rolls are discounted for bulk purchases as a means of compensating dealers for the costs associated with affixing the tax stamps.

When tax increases occur, existing stocks of cigarettes that remain unsold in stores may be assessed a floor stock tax.

**Other Tobacco Products:** The State assesses a tax equivalent to 80% of the wholesale cost of tobacco products other than cigarettes, including cigars, chewing tobacco and pipe tobacco. The tax on cigars is capped at \$0.50 per cigar, and snuff is taxed at \$1.00 per ounce. “Little cigars”, as defined under RIGL 44-20.2, are taxed in the same manner and rate as cigarettes.

Cigarette and tobacco taxes are deposited as General Revenues. Taxes are due upon purchase of the tax stamps. Sales and use taxes are also assessed upon tobacco products, and are applied after inclusion of the tobacco taxes into the price.

**Collection History:**

\$ Millions	Amount	% Change
FY2001	\$60.1	0.0%
FY2002	85.5	42.3%
FY2003	94.4	10.4%
FY2004	117.3	24.2%
FY2005	136.3	16.3%
FY2006	126.3	-7.3%
FY2007	120.5	-4.6%
FY2008	114.7	-4.8%
FY2009	130.5	13.8%
FY2010 Est.	140.3	7.5%
FY2011 Est.	\$134.6	-4.1%

**Recent Amendments:** The 2009 General Assembly increased the cigarette tax rate by \$1.00 per pack, to \$3.46 per pack of 20 cigarettes, effective April 10, 2009. The increase was estimated to yield \$12.0 million (inclusive of floor stock tax) in additional cigarette tax revenue in FY2009, and \$27.5 million in FY2010.

Additionally, the General Assembly increased the tax on other tobacco products from 40% of the wholesale cost to 80% of wholesale, effective April 10, 2009. Cigars maintained a cap of \$0.50 tax per cigar. The changes were estimated to yield \$333,333 in additional revenue in FY2009 and \$1.0 million in FY2010.

**Regional Comparison**

At \$3.46 per pack, Rhode Island has the highest State cigarette excise tax rate in the nation. However, the total cost of a pack of cigarettes can vary based upon minimum-markup and other pricing provisions. A comparison of per-pack costs is included on the following page.

**MA:** \$2.51/pack

**CT:** \$3.00/pack

**Exemptions:** RIGL 44-20-16 allows a person to hold up to 10 packages (1 carton) of out-of-State cigarettes without a Rhode Island tax stamp. Quantities in excess are a violation of the law and are subject to the tax and penalties.

**Tax Incentives:** RIGL 44-20-19 provides a 1.25% discount on the sale of stamp rolls to licensed dealers to compensate for costs associated with affixing the tax stamps.

**Minimum Markup:** Numerous states, including Rhode Island, include some minimum pricing provisions related to the sale of cigarettes. These minimums can impact the end price as much or more than tobacco taxes. Thus, when comparing cigarette taxes between states, the average total price per pack should also be accounted for to capture the impacts of tobacco tax rates, minimum pricing and markup provisions, and applicable sales taxes. The table below compares the end price of a pack of cigarettes in Rhode Island and the neighboring states.

### Cigarette Cost Comparison- October 2009

	RI Current			MA Current			CT Current		
Base Price per Pack in \$			\$4.20			\$4.20			\$4.20
<b>Excise Tax in \$</b>			<b>\$3.46</b>			<b>\$2.51</b>			<b>\$3.00</b>
<i>Subtotal base price + excise</i>			<i>\$7.66</i>			<i>\$6.71</i>			<i>\$7.20</i>
Wholesale Markup	2.00%	\$0.15	\$7.81	2.00%	\$0.13	\$6.84	6.50%	\$0.47	\$7.67
Wholesale Cartage	0.75%	\$0.06	\$7.87	0.75%	\$0.05	\$6.90	0.00%	\$0.00	\$7.67
Retail Markup	6.00%	\$0.47	\$8.34	25.00%	\$1.72	\$8.62	8.00%	\$0.61	\$8.28
Markup subtotal		\$0.68			\$1.91			\$1.08	
<i>Cigarette base cost</i>			<i>\$8.34</i>			<i>\$8.62</i>			<i>\$8.28</i>
Sales Tax	7.00%	\$0.5841		6.25%	\$0.54		6.00%	\$0.50	
<b>Total Price per Pack in \$</b>			<b>\$8.93</b>			<b>\$9.16</b>			<b>\$8.78</b>

# Alcohol Taxes

# RIGL 3-4, 10

**Description:** The State levies taxes on alcoholic beverages imported, manufactured, rectified, blended or reduced for sale in the State, according to the following schedule (last increased in 1989):

Alcohol Tax Rates		
	Rate	Per Unit
<b>Beer</b>		Barrel
	\$3.00	(31 gallons)
<b>Still Wines</b>		
<i>(Entirely RI Grown)</i>	\$0.30	Gallon
<b>Still Wines</b>	\$0.60	Gallon
<b>Sparkling Wines</b>	\$0.75	Gallon
<b>Whiskey, Rum, Gin, Spirits, Cordials, Etc.</b>	\$3.75	Gallon
<b>Whiskey, Rum, Gin, Etc. (<math>\leq 30</math> Proof)</b>	\$1.10	Gallon
<b>Ethyl Alcohol (Beverage Use)</b>	\$7.50	Gallon
<b>Ethyl Alcohol (Non-Beverage Use)</b>	\$0.08	Gallon

Alcohol taxes are payable monthly for imported beverages and quarterly for beverages manufactured within the State. Alcohol taxes are deposited as General Revenues.

**Exemptions:** *Sacramental wines* are not subject to any tax if sold directly to a member of the clergy for use by the purchaser, or his or her congregation for sacramental or other religious purposes (RIGL 3-10-1(b)).

A *brewer who brews beer in this state* which is actively and directly owned, managed, and operated by an authorized legal entity which has owned, managed, and operated a brewery in this state for at least twelve (12) consecutive months, shall receive a tax exemption on the first one hundred thousand (100,000) barrels of beer that it produces and distributes in this state in any calendar year.

**Tax Incentives:** None

## Collection History:

\$ Millions	Amount	% Change
FY2001	\$9.2	0.0%
FY2002	10.0	9.1%
FY2003	10.1	0.2%
FY2004	10.3	2.8%
FY2005	10.5	1.9%
FY2006	10.9	3.2%
FY2007	10.7	-1.5%
FY2008	11.1	4.1%
FY2009	10.8	-3.0%
FY2010 Est.	11.0	1.7%
FY2011 Est.	\$11.1	0.9%

## Recent Amendments:

Regional Comparison			
	RI	MA	CT
Beer (Barrel)	\$3.00	\$3.30	\$5.89
Wine (Gal)	\$0.60	\$0.55	\$0.60
Sparkling Wine (Gal)	\$0.75	\$0.70	\$0.60
Spirits (Gal)	\$3.75	\$4.05	\$4.50
Low-Proof Spirits (Gal)	\$1.10	\$1.10	





**Description:** The State requires possessors of real or counterfeit illegal marijuana or other controlled substances to pay a tax according to the following schedule:

- **Marijuana:** \$3.50/gram or portion thereof;
- **Controlled Substances:** \$200/gram or portion thereof; or \$400 for each 10 dosage units of substances that are not sold by weight, or portion thereof.

**Tax Due:** The tax is due to be paid prior to taking possession of the illegal drugs, and payment of the tax does not provide immunity from criminal prosecution for possession and dealing under applicable Rhode Island laws. Of note, taxpayers are not required to give their name, address, social security number, or any other identifying information on the tax form.

The Division of Taxation distributes stamps to be affixed to the drugs as proof of payment. Marijuana and Controlled Substances tax receipts are deposited as General Revenues.

*[Analyst's Note: The Division of Taxation distributes stamps indicating proof of payment of the tax, however few stamps are ever sold, and it is thought that the few that have been sold have been to stamp collectors. While the tax does not provide any significant revenue to the State, it has remained in the General Laws as a prosecutorial tool against illicit drug dealers.]*

**Exemptions:** Persons in lawful possession of marijuana or other controlled substances are not subject to the tax.

**Tax Incentives:** None

**Collection History:** The Division of Taxation could not provide detail on any Marijuana and Controlled Substance tax collections.

**Recent Amendments:** None

### Regional Comparison

**MA and CT:** Both Massachusetts and Connecticut have the same tax schedule as Rhode Island.



# Estate & Transfer Taxes (Inheritance Tax)

RIGL 44-22

**Description:** The State assesses an estate tax upon the transfer of the net estate of every resident or nonresident decedent as a tax upon the right to transfer. Property is determined to be allocable to Rhode Island if:

- It is real estate or tangible personal property and has actual situs within the State of Rhode Island; or
- It is intangible personal property and the decedent was a resident.

Per RIGL 44-22-1.1, “the tax is a sum equal to the maximum credit for State death taxes allowed by 26 U.S.C. § 2011 as it was in effect as of January 1, 2001. Any scheduled increase in the unified credit provided in 26 U.S.C. § 2010 in effect on January 1, 2001, or thereafter, shall not apply.”

*An example of a \$1.0 million taxable estate is illustrated on the Rhode Island Estate Tax Calculation Form can be found on the following page.*

Payments are due within nine months of the death of the decedent.

Estate taxes are deposited as General Revenues.

**Exemptions:** None

**Tax Incentives:** None

## **Collection History:**

<i>\$ Millions</i>	<i>Amount</i>	<i>% Change</i>
FY2001	\$26.9	0.0%
FY2002	22.2	-17.3%
FY2003	24.4	9.5%
FY2004	23.9	-1.8%
FY2005	33.0	38.0%
FY2006	39.2	18.9%
FY2007	34.7	-11.5%
FY2008	35.3	1.9%
FY2009	28.1	-20.5%
FY2010 Est.	26.4	-6.0%
FY2011 Est.	\$26.0	-1.5%

**Recent Amendments:** The 2009 General Assembly amended the Estate Tax exemption amount from the current \$675,000 to \$850,000 effective for TY2010, and indexes the exemption amount to the Consumer Price Index – All Urban Consumers (CPI-U) inflation index beginning in TY2011. The index would only be applied in years when the index shows a positive inflationary number. The change resulted in an estimated \$802,320 reduction in revenues for FY2010.

