



SENATE FISCAL OFFICE
REPORT

2021
REVENUE REPORT

MARCH 25, 2021

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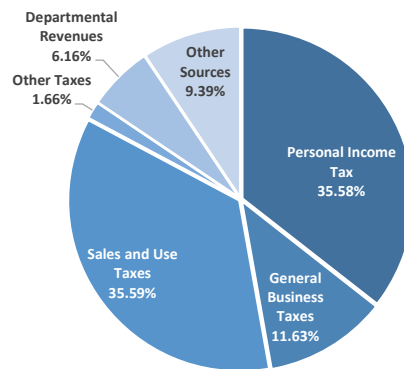
2021 Revenue Report – Summary

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 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 regional comparisons. The report is designed to serve as a quick reference guide to major general revenue sources to the State.

In FY2022, the State is projected to collect \$4,056.0 million in taxes and other sources, which represents a 0.2 percent increase from 2021 enacted level, not including the annually enacted hospital licensing fee (HLF). Including the HLF at the FY2021 enacted amount (\$161.5 million), FY2022 collections increase to \$4.206.5 million, a 4.2 percent increase over FY2021 enacted revenues.

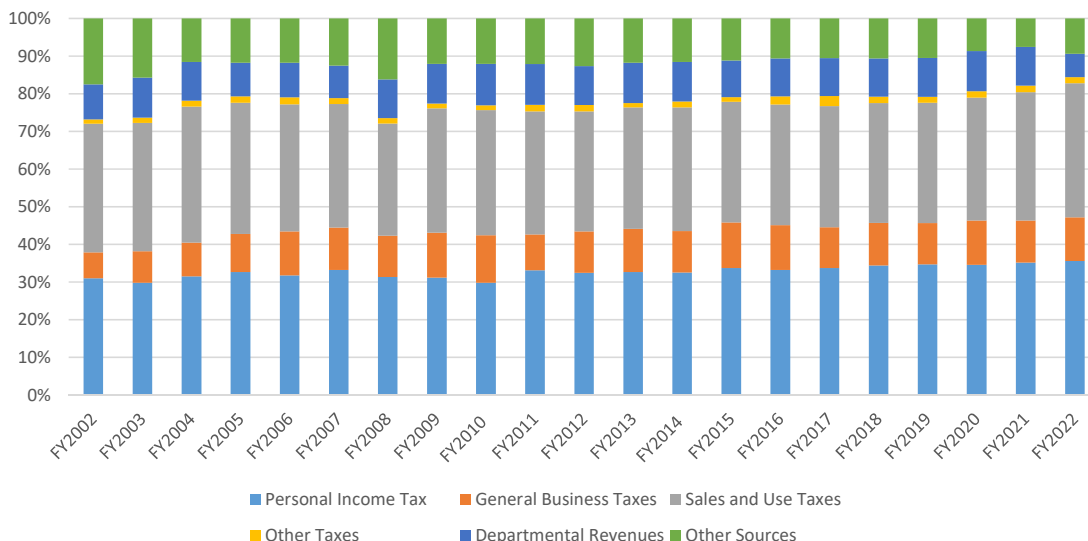
FY2022 sales and excise tax collections of \$1,439.1 million represent the largest single tax source to the State – just over one-third (35.59 percent) of total collections. Personal income tax collections, Rhode Island’s second largest tax source represents 35.58 percent of the State’s collections.

Revenue Collection by Source Category - FY2022



Over the past 20 years, Rhode Island has collected revenues primarily from four revenue categories: personal income tax, sales and use taxes, business taxes and other sources, which include the lottery. Personal income taxes have grown 57.5 percent since 2001, with an average annual growth rate of 2.3 percent. Sales and excise taxes have grown 74.0 percent in total, averaging 2.8 percent growth annually, and business taxes have grown 99.5 percent, averaging 3.5 percent annually. Lottery revenue has grown 97.1 percent (3.5 percent annually) since 2001, a 20 year period that saw the introduction of casino table games; the closing of one facility Newport and the opening of another in Tiverton; the addition of hundreds of new video lottery terminals; and, most recently, the introduction of sports betting.