### **Regional Comparison**

Estate taxes are generally compared by the allowable exemption amount:

**RI:** \$850,000 exemption, indexed to CPI-U

**MA:** \$1.0 million exemption

**CT:** \$2.0 million exemption

# Rhode Island Estate Tax Schedules and Computation Form – RI-100A, Rhode Island Estate Tax Return

Rhode Island Estate Tax Computation Schedule							
Table A				Table B			
Column A	Column B	Column C	Column D	(1)	(2)	(3)	(4)
			Tax Rate on Amount over Column A (%)	Adjusted taxable estate equal to or more than	Adjusted taxable estate less than	Credit on amount in Column 1 (\$)	Rate of Credit on excess over amount in Column 1 (%)
Taxable Amount Over	Taxable Amount Not Over	Tax on amount in Column A					
-	10,000	0	18	-	40,000	-	0.0
10,000	20,000	1,800	20	40,000	90,000	-	0.8
20,000	40,000	3,800	22	90,000	140,000	400	1.6
40,000	60,000	8,200	24	140,000	240,000	1,200	2.4
60,000	80,000	13,000	26	240,000	440,000	3,600	3.2
80,000	100,000	18,200	28	440,000	640,000	10,000	4.0
100,000	150,000	23,800	30	640,000	840,000	18,000	4.8
150,000	250,000	38,800	32	840,000	1,040,000	27,600	5.6
250,000	500,000	70,800	34	1,040,000	1,540,000	38,800	6.4
500,000	750,000	155,800	37	1,540,000	2,040,000	70,800	7.2
750,000	1,000,000	248,300	39	2,040,000	2,540,000	106,800	8.0
1,000,000	1,250,000	345,800	41	2,540,000	3,040,000	146,800	8.8
1,250,000	1,500,000	448,300	43	3,040,000	3,540,000	190,800	9.6
1,500,000	2,000,000	555,800	45	3,540,000	4,040,000	238,800	10.4
2,000,000	2,500,000	780,800	49	4,040,000	5,040,000	290,800	11.2
2,500,000	3,000,000	1,025,800	53	5,040,000	6,040,000	402,800	12.0
3,000,000	---	1,290,800	55	6,040,000	7,040,000	522,800	12.8
				7,040,000	8,040,000	650,800	13.6
				8,040,000	9,040,000	786,800	14.4
				9,040,000	1,040,000	930,800	15.2
				1,040,000	---	1,082,800	16.0

## Computation of Tax

Use Table A	
1) Gross taxable estate	1) \$1,000,000
2) Tax on amount on line 1 (Table A)	2) 345,800
3) Less (State exemption based on \$850,000 exclusion) [\$248,300 plus (\$100,000 x 39%)]	3) 287,300
4) Subtract line 3 from line 2	4) 58,500
Use Table B	
5) Gross taxable estate	5) 1,000,000
6) Less (Federal exemption)	6) 60,000
7) Subtract line 6 from line 5	7) 940,000
8) Credit for state death taxes on amount on line 7 (Table B) [\$27,600 plus (\$100,000 x 5.6%)]	8) 33,200
<b>9) Rhode Island Tax - the smaller of line 4 and line 8</b>	<b>9) \$33,200</b>

**Lines 1 – 4:** Used to calculate what the federal tax liability would have been prior to 2001, assuming an \$850,000 federal exemption.

**Lines 5 – 8:** Used to calculate the maximum state credit that would have been excluded from federal taxation prior to 2001.

**Line 9:** The amount of tax owed the state is the lesser of line 4 or line 8.

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## Racing & Athletics Taxes (Simulcast; Dog Racing)

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## RIGL 41-3.1, 41-4-4.1 and 41-11

**Description:** The State receives commission payments from licensees who operate pari-mutuel betting pools on dog racing and simulcast betting facilities. The commissions vary based on the type of wager and activity.

**Dog Racing:** Rhode Island has one licensed dog-racing venue- the Twin River (Lincoln Park) gaming facility, located in Lincoln, RI. Pursuant to RIGL 41-3.1-4, Twin River is required to conduct at least 125 race days annually.

The State is paid 7.5% of the amounts straight wagered (win, place or show) and 8.5% for other bets. The State also receives 50% of the “breakage on the dime”. Breaks are known as the difference between the amount contributed to a pari-mutuel pool and the total of the commission of the licensee and the sums actually distributed to the contributors (RIGL 41-3.1-6 (d)). Breakage represents the downward rounding of the betting odds to the nearest tenth of a dollar.

**Simulcast:** The State is paid 4.0% on straight wagers (win, place or show) and 5.5% on wagers on three or more animals. The State also receives 50% of breakage.

Racing and Athletics taxes are deposited as General Revenues, and are due to be paid by licensees at the close of racing each day.

**Exemptions:** None

**Tax Incentives:** None

### **Collection History:**

<i>\$ Millions</i>	<i>Amount</i>	<i>% Change</i>
FY2001	\$5.5	0.0%
FY2002	5.5	0.0%
FY2003	4.9	-9.7%
FY2004	4.6	-7.1%
FY2005	4.0	-13.0%
FY2006	3.5	-12.6%
FY2007	2.9	-16.3%
FY2008	2.8	-3.7%
FY2009	2.5	-12.9%
FY2010 Est.	2.0	-18.4%
FY2011 Est.	\$1.8	-10.0%

**Recent Amendments:** Although not technically an amendment to the law governing dog racing, in August 2009 Twin River began running only the required 125 race days per year. Prior to that, dog racing had occurred year-round. The FY2009 actual collections, and estimates for FY2010 and FY2011, incorporate this change.



# Real Estate Conveyance Tax

# RIGL 44-25

**Description:** The State imposes a tax on each deed, instrument or writing by which interests in real estate are conveyed to a purchaser, and when the value of the transfer is greater than \$100. The tax rate is \$2.00 for each \$500, or fractional part, of the purchase price, equating to a 0.4% tax rate.

Payments are due upon making, execution, delivery, acceptance or recording the instrument of conveyance.

Real Estate Conveyance Tax collections are shared between the State, and the municipality in which the property is situated, based on the following distribution:

Real Estate Conveyance Tax Distribution		
	Per \$500	Effective Rate
<b>State</b>	<b>\$0.90</b>	<b>0.18%</b>
<i>General Revenue</i>	\$0.60	0.12%
<i>Distressed Communities</i>	\$0.30	0.06%
<b>Local Government</b>	<b>\$1.10</b>	<b>0.22%</b>
<b>Total</b>	<b>\$2.00</b>	<b>0.40%</b>

A breakdown of municipal collections can be found on the following page.

In FY2009, local government collections ranged from a low of \$32,160 (West Greenwich) to a high of \$1.3 million (Providence).

Real Estate Conveyance Tax Collections Top Five Municipalities - FY2009		
	FY2008	Rank
Providence	\$1,345,569	1
Warwick	\$622,523	2
Cranston	\$536,735	3
Pawtucket	\$416,843	4
Newport	\$373,814	5

**Exemptions:** The tax does not apply to transactions where the State or its political subdivisions are the purchaser of real estate.

**Tax Incentives:** None

## Collection History:

\$ Millions	Amount	% Change
FY2001	\$2.6	0.0%
FY2002	2.7	5.3%
FY2003	9.8	263.5%
FY2004	13.0	33.3%
FY2005	14.4	10.6%
FY2006	14.6	1.2%
FY2007	12.7	-12.7%
FY2008	10.2	-19.7%
FY2009	6.8	-33.4%
FY2010 Est.	6.5	-4.6%
FY2011 Est.	\$6.5	0.0%

*Note: The table above shows total General Revenue collections, inclusive of the \$0.30/\$500 that is allocated for distribution to Distressed Communities. These funds are appropriated annually in the State Budget.*

**Recent Amendments:** The tax was increased from \$1.40 per \$500 to \$2.00 per \$500 in 2002, with the additional \$0.60 deposited as General Revenues.

## Regional Comparison

**RI:** \$2.00 per \$500, or equivalent to 0.4%

**MA:** \$4.56 per \$1,000, or equivalent to 0.456%

**CT:** 1.25% if consideration exceeds \$2,000. Varying rates for commercial transfers.

## Real Estate Conveyance Tax Collections- Municipal Portion

	FY2006	FY2007	FY2008	FY2009	FY2009 Rank	% Change FY2006 - FY2009
Barrington	\$349,765	\$314,885	\$291,283	\$191,976	17	-45.1%
Bristol	484,046	329,224	227,956	139,122	24	-71.3%
Burrillville	184,810	128,364	130,755	97,557	28	-47.2%
Central Falls	147,326	124,220	98,814	100,409	27	-31.8%
Charlestown	223,524	244,499	182,098	139,878	23	-37.4%
Coventry	500,251	431,960	378,864	290,121	7	-42.0%
Cranston	1,180,144	1,014,176	699,864	536,735	3	-54.5%
Cumberland	688,650	457,162	347,205	261,274	10	-62.1%
East Greenwich	379,649	374,439	400,077	185,812	18	-51.1%
East Providence	566,739	445,844	374,100	252,455	13	-55.5%
Exeter	89,964	93,662	66,815	89,313	30	-0.7%
Foster	52,103	60,486	30,850	32,624	38	-37.4%
Glocester	120,094	102,333	84,781	65,676	33	-45.3%
Hopkinton	134,464	98,199	118,683	56,406	35	-58.1%
Jamestown	235,787	185,490	239,352	112,388	26	-52.3%
Johnston	413,912	321,159	225,377	255,457	12	-38.3%
Lincoln	451,618	392,852	253,658	169,219	19	-62.5%
Little Compton	111,180	72,181	164,855	93,594	29	-15.8%
Middletown	311,571	316,188	315,502	146,777	22	-52.9%
Narragansett	389,699	331,755	325,471	258,317	11	-33.7%
Newport	681,284	680,716	434,064	373,814	5	-45.1%
New Shoreham	157,537	106,428	104,217	40,588	37	-74.2%
North Kingstown	568,912	434,200	419,796	274,365	9	-51.8%
North Providence	431,129	355,716	277,033	215,570	15	-50.0%
North Smithfield	183,134	154,874	117,019	78,069	31	-57.4%
Pawtucket	751,675	568,512	488,283	416,843	4	-44.5%
Portsmouth	451,331	496,523	352,028	149,043	21	-67.0%
Providence	3,008,929	2,940,522	2,088,792	1,345,569	1	-55.3%
Richmond	139,798	87,156	82,075	49,751	36	-64.4%
Scituate	114,587	96,708	71,053	59,088	34	-48.4%
Smithfield	308,139	275,576	176,057	154,678	20	-49.8%
South Kingstown	561,449	466,520	469,778	286,902	8	-48.9%
Tiverton	288,874	237,715	169,254	138,310	25	-52.1%
Warren	134,076	140,709	83,497	71,900	32	-46.4%
Warwick	1,470,808	1,217,460	951,626	622,523	2	-57.7%
Westerly	581,517	506,382	545,445	317,961	6	-45.3%
West Greenwich	94,420	215,505	63,171	32,160	39	-65.9%
West Warwick	404,078	387,556	336,027	218,867	14	-45.8%
Woonsocket	468,201	347,949	284,189	215,471	16	-54.0%
<b>Total</b>	<b>\$17,815,176</b>	<b>\$15,555,804</b>	<b>\$12,469,767</b>	<b>\$8,536,581</b>		<b>-52.1%</b>

*Municipal Collections data are calculated based on the amounts municipalities remitted to the State Division of Taxation.*



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# Departmental Revenues

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**Description:** The State assesses a number of non-tax related revenue items, including:

- Licenses and Fees;
- Fines and Penalties;
- Sales and Services; and
- Other Miscellaneous Revenues

*Licenses and Fees* – License and other fees are assessed to individuals or businesses in part to cover administrative and oversight costs related to regulatory activities.

*Fines and Penalties* – Fines and penalties are assessed for certain violations of state laws or regulations. Most are deposited as General Revenues and are used to offset regulatory compliance costs.

*Sales and Services* – Sales and services includes fees or charges for the use of State facilities or when consumers receive a “product” from the State. This category includes lease revenues from outside use of State property.

*Other Miscellaneous* – This category is a “catch-all” for revenues not otherwise accounted for in the first three categories. Indirect cost recovery assessments on restricted receipt accounts are deposited as miscellaneous General Revenues.

**Departmental Revenues Due:** Departmental Revenues are generally due at the time of assessment. For example, license fees are generally payable upon application, etc.

**Exemptions:** None

**Tax Incentives:** None

## **Collection History (General Fund):**

<i>\$ Millions</i>	<i>Amount</i>	<i>% Change</i>
FY2001	\$261.7	0.0%
FY2002	243.4	-7.0%
FY2003	290.3	19.3%
FY2004	285.0	-1.8%
FY2005	268.0	-6.0%
FY2006	287.3	7.2%
FY2007	277.8	-3.3%
FY2008	352.1	26.8%
FY2009	319.4	-9.3%
FY2010 Est.	342.0	7.1%
FY2011 Est.	\$221.0	-35.4%

*Note: The FY2011 estimate does not contain the Hospital License Fee revenues, which are included in the annual budget bill. For FY2010, this amounted to \$128.8 million.*

**Recent Amendments:** The 2009 General Assembly enacted a number of changes affecting departmental revenues. These include:

- **Hospital Licensing Fee** – The hospital licensing fee expires at the end of each fiscal year and must be reinstated in the following year. For FY2010, the General Assembly set the rate at 5.237% of FY2008 net patient revenues. The fee is estimated to yield \$128.8 million in FY2010, an increase of \$1.3 million from FY2009.
- **Motor Vehicle Fees** - The General Assembly increased a number of fees at the Division of Motor Vehicles, including reinstatement fees for titles, registrations and licenses. Fees for initial title issuances were also increased. The changes are estimated to yield \$6.2 million in additional General Revenue collections in FY2010.
- **Small Claims Mediation Fee** – The fee for small claims mediation was increased by \$20, to \$50, generating an estimated \$198,901 in additional General Revenue collections in FY2010.

- **Expungement Fee** – The General Assembly instituted a fee for the expungement of misdemeanor and felony criminal convictions. An estimated \$1.2 million in General Revenue collections are included for FY2010.
- **Business Regulation Fees** – The 2009 General Assembly increased Department of Business Regulation fees by 20%, yielding an estimated \$1.6 million in additional General Revenue collections in FY2010.
- **CRMC Fees** – The Coastal Resources Management Council recommended fee increases for recreational vehicle permits, residential dock applications, and structural shoreline protection applications. The 2009 General Assembly adopted the recommendations, yielding \$185,000 in additional General Revenues for FY2010.

# Motor Fuel (Gas) Tax

# RIGL 31-36

**Description:** The State imposes a motor fuel tax (currently \$0.32/gallon) that is required to be paid by purchasers at the point of purchase. Taxes are paid on all fuel purchases, however purchasers may apply for refunds for “non-highway” fuel use.

Tax proceeds are used to support transportation purposes. Motor fuel tax receipts are deposited as restricted receipts, and, prior to FY2010, a portion of tax receipts were deposited as General Revenues. The following table shows the distribution of the motor fuel tax proceeds:

Gas Tax Distribution Changes- FY2009 to FY2010		
	FY2009	FY2010
DOT	20.75	21.75
RIPTA	7.25	9.25
DEA (RIde)	1.00	0.00
DHS (RIde)	0.00	1.00
General Fund	1.00	0.00
<b>Total Cents/Gallon</b>	<b>30.00</b>	<b>32.00</b>

*\* An additional \$0.01/gallon Environmental Protection Regulatory Fee is levied at the point of purchase and distributed equally to RIPTA and the UST Fund.*

**Tax Due:** Retailers are responsible to remit tax receipts for the previous month by the 20<sup>th</sup> day of the subsequent month.

**Exemptions:** Fuel purchased for “non-highway” use may be exempt and subject to refund.

**Tax Incentives:** None

## Collection History (General Fund):

\$ Millions	Amount	% Change
FY2001	\$8.5	0.0%
FY2002	0.6	-93.5%
FY2003	25.5	4507.9%
FY2004	7.8	-69.6%
FY2005	9.0	16.3%
FY2006	4.3	-52.1%
FY2007	4.7	8.8%
FY2008	4.5	-4.1%
FY2009	4.3	-4.1%
FY2010 Est.	0.0	-100.0%
FY2011 Est.	\$0.0	0.0%

*The collection history variance is largely attributable to different General Fund allocations of the Motor Fuel Tax between fiscal years.*

**Recent Amendments:** The FY2010 Budget increased the Motor Fuel Tax by \$0.02 per gallon, from \$0.30 to \$0.32 per gallon and dedicates the additional \$0.02 to the Rhode Island Public Transit Authority (RIPTA) in FY2010. Additionally, the Budget includes the transfer of the final \$0.01 of the Motor Fuel Tax not already allocated for transportation purposes from the General Fund to the Department of Transportation (DOT) in FY2010. Based on the per penny Motor Fuel Tax yield, as estimated at the May 2009 Revenue Estimating Conference, RIPTA would receive an additional \$8.8 million and DOT would receive increased revenue of \$4.4 million in FY2010.

### Regional Comparison

**RI:** \$0.32 per gallon

**MA:** \$0.235 per gallon

**CT:** \$0.364 per gallon



## Other Miscellaneous Revenues

**Description:** The State collects revenues from various sources that are non-recurring. These can include revenue from land sales, legal settlements, rental and lease payments, payments from restricted funds, audit adjustments, and other sources. The single largest source of these funds in recent years was attributable to the Tobacco Securitization under the Master Settlement Agreement.

For FY2010, the following miscellaneous revenues are anticipated to be received:

FY2010 Estimated Miscellaneous Revenues	
Airport Lease Payments	\$2,342,795
DEPCO Settlements	30,000
GO Bond Closeouts and Interest	661,000
Inter-Year Adjustments	1,209,529
Judiciary CSE Recovery	152,117
Property Sales	1,300,000
PUC Rent	173,040
Purchase Card Rebates	50,000
RIHEBC Transfer	1,000,000
Debt Service Savings- RIAC	31,519
UST Recovery	50,000
HRIC Transfer	1,500,000
<b>Total FY2010 Estimate</b>	<b>\$8,500,000</b>

For FY2011, the following miscellaneous revenues are anticipated to be received:

FY2011 Estimated Miscellaneous Revenues	
Airport Lease Payments	\$1,886,544
DEPCO Settlements	30,000
GO Bond Closeouts and Interest	211,000
Inter-Year Adjustments	1,084,041
Property Sales	1,000,000
PUC Rent	173,040
Purchase Card Rebates	50,000
Debt Service Savings- RIAC	15,375
UST Recovery	50,000
<b>Total FY2010 Estimate</b>	<b>\$4,500,000</b>

Other miscellaneous revenues sources are due at various times throughout the fiscal year, and are deposited as General Revenues.