Collections from Major Revenue Categories - 2002-2022

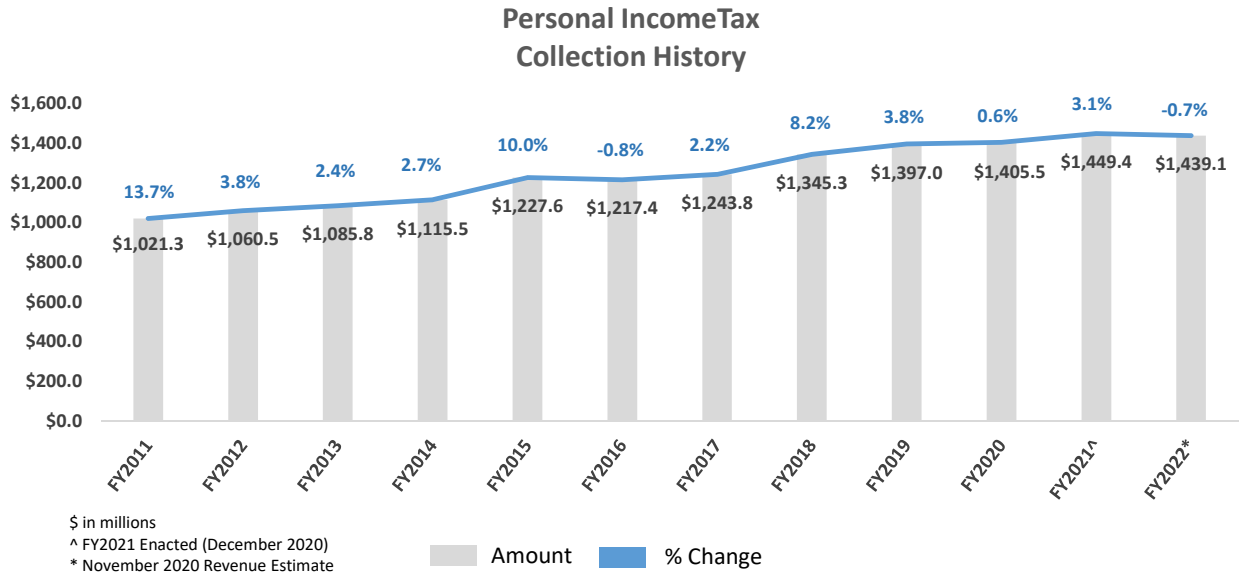


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Revenue Collections Summary								
Source	FY2000	FY2005	FY2010	FY2015	FY2019	FY2020	FY2021	FY2022
Personal Income Tax								
Personal Income Tax	817.1	979.1	898.1	1,227.6	1,397.0	1,405.5	1,449.4	1,439.1
General Business Taxes								
Business Corporations	75.7	116.0	146.8	148.0	155.1	148.6	151.3	154.1
Public Utilities Gross Earnings	73.0	86.4	95.8	104.0	101.6	108.6	109.6	111.0
Financial Institutions	7.7	(1.5)	2.3	22.7	21.1	44.6	18.5	22.2
Insurance Companies- Total	31.3	53.3	95.9	120.3	117.0	130.5	133.5	136.9
Bank Deposits	0.9	1.5	1.9	2.3	2.9	3.3	3.1	3.1
Health Care Provider Assessments	24.6	46.8	40.3	44.1	43.9	42.6	41.6	43.0
<i>Subtotal</i>	<i>213.4</i>	<i>302.6</i>	<i>383.0</i>	<i>441.3</i>	<i>441.7</i>	<i>478.2</i>	<i>457.6</i>	<i>470.3</i>
Sales and Use Taxes								
Sales and Use	631.3	847.7	803.4	963.4	1,125.7	1,167.4	1,224.8	1,263.5
Motor Vehicle - Total	43.0	47.1	48.3	49.1	1.0	0.9	1.0	2.5
Motor Fuel	0.6	2.0	1.0	(0.1)	0.0	0.0	0.0	0.0
Cigarettes- Total	59.4	136.3	138.3	138.0	138.9	137.6	158.4	151.2
Alcohol	9.2	10.5	11.3	18.4	20.4	20.2	18.9	22.4
Controlled Substances	0.0	-	-	0.0	-	0.0	-	-
<i>Subtotal</i>	<i>743.5</i>	<i>1,043.7</i>	<i>1,002.2</i>	<i>1,168.9</i>	<i>1,286.0</i>	<i>1,326.2</i>	<i>1,403.1</i>	<i>1,439.6</i>
Other Taxes								
Inheritance and Gift	35.6	33.0	29.1	34.2	48.0	55.3	58.1	50.3
Racing & Athletics Tax	5.4	4.0	1.5	1.1	1.2	0.8	0.4	1.0
Realty Transfer	2.2	14.4	7.0	9.5	12.7	13.9	15.4	15.9
<i>Subtotal</i>	<i>43.1</i>	<i>51.4</i>	<i>37.5</i>	<i>44.8</i>	<i>61.9</i>	<i>70.0</i>	<i>73.9</i>	<i>67.2</i>
Total Taxes	\$1,817.0	\$2,376.8	\$2,320.9	\$2,882.6	\$3,186.6	\$3,280.0	\$3,383.9	\$3,416.2
Departmental Revenues	205.0	268.0	333.1	354.1	416.7	435.2	423.6	249.0
Total Taxes and Departmentals	\$2,022.0	\$2,644.7	\$2,654.0	\$3,236.7	\$3,603.3	\$3,715.2	\$3,807.6	\$3,665.2
Other Sources								
Other Miscellaneous	83.4	28.2	12.5	8.8	12.4	52.8	26.7	12.2
Lottery- Total	150.3	307.5	344.7	381.9	397.3	283.9	272.5	356.3
Unclaimed Property	3.5	15.6	5.9	13.7	11.6	12.1	10.3	11.3