**Exemptions:** None

**Tax Incentives:** None

### Collection History (General Fund):

<i>\$ Millions</i>	Base Amount	Tobacco Settlement	Total Amount	% Change
FY2001	\$51.9	\$45.1	\$97.0	0.0%
FY2002	44.7	187.6	232.3	139.5%
FY2003	17.8	166.2	184.1	-20.8%
FY2004	17.8	1.9	19.7	-89.3%
FY2005	28.2	-	28.2	43.1%
FY2006	31.2	-	31.2	10.5%
FY2007	25.0	42.5	67.5	116.5%
FY2008	58.9	124.0	182.9	171.1%
FY2009	17.7	-	17.7	-90.3%
FY2010 Est.	8.5	-	8.5	-52.1%
FY2011 Est.	\$4.5	\$0.0	\$4.5	-47.1%

Miscellaneous Revenue collections vary by a great deal, as they are not consistent sources from year to year. The history above shows a range of actual collections from \$17.7 million to \$232.3 million. Years showing substantial revenue collections reflect Tobacco Securitization bond proceeds.

**Recent Amendments:** The 2009 General Assembly did not include any additional other miscellaneous revenues in the FY2010 Budget.



**Description:** The Department of Revenue’s Division of Lottery transfers portions of lottery receipts to the State as General Revenues. Revenue sources include video lottery terminal (VLT) income, as well as revenues from games and keno sales.

Payments are due based on the following schedule:

- VLT proceeds due monthly;
- Games and Keno proceeds due quarterly.

**Video Lottery Terminals (VLTs)** – The State receives a portion of net terminal income from VLTs at the State’s two slot parlors- Newport Grand and Twin River. Net terminal income represents the net amount after prizes are paid out, and the State receives greater than 60% of the net terminal income. The payout scale varies by facility, and is illustrated in the table below:

Distribution	Twin River	Newport Grand
State General Revenues	61.27%	63.49%
Licensed Retailer (Facility)	27.80%	26.00%
Technology Provider	7.00%	7.00%
Central Communications Provider	2.50%	2.50%
Host Municipality	1.26%	1.01%
Narragansett Indian Tribe	0.17%	0.00%
<i>Total</i>	<i>100.00%</i>	<i>100.00%</i>

**Games** – Games include instant scratch card tickets, numbers drawings (including PowerBall), raffles (limited periods), and keno sales. Transfers to the State vary by game, and range from a low of 15.0% of sales for Keno, to 25.0% for other games.

**Exemptions:** None

**Tax Incentives:** None

## Collection History:

\$ Millions	Games	VLT	Total	% Change
FY2001	\$58.9	\$122.7	\$181.7	0.0%
FY2002	66.0	149.9	215.9	18.9%
FY2003	67.0	169.3	236.4	9.5%
FY2004	63.5	217.5	280.9	18.9%
FY2005	61.8	245.7	307.5	9.5%
FY2006	67.3	256.4	323.7	5.3%
FY2007	63.2	257.1	320.3	-1.1%
FY2008	59.4	295.8	355.3	10.9%
FY2009	59.3	284.8	344.1	-3.2%
FY2010 Est.	60.0	291.9	351.9	2.3%
FY2011 Est.	\$60.0	\$296.9	\$356.9	1.4%

**Recent Amendments:** The 2009 General Assembly allowed the “24/3”<sup>1</sup> to sunset on June 30, 2009. “24/3” allows VLT retailers to operate 24 hours per day, 3 days per week. The Division of Lottery used regulatory authority to permit the continuation of 24/3 absent legislative prohibition against the extended hours.

The 2009 General Assembly passed legislation enabling VLT retailers to operate 24/7, or operate continuously. The Governor vetoed the legislation and to date the General Assembly has not taken action on the veto.

The Division of Lottery authorized 24/7 gambling, effective beginning November 19, 2009.

### Regional Comparison

**MA:** Under State law, the State Lottery Commission must use at least 45% of lottery proceeds to pay prizes, and up to 15% can be used for operating expenses. The remainder is used to fund local governmental services.

**CT:** Net receipts, after prize payouts and operating expenses, are certified and transferred to the State’s General Fund on a weekly basis.

<sup>1</sup> **24/3:** 24/3 was authorized by the 2008 General Assembly and allows for VLT operations for 24 hours on weekends and holidays. Additional State revenues were allocated to the Permanent School Fund, and shares to the host community increase in weeks when a facility operates on the full 24/3 schedule. To date, Newport Grand has not participated, however Twin River, located in the Town of Lincoln, has, and Lincoln’s share increased from 1.26% of net terminal income to 1.45% during 24/3 weeks.





**Description:** Unclaimed property consists of money and other assets that are considered lost or abandoned after an owner cannot be located for a specific period of time. It includes bank accounts; stocks and dividends; wages; refunds; safe deposit boxes; insurance payments; gift certificates; credit memos; account receivable credits and payables, etc.

Most property is considered “unclaimed” after three (3) years, unless specifically noted in the law. Wages and property held by the Courts and other public agencies are considered unclaimed after one (1) year.

The RI General Treasurer annually publishes a list of unclaimed property. The list is cumulative and includes assets reported as unclaimed dating back to the 1940s. Claims may be made after the State has liquidated an asset and the State surrenders the value that the State earned at the time of the sale or liquidation of the asset.

The State General Fund receives an annual transfer of a portion of unclaimed property receipts, according to the following formula:

**Total Revenues from Sale, Less**

- *Personnel Costs of Unclaimed Property Program;*
- *Administrative Costs of Program;*
- *Claims Paid in Current Year;*
- *Liability Holdback<sup>1</sup>;*

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**Equals Transfer to State General Fund**

The Governmental Accounting Standards Board (GASB) Statement 21 contains guidelines for the amount (25%) of escheated (unclaimed) property receipts that must be withheld to cover future claims. Rhode Island holds back either 25% of net revenues from unclaimed property sales, or the five-year average of the percent of claims paid out from previous year revenues, whichever is greater.

**Collection History:**

<i>\$ Millions</i>	<i>Amount</i>	<i>% Change</i>
FY2001	\$4.5	0.0%
FY2002	7.4	66.3%
FY2003	8.5	14.0%
FY2004	17.0	101.5%
FY2005	15.6	-8.4%
FY2006	14.2	-8.8%
FY2007	11.5	-19.6%
FY2008	15.4	34.3%
FY2009	8.0	-47.7%
FY2010 Est.	5.2	-35.4%
FY2011 Est.	\$5.3	1.9%

**Recent Amendments:** None

**Regional Comparison**

**MA:** All funds exceeding \$500,000 are deposited into the General Fund.

**CT:** Unclaimed property receipts are deposited into the Citizens’ Election Fund to provide public campaign grants to participating candidates.

**Exemptions:** Pursuant to RIGL 33-21, unclaimed real estate property becomes the property of the city or town in which the property is located.

**Tax Incentives:** None



# Hotel Tax

# RIGL 44-18-36.1

**Description:** The State levies a 5.0% gross receipts tax on charges for occupancy of any space furnished in buildings or structures with a minimum of three rooms that are kept, used maintained, advertised or held out to the public to be a space where living quarters are supplied for pay for transient use (30 days or less).

The tax is collected by the hotel and remitted to the Division of Taxation on a monthly basis. The tax is in addition to all other taxes and fees currently imposed. An additional 1.0% tax was added in FY2005, and is fully allocated to the city or town in which the hotel is located.

The Division of Taxation collects the tax and is responsible for the distribution, except for the City of Newport, which is authorized to collect and disburse tax receipts for hotels located within the City. The effective breakdown of tax receipts distribution, inclusive of the 1.0% local portion, is as follows <sup>1</sup>:

Hotel Tax - Effective Distribution of 6%				
Distribution	Where Collected			
	Warwick	Providence	Statewide Region	Other Regions
Regional Tourism				
Districts	25.8%	0.0%	0.0%	39.2%
Providence/Warwick				
Convention & Visitors				
Bureau	19.2%	19.2%	5.8%	5.8%
Providence Convention				
Authority	0.0%	25.8%	0.0%	0.0%
Cities and Towns	37.5%	37.5%	37.5%	37.5%
State (General Revenue)	17.5%	17.5%	56.7%	17.5%
<b>Totals</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

A breakdown of municipal payments can be found on the following page.

**Exemptions:** Hotels with fewer than three rooms are exempt from the tax.

**Tax Incentives:** None

## Collection History:

\$ Millions	Amount	% Change
FY2001	\$13.3	
FY2002	11.6	-13.2%
FY2003	11.5	-0.7%
FY2004	11.9	3.5%
FY2005	12.7	7.1%
FY2006	14.9	17.0%
FY2007	15.8	6.0%
FY2008	16.2	2.7%
FY2009	\$15.5	-4.8%

Total Hotel Tax collections

**Recent Amendments:** None

### Regional Comparison

**RI:** 6%; additional to sales taxes

**MA:** 0.7% State Rate; Local rates up to an additional 6%; Certain municipalities, including Boston and Worcester, may add up to 2.75% tax to fund convention centers; additional to sales taxes

**CT:** 6%; additional to sales taxes

### <sup>1</sup> Regional Tourism Districts (RIGL 42-63.1-5):

**South County District:** Westerly, Charlestown, Narragansett, South Kingstown, North Kingstown, Hopkinton, Exeter, Richmond, West Greenwich, East Greenwich, Coventry

**Providence District:** Providence

**Northern RI District:** Pawtucket, Woonsocket, Lincoln, Central Falls, Cumberland, North Smithfield, Smithfield, Gloucester, Burrillville