<i>Subtotal</i>	<i>237.2</i>	<i>351.4</i>	<i>363.0</i>	<i>404.4</i>	<i>421.3</i>	<i>348.7</i>	<i>309.5</i>	<i>379.8</i>
Total General Revenue	2,259.3	2,996.1	3,017.0	3,641.1	4,024.6	4,063.9	4,117.1	4,045.0
<i>\$ in millions</i>								
Individual Revenue Components								
Personal Income Tax								
PIT-Estimated	187.0	198.9	158.8	225.9	232.5	202.2	259.3	232.2
PIT-Finals	131.8	164.6	157.2	202.9	272.2	182.3	425.0	284.0
PIT-Refunds	(129.6)	(183.6)	(291.4)	(274.9)	(348.4)	(358.2)	(411.0)	(403.0)
PIT-Withholding	627.2	803.6	885.1	1,061.5	1,220.2	1,263.4	1,281.8	1,316.4
PIT-Net Accrual	0.6	(4.3)	(11.6)	12.2	17.3	115.9	(105.7)	9.5
<i>Total Personal Income Tax</i>	<i>817.1</i>	<i>979.1</i>	<i>898.1</i>	<i>1,227.6</i>	<i>1,393.8</i>	<i>1,405.5</i>	<i>1,449.4</i>	<i>1,439.1</i>
Insurance								
Property & Casualty	31.3	53.3	62.3	62.2	66.6	75.3	76.9	78.4
HMO	0.0	0.0	33.7	58.0	50.3	55.2	56.6	58.5
<i>Total Insurance</i>	<i>31.3</i>	<i>53.3</i>	<i>95.9</i>	<i>120.3</i>	<i>117.0</i>	<i>130.5</i>	<i>133.5</i>	<i>136.9</i>
Health Care Provider								
Group Homes	7.4	10.9	0.8	0.0	0.0	0.0	0.0	0.0
Nursing Homes	17.2	35.9	39.4	44.1	43.9	42.6	41.6	43.0
<i>Total Health Care Provider</i>	<i>24.6</i>	<i>46.8</i>	<i>40.3</i>	<i>44.1</i>	<i>43.9</i>	<i>42.6</i>	<i>41.6</i>	<i>43.0</i>
Motor Vehicle								
Motor Vehicle	40.2	44.2	45.8	49.2	1.0	0.9	1.0	2.5
Rental vehicle	2.7	3.0	2.5	(0.1)	-	-	-	-
<i>Total Motor Vehicle</i>	<i>42.9</i>	<i>47.2</i>	<i>48.3</i>	<i>49.1</i>	<i>1.0</i>	<i>0.9</i>	<i>1.0</i>	<i>2.5</i>
Cigarettes								
Cigs	58.5	134.4	134.4	132.7	129.0	127.9	145.8	138.2
Smokeless	1.2	1.9	3.8	5.3	9.9	9.7	12.5	13.0
<i>Total Cigarettes</i>	<i>59.7</i>	<i>136.3</i>	<i>138.2</i>	<i>138.0</i>	<i>138.9</i>	<i>137.6</i>	<i>158.4</i>	<i>151.2</i>
Lottery								
Lottery - Traditional Games	58.5	63.6	55.6	56.9	59.8	54.2	57.5	58.2
Lottery - Video Lottery Terminals	91.8	244.0	289.1	312.3	314.5	213.1	194.6	271.6
Lottery - Table Games	-	-	-	12.8	20.0	7.0	6.0	10.4
Lottery - Sports Betting	-	-	-	-	3.0	9.5	14.4	16.1
<i>Total Lottery</i>	<i>150.3</i>	<i>307.5</i>	<i>344.7</i>	<i>381.9</i>	<i>397.3</i>	<i>283.9</i>	<i>272.5</i>	<i>356.3</i>

RIGL 44-30

Personal Income Tax

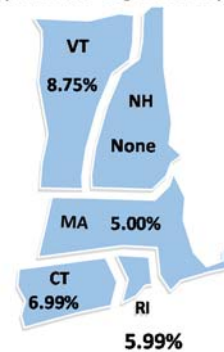


Rhode Island’s current personal income tax structure was established in June 2010. The 2010 General Assembly reduced the top marginal tax rate from 9.9 percent to 5.99 percent, eliminated the alternative flat rate income tax, and disallowed the use of federal itemized deductions in the computation of Rhode Island taxable income. These changes were first applied to personal income taxes beginning in tax year (TY) 2011.

Personal income taxes are deposited as general revenues and are due based on the following schedule:

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

Top Tax Rate- Regional Comparison



Rhode Island’s current personal income tax structure includes:

- Three taxable income brackets with a top rate of 5.99 percent;
- Personal income tax liability based on federal Adjusted Gross Income (AGI);

For Tax Year 2021

Income Between...	Is Taxed at...
\$0 and \$66,200	3.75%
\$66,200 and \$150,550	4.75%
\$150,550 and above	5.99%

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- Only one standard deduction to determine Rhode Island taxable income. For TY2021, deductions begin to phase out at the taxable adjusted gross income level of \$210,750; and
- Several permitted exemptions and modifications, including:
 - **Personal and Dependency:** Rhode Island provides for an exemption for each tax filer and dependent that is adjusted annually for inflation. For TY2021, the exemption amount is \$4,250 and begins to phase out at the taxable adjusted gross income level of \$210,750.
 - **Social Security, Pension, and Annuity Income:** The State provides an exemption for Social Security benefits, pension, and annuity income. For TY2020 the Social Security modification is available for those individuals whose AGI is \$86,350 or less and \$107,950 or less if for joint filers. Pension and annuity modifications are allowed for individuals whose AGI is \$84,700 or less and \$105,850 or less if filing jointly. The exemptions are indexed to adjust annually based on changes to the Consumer Price Index for All Urban Consumers (CPI-U).

Personal and Dependent Exemption	
Tax Year	Amount
2014	\$3,800
2015	3,850
2016	3,900
2017	3,900
2018	4,000
2019	4,100
2020	4,150
2021	4,250

The 2010 reforms also included:

- Elimination of the alternative minimum tax;
- Continuation of treating capital gains as ordinary income; and
- Permitting twelve credits against the tax.

RECENT AMENDMENTS

2020 Amendments: In March 2020 the U.S. Treasury Department extended tax filing deadlines in response to the COVID-19 pandemic. Rhode Island followed suit, permitting resident and nonresident personal income tax returns and personal income tax payments, normally due on April 15, 2020, to be filed on July 15, 2020, without penalties and interest, regardless of the amount owed. The new deadline also applied to first-quarter and second-quarter estimated payments of Rhode Island income tax for the 2020 tax year by individuals, estates, and trusts.