**Aquidneck Island District:** Newport, Jamestown, Middletown, Portsmouth, Tiverton, Little Compton

**Warwick District:** Warwick

**Block Island District:** New Shoreham

**East Bay District:** Barrington, Bristol, Warren, East Providence

**Statewide District:** Cranston, Foster, Johnston, North Providence, Scituate, West Warwick

## Hotel Tax Local Distributions

	FY2006	FY2007	FY2008	FY2009	FY2009 Rank	% Change FY2006 - FY2009
Barrington	\$0	\$0	\$0	\$0	31	
Bristol	34,135	36,375	39,260	31,842	16	-6.7%
Burrillville	0	0	0	0	31	
Central Falls	0	0	0	0	31	
Charlestown	23,598	39,169	20,081	21,624	18	-8.4%
Coventry	53,687	72,142	76,936	66,941	12	24.7%
Cranston	27,713	27,058	24,282	20,143	19	-27.3%
Cumberland	0	0	0	0	31	
East Greenwich	631	613	382	365	29	-42.2%
East Providence	45,040	41,273	32,859	27,656	17	-38.6%
Exeter	0	0	0	0	31	
Foster	611	450	542	481	28	-21.3%
Glocester	1,871	2,329	2,344	1,804	27	-3.5%
Hopkinton	0	0	0	0	31	
Jamestown	10,596	9,485	6,923	8,315	22	-21.5%
Johnston	12,122	10,244	10,158	5,939	24	-51.0%
Lincoln	83,816	89,276	87,154	77,001	10	-8.1%
Little Compton	3,951	5,265	2,980	291	30	-92.6%
Middletown	485,521	497,810	556,290	514,352	4	5.9%
Narragansett	81,679	56,959	73,251	69,695	11	-14.7%
Newport	1,509,437	1,648,943	1,756,034	1,764,474	1	16.9%
New Shoreham	229,927	282,621	236,551	217,440	5	-5.4%
North Kingstown	17,333	18,341	18,578	14,987	20	-13.5%
North Providence	0	0	353	0	31	
North Smithfield	1,863	1,911	2,492	5,997	23	221.8%
Pawtucket	48,958	60,225	55,461	50,951	14	4.1%
Portsmouth	10,569	9,546	8,049	8,917	21	-15.6%
Providence	1,164,135	1,250,847	1,368,073	1,289,164	2	10.7%
Richmond	8,416	4,123	5,547	3,311	26	-60.7%
Scituate	3,320	3,911	15,573	3,924	25	18.2%
Smithfield	65,621	70,073	62,147	84,990	9	29.5%
South Kingstown	65,318	62,899	78,832	108,667	7	66.4%
Tiverton	0	0	0	0	31	
Warren	0	0	0	0	31	
Warwick	983,248	970,699	916,875	819,024	3	-16.7%
Westerly	196,601	193,838	176,723	154,356	6	-21.5%
West Greenwich	35,597	39,074	42,094	58,492	13	64.3%
West Warwick	119,693	145,032	103,028	92,669	8	-22.6%
Woonsocket	46,528	51,032	50,551	38,963	15	-16.3%
<b>Total</b>	<b>\$5,371,537</b>	<b>\$5,701,563</b>	<b>\$5,830,404</b>	<b>\$5,562,775</b>		<b>3.6%</b>

# Meal and Beverage Tax (*Local*)

RIGL 44-18-18.1

**Description:** Beginning August 1, 2003, the State effectuated a 1.0% meals and beverage tax, in addition to the 7.0% sales tax. Meals are defined as any prepared food that is offered for sale and ready for immediate consumption. Beverages include both alcoholic and non-alcoholic drinks.

The meals and beverage tax is generally collected and submitted to the Division of Taxation by eating and/or drinking establishments on a monthly basis, however some small retailers (under \$200 in monthly sales tax collections) may submit quarterly. The Division of Taxation collects the taxes and distributes them, at least quarterly, to the city or town in which the meals and beverages are delivered.

*A breakdown of municipal collections can be found on the following page.*

In FY2009, collections ranged from a low of \$17,846 (Foster) to a high of \$4.0 million (Providence).

Meal and Beverage Tax Collections Top Five Municipalities - FY2009		
	FY2009	Rank
Providence	\$3,962,837	1
Warwick	2,165,813	2
Newport	1,552,832	3
Cranston	1,317,327	4
E. Providence	\$710,794	5

**Exemptions:** Food and/or beverages from vending machines are not subject to the meals and beverage tax.

Certain meals and beverages, when delivered to employees as a part of an eating an/or drinking establishment's compensation to the employee, is not subject to the tax.

**Tax Incentives:** None

## **Collection History:**

<i>\$ Millions</i>	Amount	% Change
FY2004	\$13.5	
FY2005	17.2	27.3%
FY2006	17.6	2.5%
FY2007	18.8	6.9%
FY2008	18.7	-0.4%
FY2009	18.8	0.3%
FY2010 Est.	\$19.1	1.7%

**Recent Amendments:** None

### **Regional Comparison**

**RI:** 1.0% in addition to the sales tax.

**MA:** 0.75% local option, meals also subject to sales tax.

**CT:** No separate tax, meals subject to sales tax.

Meal and Beverage Tax Collections						
	FY2006	FY2007	FY2008	FY2009	FY2009 Rank	% Change FY2006 - FY2009
Barrington	\$95,312	\$98,239	\$120,946	\$119,179	28	25.0%
Bristol	282,931	317,467	326,980	318,548	21	12.6%
Burrillville	149,728	164,519	166,000	166,966	24	11.5%
Central Falls	88,214	85,985	88,041	82,663	31	-6.3%
Charlestown	102,848	114,399	104,650	98,886	30	-3.9%
Coventry	287,949	314,523	329,394	332,829	19	15.6%
Cranston	1,247,979	1,341,782	1,326,355	1,317,327	4	5.6%
Cumberland	293,785	338,770	335,042	346,547	18	18.0%
East Greenwich	374,357	377,559	407,431	389,810	16	4.1%
East Providence	697,351	701,393	696,324	710,794	5	1.9%
Exeter	50,577	49,935	69,053	63,081	34	24.7%
Foster	17,619	16,697	17,951	17,846	39	1.3%
Glocester	58,500	55,379	55,278	57,561	35	-1.6%
Hopkinton	39,249	47,563	44,218	39,880	37	1.6%
Jamestown	90,423	101,472	39,650	65,241	33	-27.8%
Johnston	418,955	446,385	414,290	406,973	15	-2.9%
Lincoln	449,887	575,953	661,664	585,041	8	30.0%
Little Compton	29,287	28,748	27,347	27,577	38	-5.8%
Middletown	465,466	542,101	540,447	566,748	9	21.8%
Narragansett	382,235	369,441	414,678	473,967	13	24.0%
Newport	1,461,560	1,616,630	1,627,568	1,552,832	3	6.2%
New Shoreham	209,516	240,249	247,449	208,610	22	-0.4%
North Kingstown	379,141	442,199	414,128	430,806	14	13.6%
North Providence	364,116	390,616	372,595	365,348	17	0.3%
North Smithfield	165,785	150,356	141,091	155,376	26	-6.3%
Pawtucket	609,567	621,741	627,568	640,642	6	5.1%
Portsmouth	153,159	152,304	149,324	159,493	25	4.1%
Providence	3,626,046	3,913,788	3,962,837	3,912,275	1	7.9%
Richmond	98,706	101,876	105,128	101,458	29	2.8%
Scituate	35,354	45,629	55,494	55,036	36	55.7%
Smithfield	442,296	488,580	495,297	480,155	12	8.6%
South Kingstown	485,652	476,951	514,694	516,680	10	6.4%
Tiverton	139,341	149,415	157,507	146,356	27	5.0%
Warren	220,603	231,982	231,596	205,217	23	-7.0%
Warwick	2,134,685	2,200,480	2,165,813	2,199,207	2	3.0%
Westerly	594,258	617,927	378,006	589,951	7	-0.7%
West Greenwich	68,069	77,232	75,038	79,531	32	16.8%
West Warwick	354,866	346,372	354,150	330,731	20	-6.8%
Woonsocket	455,234	477,662	488,266	491,063	11	7.9%
<b>Total</b>	<b>\$17,620,608</b>	<b>\$18,830,298</b>	<b>\$18,749,285</b>	<b>\$18,808,231</b>		<b>6.7%</b>

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# Tax Credits and Incentives

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The State offers numerous tax credits and other incentives for individuals and businesses. The following summarizes the various credits, illustrates the taxes to which they apply, and, when available, includes estimates of the fiscal impact of the credit or incentive.

The Department of Revenue, Division of Taxation publishes a biennial report in even numbered years entitled the “Tax Expenditures Report”. Tax expenditures are credits, deductions, exemptions, exclusions, modifications, preferential rates, tax abatements, or tax deferrals to individual or business tax filers. The report is required under RIGL 44-48.1-1 to report (or estimate) the amount of revenue foregone due to the tax expenditure, and also to compare the expenditure item to determine if similar allowances exist in other New England states. The revenue impacts cited below are from the “January 2008 Tax Expenditures Report” unless otherwise noted.

The tax credits and incentives detailed in this summary are State incentives. A number of federal pass-thru incentives are also available to taxpayers but are not included in the report. The report includes the following incentives:

1. Adult & Child Day Care Assistance and Development Tax Credit
2. Adult Education Tax Credit
3. Americans’ with Disabilities Act Accommodations Credit
4. Apprenticeship Credit
5. Artists’ Modifications
6. Artwork Exhibition
7. Biotechnology Investment Tax Credit
8. Building Rehabilitation Investment Tax Credit
9. Computer Company Stock Option Gain Exclusion
10. Deduction for Capital Investment in Small Business
11. Deduction / Modification for Hiring Unemployed or Welfare Recipients
12. Education Assistance and Development Tax Credit
13. Employment Tax Credit
14. Enterprise Zone
15. Historic Structures Credit
16. Historical Residence Renovations Credit
17. Hydroelectric Power Credit
18. Investment Tax Credit
19. Innovation and Growth Tax Credit
20. Jobs Development Act Rate Reduction
21. Jobs Growth Act
22. Job Training Tax Credit
23. Juvenile Restitution Credit
24. K-12 Scholarship Contributions Credit
25. Motion Picture Production Credit
26. Project Status (EDC)
27. Research & Development- Expense Credit
28. Research & Development- Property Credit
29. Residential Renewable Energy System Credit

**1. Adult & Child Day Care Assistance and Development Tax Credit (RIGL 44-47):** Allows for a 30% credit for the purchase of daycare services for dependent children of employees; for costs associated with the operation of a daycare facility; or for rentals/leases foregone from allowing the operation of a licensed daycare facility. The credit is capped at \$30,000 annually per taxpayer, and is not refundable. The Daycare credit can be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Public Service (Utilities) Corporations (RIGL 44-13)
- Banks (RIGL 44-14)
- Insurance Companies (RIGL 44-17)
- Personal Income Tax (RIGL 44-30)

Daycare Credit - 2007 Data		
	# Taxpayers	Foregone Revenues
<b>Personal Income</b>	15	\$27,000
<b>Corporations</b>	1	\$17,000
<b>Totals</b>	<b>16</b>	<b>\$44,000</b>

**2. Adult Education Tax Credit (RIGL 44-46):** Employers are allowed a credit equal to 50% of the cost of certain defined adult education programs, up to a maximum of \$300 per employee, and is capped for the employer at \$5,000 annually. Employees must remain employed for a minimum of 13 consecutive weeks and work at least 455 paid hours before the employer becomes eligible for the credit. The credit is non-refundable, nor may it be carried forward to subsequent tax years. The Adult Education credit may be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Public Service (Utilities) Corporations (RIGL 44-13)
- Banks (RIGL 44-14)
- Credit Unions (RIGL 44-15)
- Insurance Companies (RIGL 44-17)
- Personal Income Tax (RIGL 44-30)

Adult Education Credit - 2007 Data		
	# Taxpayers	Foregone Revenues
<b>Personal Income</b>	13	\$4,000
<b>Corporations</b>	<i>No Statistics Available</i>	
<b>Totals</b>	<b>13</b>	<b>\$4,000</b>

**3. Americans' with Disabilities Act Accommodations Credit (RIGL 44-54):** Small businesses (under 30 employees or less than \$1.0 million in gross receipts) are allowed a tax credit equal to 10% of expenses associated with making capital improvements or providing services to increase access for persons with disabilities. The credit is capped at \$1,000 per taxpayer in a tax year, and unused portions may not be carried forward. The credit may be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Public Service (Utilities) Corporations (RIGL 44-13)

ADA Accomodations Credit - 2007 Data		
	# Taxpayers	Foregone Revenues
<b>Corporations</b>		<i>No Statistics Available</i>
<b>Totals</b>		<i>No Statistics Available</i>

**4. Apprenticeship Credit (RIGL 44-11-41):** Employers filing Business Corporations taxes who employ machine tool, metal trade, or plastic process technician apprentices may qualify for a tax credit equal to 50% of the apprentice wages, or \$4,800, whichever is less. The credit is non-refundable and may not be carried over to subsequent tax years. The credit may be applied against the following taxes:

- Business Corporations (RIGL 44-11)

Apprenticeship Credit - 2007 Data		
	# Taxpayers	Foregone Revenues
<b>Corporations</b>		<i>No Statistics Available</i>
<b>Totals</b>		<i>No Statistics Available</i>

**5. Artists' Modifications (RIGL 44-30-1.1):** Writers, composers or artists who reside and work in defined economic development zones and who profit or gain from the publication, production or sale of a "work" while they reside in the specified zone may exempt income from the specified activities from their Personal Income Tax. Zones defined in the statute include portions of Providence, Pawtucket, Westerly, Newport, Little Compton, Tiverton, Warwick, Woonsocket and West Warwick. The credit may be applied taxes in the tax year in which the expenses are incurred against the following:

- Personal Income Tax (RIGL 44-30)

Artists' Modifications - 2007 Data		
	# Taxpayers	Foregone Revenues
<b>Personal Income</b>	54	<i>No Statistics Available</i>
<b>Totals</b>	54	<i>No Statistics Available</i>

- 6. Artwork Exhibition (RIGL 44-30-24):** Allows individual income tax credits equal to 10% of the purchase price of art, with a maximum credit value of \$1,000. Any amount of unused credit may not be carried forward into subsequent tax years. Of note, the Board of Curators (RIGL 42-97) is required to certify credit eligibility, however the Board is no longer in existence, so in effect the credit cannot be issued.
- 7. Biotechnology Investment Tax Credit (RIGL 44-31-1.1):** Companies engaged in “commercial biological research and development or manufacturing and sale of biotechnology products or active pharmaceutical ingredients” may be eligible for an investment tax credit worth 10.0% of investment in buildings and equipment, with extensions for up to 15 years. Companies must meet wage and employment criteria, including:
- Wages must be equal to or greater than 125% of wages by companies under the same Standard Industrial Classification (SIC), or if there is only one company, then 125% of the average wage for all codes in the State; and,
  - Companies must maintain average employment levels that are at least 9.5% higher than those in the fourth year of initial credit application.

The credit may be applied against the following taxes:

- Business Corporations (RIGL 44-11)

Biotechnology Investment Tax Credit - 2007 Data		
	# Taxpayers	Foregone Revenues
Corporations	<i>No Statistics Available</i>	
<b>Totals</b>	<b><i>No Statistics Available</i></b>	

- 8. Building Rehabilitation Investment Tax Credit (RIGL 42-64.9-8):** A business owner who operates an eligible business in a certified (mill) building may be allowed a tax credit equal to 100% of the salaries and wages paid to qualified employees, in excess of the amount of salaries and wages paid to the same employees in the previous calendar year. The credit is intended to encourage the redevelopment of existing mill buildings. The maximum credit is \$3,000 per qualified employee. The credit may not be carried forward, and may be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Personal Income (RIGL 44-30)

Building Rehab. Investment Credit - 2007 Data		
	# Taxpayers	Foregone Revenues
Personal Income	<i>No Statistics Available</i>	
Corporations	0	\$0
<b>Totals</b>	<b>0</b>	<b>\$0</b>

**9. Computer Company Stock Option Gain Exclusion (RIGL 44-39.3-1):** Rhode Island income for taxpayers who sold, transferred or exercised stock options for certain qualifying corporations is excludable for the calculation of State income tax liability. Qualifying corporations must have at least 10 full time employees in Rhode Island and must fall into one of three qualifying Standard Industrial Classifications: 7371 (Computer Programming Services), 7372 (Prepackaged Software), or 7373 (Computer Integrated Systems Design). The credit may be applied against the following taxes:

- Personal Income (RIGL 44-30)

<b>Computer Company Stock Exclusion - 2007 Data</b>		
	<b># Taxpayers</b>	<b>Foregone Revenues</b>
<b>Personal Income</b>		<i>No Statistics Available</i>
<b>Totals</b>		<i>No Statistics Available</i>

**10. Deduction for Capital Investment in Small Business (RIGL 44-43-2):** Taxpayers are allowed a modification or deduction equal to the amount of first year investment in a certified venture capital partnership or in a qualified business entity, as determined by the RI Economic Development Corporation. The deduction or modification is non-refundable and has no carry-forward provisions. The credit may be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Public Service (Utilities) Corporations (RIGL 44-13)
- Banks (RIGL 44-14)
- Insurance Companies (RIGL 44-17)
- Personal Income Tax (RIGL 44-30)

<b>Deduction for Capital Investment - 2007 Data</b>		
	<b># Taxpayers</b>	<b>Foregone Revenues</b>
<b>Personal Income</b>		<i>No Statistics Available</i>
<b>Corporations</b>		<i>No Statistics Available</i>
<b>Totals</b>		<i>No Statistics Available</i>

**11. Deduction or Modification for Hiring Unemployed or Welfare Recipients (RIGL 44-55):** The State allows for a deduction or modification equal to 40% of an eligible employee's first year wages, capped at \$2,400 per eligible employee, based on the following criteria:

- Employee must have been unemployed for at least 26 consecutive weeks prior to employment with the claiming company;
- The company must employ the employee for a period of at least 52 consecutive weeks and 1,820 hours before the employer can become eligible for the incentive; and
- Claiming company must apply with the RI Department of Labor and Training within 30 days after the new employee begins working.

The modification may be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Public Service (Utilities) Corporations (RIGL 44-13)
- Banks (RIGL 44-14)
- Insurance Companies (RIGL 44-17)
- Personal Income Tax (RIGL 44-30)

Modification for Hiring Unemployed - 2009 Data		
	# Taxpayers	Foregone Revenues
<b>Personal Income</b>	0	-
<b>Business Taxes</b>	1	\$18,000
<b>Totals</b>	<b>1</b>	<b>\$18,000</b>

**12. Education Assistance and Development Tax Credit (RIGL 44-42-2):** The State allows a business tax credit for contributions in excess of \$10,000 to Rhode Island institutions of higher education for the establishment or maintenance of a faculty chair, department, or program for scientific research or education or a work fellowship program that provides training for scientific research or education. Businesses may claim up to 8% of the amount contributed above \$10,000. The credit may be carried forward for up to five years, and may be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Public Service (Utilities) Corporations (RIGL 44-13)
- Banks (RIGL 44-14)
- Insurance Companies (RIGL 44-17)
- Personal Income Tax (*filing of business taxes*) (RIGL 44-30)

Education Assistance Tax Credit - 2007 Data		
	# Taxpayers	Foregone Revenues
<b>Personal Income</b>	2	\$475
<b>Business Taxes</b>	<i>No Statistics Available</i>	
<b>Totals</b>	<b>2</b>	<b>\$475</b>

**13. Employment Tax Credit (RIGL 44-39.1-2):** The State allows business that participate in the welfare bonus program to apply for a tax credit of \$250 per eligible participant that is redeemable after an eligible employee works for 24 consecutive months for a company. The credit is non-refundable, and has no carry-forward provisions. The credit may be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Public Service (Utilities) Corporations (RIGL 44-13)
- Banks (RIGL 44-14)
- Credit Unions (RIGL 44-15)
- Insurance Companies (RIGL 44-17)
- Personal Income Tax (*filing of business taxes*) (RIGL 44-30)

In addition to the credit, participating companies are eligible to receive a State subsidy for wages earned by employees during participation in an 8-week training program. The subsidy shall not exceed the State minimum wage rate.

<b>Employment Tax Credit - 2007 Data</b>		
	<b># Taxpayers</b>	<b>Foregone Revenues</b>
<b>Personal Income</b>		<i>No Statistics Available</i>
<b>Business Taxes</b>		<i>No Statistics Available</i>
<b>Totals</b>		<i>No Statistics Available</i>

**14. Enterprise Zones (RIGL 42-64.3-6):** Business that are certified by the Enterprise Zone Council are allowed a credit equal to 50% of wages paid to newly-hired workers, capped at \$2,500 per worker (\$5,000 if worker resides in the designated Enterprise Zone). Based on TY2009 data, 37.3% of new hires were Enterprise Zone residents. To be eligible, companies must hire at least 5.0% more employees than the previous year. For companies with less than 20 employees, they must hire at least 1 new employee. The credits may be carried forward for up to 3 years, and may be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Public Service (Utilities) Corporations (RIGL 44-13)
- Banks (RIGL 44-14)
- Insurance Companies (RIGL 44-17)
- Personal Income Tax (RIGL 44-30)

<b>Enterprise Zone Credit - 2007 Data</b>		
	<b># Taxpayers</b>	<b>Foregone Revenues</b>
<b>Personal Income</b>	138	\$1,384,000
<b>Business Taxes</b>	10	\$941,000
<b>Totals</b>	<b>148</b>	<b>\$2,325,000</b>

**15. Historic Structures Credit (RIGL 44-33.2-3):** The General Assembly enacted the State Historic Investment Tax Credit Act with an effective date of January 1, 2002. The Act provided for a credit against Rhode Island income tax equal to thirty percent (30%) of the “qualified rehabilitation expenditures” expended for the “substantial rehabilitation” of a “certified historic structure”, provided the rehabilitation meets standards consistent with United States Department of the Interior standards for the federal historic tax credit. The credits are transferable and may be carried forward for up to 10 years.

The 2008 General Assembly made substantive changes to the historic tax credit program, effectively ending the program for new projects. Only projects that had received initial certification by the RI Historical Preservation and Heritage Commission by January 1, 2008 would be eligible to receive future credits. Additionally, the maximum credit amount was reduced to an effective rate of 22.0%, through both the application of fees and a reduced credit rate. In conjunction with these changes, the State issued bonds to stabilize the effect of the credit redemption on State revenue sources. As credits are redeemed, the State now repays the General Fund using bond funds. Instead of a tax expenditure, the “cost” of the credit now appears as debt service on the bonds.

Historic credits may be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Public Service (Utilities) Corporations (RIGL 44-13)
- Banks (RIGL 44-14)
- Insurance Companies (RIGL 44-17)
- Personal Income Tax (RIGL 44-30)

<b>Historic Structures Tax Credit - 2007 Data</b>		
	<b># Taxpayers</b>	<b>Foregone Revenues</b>
<b>Personal Income</b>	1,145	\$48,869,737
<b>Business Corporations</b>	11	\$3,578,918
<b>Insurance Companies</b>	15	\$2,895,675
<b>Totals</b>	<b>1,171</b>	<b>\$55,344,330</b>

**16. Historical Residence Renovations Credit (RIGL 44-33.1):** Rhode Island taxpayers who own and reside in a designated historical residence may apply for a tax credit for up to 20% of the certified costs of renovations to and/or rehabilitation of historical properties. The credit is capped at \$2,000, and unused portions may be carried forward to subsequent tax years. The RI Historical Preservation and Heritage Commission is charged with certifying eligible projects. The credits may be applied against the Personal Income Tax.

<b>Historic Residence Tax Credit - 2007 Data</b>		
	<b># Taxpayers</b>	<b>Foregone Revenues</b>
<b>Personal Income</b>	167	\$254,000
<b>Totals</b>	<b>167</b>	<b>\$254,000</b>



**17. Hydroelectric Power Credit (RIGL 44-30-22):** The State allows a tax credit for up to 10% of the cost to install a hydroelectric power production facility in existing dams, capped at a maximum credit of \$50,000. The credit may only be applied for in installations on dams that existed before 1981, and unused portions may be carried forward for up to 5 years. The credit may be applied against the Business Corporations(RIGL 44-11) and Personal Income (RIGL 44-30) taxes.:

Hydroelectric Power Credit - 2007 Data		
	# Taxpayers	Foregone Revenues
Personal Income	<i>No Statistics Available</i>	
Business Taxes	<i>No Statistics Available</i>	
<b>Totals</b>	<b><i>No Statistics Available</i></b>	

**18. Investment Tax Credit (RIGL 44-31):** A 4.0% credit is allowed against Business Corporation and Personal Income Taxes for realty and tangible personal property in Rhode Island which are principally used by the taxpayer in the production of goods by manufacturing, processing or assembling. The credit is not available for leased property, is not refundable, and has a 7-year carryover. The State also allows 10% Investment Tax Credit for employers classified in manufacturing, wholesale trade, finance, insurance, real estate and selected services industries. In order to be eligible for the credit, the employer must be paying above average wages or investing significantly in employee training. In addition, more than half of the revenue of non-manufacturing firms must come from out-of-state sales or sales to the federal government.

Employers may qualify for the credit by meeting one of the following three criteria:

- The employer’s median annual wage paid to its full-time equivalent employees must be greater than the average annual wage paid by all employers in the State in the same two-digit SIC, or
- The employer’s median annual wage paid to its full-time equivalent employees is greater than or equal to 125% of the average annual wage paid by all employers in the State (125% of the average annual wage paid to all covered workers in 2004 was equal to \$46,351), or
- *For manufacturing employers only - the average annual wage paid to the employer’s full-time equivalent employees classified as production workers (as defined by the Department of Labor and Training) is greater than the average annual wage paid to all production workers in the State in the same two-digit SIC Code.*
- The firm invests at least 2% of total payroll costs in worker training or retraining programs.

The credits may be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Banks (RIGL 44-14)
- Insurance Companies (RIGL 44-17)
- Personal Income Tax (RIGL 44-30)

Investment Tax Credit - 2007 Data		
	# Taxpayers	Foregone Revenues
Personal Income	753	\$4,585,000
Business Corporations	89	\$7,022,000
Insurance Companies	2	\$121,000
<b>Totals</b>	<b>844</b>	<b>\$11,728,000</b>

**19. Innovation and Growth Tax Credit (RIGL 44-63):** The State offers a tax credit aimed at promoting high-wage, high-growth innovation industries. The credit allows eligible investors up to a 50% tax credit on investments, capped at \$100,000 per investment. Qualifying investors must invest in publicly traded Rhode Island based companies with annual gross revenues less than \$1.0 million in the prior two calendar years. Companies must fall into one of the following categories:

- Biotechnology and Life Sciences;
- Communication and Information Technology;
- Financial Services;
- Marine and Defense Manufacturing;
- Professional, Technical and Education Services; or
- Industrial and Consumer Product Manufacturing and Design.

Investors must apply for the credit through the RI Economic Development Corporation (EDC). EDC may approve up to \$1.0 million in Innovation Credits in any two calendar year period. Unused credit amounts may be carried forward for up to 3 years. The law includes a sunset date of December 31, 2016, after which the credit will be repealed.

The credits may be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Franchise Tax (RIGL 44-12)
- Personal Income Tax (RIGL 44-30)

RI Economic Development Corporation Innovation Tax Credits	Preliminary Approved Credit
Bionica Corporation	\$100,000
Lighthouse Security Group	100,000
Ocean State Solutions LLC	100,000
Providence Health Solutions	100,000
Public Display, Inc	100,000
Tizra, Inc.	100,000
<b>Total EDC 2007 Board Action</b>	<b>600,000</b>
Isis Biopolymer, Inc	100,000
EvoCare Infusion Services	100,000
ER Card	100,000
Creative Circle Advertising Solutions	100,000
<b>Total EDC 2008 Board Action</b>	<b>400,000</b>
Albion Second Facility LLC	100,000
Phoenix Medical Technologies	100,000
Chartwise	100,000
<b>Total EDC 2009 Board Action</b>	<b>300,000</b>
<b>Total Credits</b>	<b>\$1,300,000</b>

**20. Jobs Development Act Rate Reduction (RIGL 42-64.5):** The Jobs Development Act allows for an incremental reduction in the corporate income tax rate (currently 9.0%) to companies that create and retain new employment in Rhode Island over the three-year period. Companies may reduce their tax liability by one quarter percentage point (0.25%) for every additional unit of employment. Units of employment vary based on the size of the company, based on the following:

- For companies with baseline employment below 100 employees, a unit of employment consists of 10 new FTE positions;
- For companies with baseline employment above 100 employees, a unit of employment consists of 50 new FTE positions;

The tax rate may be reduced by a maximum of 6.0 percentage points (to 3.0%), and is permanent as long as the company maintains the employment threshold set at the third year of following the base year period.

For companies qualifying prior to July 1, 2009, a full-time equivalent employee is defined as one who works at least 30 hours per week and is paid at least 150% of the State minimum wage rate. The 2009 General Assembly changed qualifying definitions for companies qualifying after July 1, 2009. These companies must hire employees that work at least 30 hours per week; earn health insurance and retirement benefits; and, earn at least 250.0% of the State minimum wage rate.

The rate reduction may be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Public Utilities (RIGL 44-13)
- Banks (RIGL 44-14)
- Insurance (RIGL 44-17)

<b>Jobs Development Rate Reduction - FY2008 Data</b>		
	<b># Taxpayers</b>	<b>Foregone Revenues</b>
<b>Business Corporations</b>	10	\$14,506,000
<b>Banks</b>	1	\$1,743,000
<b>Totals</b>	<b>11</b>	<b>\$16,249,000</b>

*Data from FY2008 Tax Credit and Incentive Report*

**21. Jobs Growth Act (RIGL 42-64.11):** The Jobs Growth Act, passed in 2005, allows certain companies to offer their employees an exclusion of 50% of their performance-based compensation from their Rhode Island gross income. In exchange, the participating company pays a 5.0% tax each year on the performance based income paid that year.

The incentive is offered to businesses that hire at least 100 new employees and at least \$10.0 million in new employment payroll. The new employees must earn at least 125% of the average compensation of all employees performing services in the State, and must receive benefits typical of the industry. After three consecutive years of RI Economic Development Corporation certification, the participating company would be eligible to offer the incentive to all employees working within the State.

The Jobs Growth Act is intended to be revenue-neutral to the State. The 5.0% tax on performance-based compensation exceeds 50% of the top marginal tax rate of 9.9%. Companies owing the following taxes may be eligible to participate:

- Business Corporations (RIGL 44-11)
- Public Utilities (RIGL 44-13)
- Banks (RIGL 44-14)
- Insurance (RIGL 44-17)

Jobs Growth Act - TY2008 Data		
	# Taxpayers	Foregone Revenues
<b>Personal Income</b>	769	\$2,022,770
<b>Business Taxes</b>	3	\$4,813,336
<b>Totals</b>	<b>772</b>	<b>\$6,836,106</b>

*Data from November 2009 Revenue Estimating Conference*

**22. Job Training Tax Credit (RIGL 42-64.6):** Rhode Island allows certain companies a tax credit equal to 50% of eligible training expenditures for new and existing employees. Training plans must be approved by the RI Human Resource Investment Council, and certain professional service providers are not eligible. To qualify, employees enrolled in training programs must be full-time (over 30 hours per week) and must earn at least 150% of the RI minimum wage after completion of the training. Training costs are capped at \$5,000 per employee over a three-year period. The credit may be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Public Utilities (RIGL 44-13)
- Banks (RIGL 44-14)
- Insurance (RIGL 44-17)
- Personal Income Tax (RIGL 44-30)

Job Training Tax Credit - 2007 Data		
	# Taxpayers	Foregone Revenues
<b>Personal Income</b>	52	\$2,869,000
<b>Corporate Taxes</b>	18	\$515,000
<b>Totals</b>	<b>70</b>	<b>\$3,384,000</b>

**23. Juvenile Restitution Credit (RIGL 14-1-32.1):** The State offers a tax credit equal to 10% of the wages paid to juveniles who are hired and subject to victim restitution penalties under Family Court order. The credit is capped at \$3,000 annually. The credit may be applied against the income tax of the employer (Corporate or Personal Income taxes).

<b>Juvenile Restitution Credit - 2007 Data</b>		
	<b># Taxpayers</b>	<b>Foregone Revenues</b>
<b>Personal Income</b>	0	\$0
<b>Business Taxes</b>	0	\$0
<b>Totals</b>	<b>0</b>	<b>\$0</b>

**24. K-12 Scholarship Contributions Credit (RIGL 44-62):** The State offers a tax credit for businesses that contribute to scholarship organizations for non-public K-12 schools in Rhode Island. Contributors may claim a 75% credit for donations for a one-year contribution, and up to 90% in cases where the contribution is made in two consecutive fiscal years. The credits are capped at \$100,000 per business, per fiscal year, and \$1.0 million statewide in any given fiscal year. The Division of Taxation issues tax credit certificates to qualifying companies.

An eligible scholarship organization in this state must be exempt from federal taxation under § 501(c)(3) of the internal revenue code, and allocate at least ninety percent (90%) of its annual revenue through a scholarship program for tuition assistance grants to eligible students to allow them to attend any qualified school of their parents' choice represented by the scholarship organization. Eligible students must attend a qualified school and be a member of a household with total income not exceeding 250% of the federal poverty guidelines.

The credit may be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Public Utilities (RIGL 44-13)
- Banks (RIGL 44-14)
- Credit Unions (RIGL 44-15)
- Insurance (RIGL 44-17)
- Personal Income Tax (RIGL 44-30)

<b>K-12 Scholarship Credit - 2007 Data</b>		
	<b># Taxpayers</b>	<b>Foregone Revenues</b>
<b>Personal Income</b>		<i>No Data</i>
<b>Business Taxes</b>		<i>No Data</i>
<b>Totals</b>	<b>51</b>	<b>\$1,000,000</b>

**25. Motion Picture Production Credit (44-31.2):** The State offers a tax credit for motion picture production companies equivalent to 25% of qualified production costs attributable to expenditures attributable to activity within the State. The 2008 General Assembly capped the total annual credit issuance allocation to \$15.0 million in a given year, and productions must meet a minimum \$300,000 production budget threshold to qualify. The credits are transferable, and unused portions may be carried forward for up to three years.

The credits may be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Banks (RIGL 44-14)
- Insurance (RIGL 44-17)
- Personal Income Tax (RIGL 44-30)

Motion Picture Production Credit - 2007 Data		
	# Taxpayers	Foregone Revenues
Personal Income	585	12,308,000
Business Taxes	7	-
<b>Totals</b>	<b>592</b>	<b>\$12,308,000</b>

**26. Project Status (EDC) (RIGL 42-64-20):** The Rhode Island Economic Development Corporation (EDC) is authorized to convey sales tax exemptions for certain materials by designating a development “project status”. To qualify, a firm’s wages must exceed the State median annual wage by at least 5% for full time employees. Certain construction, reconstruction, and rehabilitation materials may qualify for the exemption. Qualifying companies pay the sales tax when purchasing items, and then apply to the Division of Taxation for reimbursement. Reimbursements may not exceed the amount of personal income taxes received within three years of project completion from new, non-construction, jobs that are created from the project. The exemption may be applied against Sales and Use taxes.

The General Assembly amended the project status law in 2009. Prior to 2009 the General Assembly had to approve project status through passage of a joint resolution. The amended law allows the EDC to enact a resolution, which becomes effective after 30 days if no specific legislative action is taken to negate the resolution. Additionally, the law was amended to require the Department of Labor and Training to annually certify that the number of jobs and salary and benefit requirements are being met. Finally, the General Assembly added language that stipulates if a Qualifying company is unable to continue a project or meet its obligations; the company shall be liable to pay the State for all sales taxes and interest owed.

The table at right outlines the number of projects and sales tax reimbursements granted since Project Status began.

Fiscal Year	# Projects	Sales Tax Reimbursements
FY2005	10	\$3,847,667
FY2006	6	806,435
FY2007	13	3,053,414
FY2008	15	6,515,878
FY2009	8	2,310,465
FY2010 to date	5	2,756,939
<b>Totals</b>	<b>57</b>	<b>\$19,290,798</b>

Of note, eligible project status firms may claim sales tax reimbursements in more than one fiscal year, so the count of projects does not reflect the number of projects that received the designation, but instead the number of claimants on an annual basis.

**27. Research & Development- Expense Credit (RIGL 44-32-3):** Rhode Island offers a tax credit for qualified research and development expenses incurred after a defined base period. The credit equals 22.5% of the first \$25,000 in additional qualified expenses, and 16.9% for expenses above \$25,000. The credit may not be used to reduce a company’s tax liability below 50% of what would be owed without the credit. Unused credit amounts may be carried forward for up to 7 years. The credit may be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Insurance (RIGL 44-17)
- Personal Income Tax (RIGL 44-30)

<b>R&amp;D Expense Credit - 2007 Data</b>		
	<b># Taxpayers</b>	<b>Foregone Revenues</b>
<b>Personal Income</b>	70	\$679,000
<b>Business Taxes</b>	12	\$1,114,000
<b>Totals</b>	<b>82</b>	<b>\$1,793,000</b>

**28. Research & Development- Property Credit (RIGL 44-32-2):** The State allows taxpayers a 10% tax credit for expenses related to the construction, reconstruction or acquisition of a property that will principally be used for research and development in an “experimental or laboratory sense”. The investment must be depreciable and have a useful life of at least 3 years. Leased properties are not eligible for the credit. Unused credit amounts may be carried forward for up to 7 years. The credit may be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Insurance (RIGL 44-17)
- Personal Income Tax (RIGL 44-30)

<b>R&amp;D Property Credit - 2007 Data</b>		
	<b># Taxpayers</b>	<b>Foregone Revenues</b>
<b>Personal Income</b>	13	\$113,000
<b>Business Taxes</b>	2	\$22,000
<b>Totals</b>	<b>15</b>	<b>\$135,000</b>

**29. Residential Renewable Energy System Credit (RIGL 44-57):** Rhode Island offers a 25% tax credit for residential installation of renewable energy systems including: solar domestic hot water; solar space heating; and, wind, geothermal, and photovoltaic energy systems. The State does cap credit amounts based on the type of system (RIGL 44-57-5). The State does not allow unused portions of the credit to be carried forward, and it may not reduce the tax owed below any minimum (when applicable). The credit may be applied against the Business Corporations (RIGL 44-11) and Personal Income (RIGL 44-30) taxes.

<b>Residential Renewable Energy Credit - 2007 Data</b>		
	<b># Taxpayers</b>	<b>Foregone Revenues</b>
<b>Personal Income</b>	29	\$62,000
<b>Business Taxes</b>	0	\$0
<b>Totals</b>	<b>29</b>	<b>\$62,000</b>

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