2019 Amendments:

- **Lottery Winnings:** the General Assembly authorized the Division of Lottery to withhold income tax from casino gambling and sports betting winnings, pursuant to the regulations set forth by the Tax Administrator.
- **TCJA Conformity:** the General Assembly enacted model legislation providing the Tax Administrator with the authority to assess audited partnerships, direct partners, or indirect partners for owed taxes in a manner that conforms to the new federal audit regime established under the federal Tax Cuts and Jobs Act (TCJA).
- **Administrative Changes:** The General Assembly also enacted requirements for the use of new forms for withholding by employee leasing companies, and add interest charges when an entity fails to remit withholding at prescribed times. Additionally, employers with more than \$200 per month in withholding must remit electronically or face fines.
- **Pass-through Entity Changes:** The General Assembly permitted partners of pass-through entities to file returns at the entity level at the highest personal income tax rate and authorized a tax credit which partners could then claim on their individual returns. These changes allow the pass-through entity to

claim deductions for state and local taxes beyond the \$10,000 cap established when the state enacted the legislation 2018 to conform to the TCJA.

2018 Amendments: The General Assembly amended the State’s personal income tax statutes in order to preserve the State’s personal exemption in the wake of changes to federal tax law. Rhode Island’s personal exemption calculation is statutorily tied to the federal personal exemption, which was eliminated in December 2017 with the enactment of the federal TCJA. The exemption calculation was adjusted to what it was just prior to the TCJA. Additionally new audit protections were instituted around personal exemption qualification data.

2016 Amendments: The 2016 General Assembly expanded personal income tax exemptions to pensions and annuities and adjusted the EITC for the second year in a row.

- **Pension and Annuity Income Exemption:** The General Assembly established a new exemption on retirement income derived from the pensions and annuities of individuals who have reached full social security retirement age and whose adjusted gross income (AGI) is \$80,000 or less, and for joint filers whose AGI is \$100,000 a year or less. The State personal income tax is not applied to the first \$15,000 of annual income derived from private pension plans; federal, state, and local government retirement plans; and military plans. According to a December 2016 announcement by the Division of Division of Taxation: “Assuming the taxpayer qualifies, up to \$15,000 of the taxpayer’s federally taxable pension and/or annuity income will escape Rhode Island tax. The following counts for purposes of this new Rhode Island tax break: taxable distributions from pensions, annuities, 401(k) plans, 403(b) plans, governmental 457(b) plans, military retirement pay, and other income that the taxpayer properly includes in the “taxable amount” box of the “pensions and annuities” line of the taxpayer’s federal return.”
- **EITC:** In addition, the General Assembly modified the Earned Income Tax Credit. For tax years beginning on or after January 1, 2017, the State credit increased to 15.0 percent of the federal credit amount, up from 12.5 percent in TY2016.

2015 Amendments: The 2015 General Assembly modified the taxable amount of Social Security benefits and established several tax credits allowable against the personal income tax.

- **Social Security Income Exemption:** An exemption was instituted for Social Security benefits from the State’s income tax for individuals whose adjusted gross income (AGI) is \$80,000 a year or less, and for joint filers couples whose AGI is \$100,000 a year or less. Rhode Island personal income taxes are based on federal AGI (the basis of income subject to federal income taxes) and any additional modifications the State allows that reduce federal AGI. The standard deduction and personal exemption amounts, which are set annually by the Division of Taxation, are then deducted from the State taxable amount to determine taxable income. The change also schedules annual increases in the AGI dollar amount to coincide with changes in inflation.
- **EITC:** The General Assembly modified the calculation of the earned income tax credit (EITC), authorizing eligible taxpayers to claim 12.5 percent of the allowable federal credit EITC amount beginning in TY2016, up from 10.0 percent in TY2015.
- **New Credits:** New tax credits were also established and are allowable against the personal income tax: Stay Invested in RI Wavemaker Fellowship (RIGL 42-64.26-1); Rebuild Rhode Island (RIGL 42-64.20-1); and Rhode Island Qualified Jobs Incentive Program (RIGL 44-48.3-1). More information on these credits can be found in the Tax Credits and Incentives section of this report.

2013 Amendments:

- **Depreciation:** An accelerated depreciation schedule was adopted and implemented, allowing businesses to depreciate expenses in the year in which the asset was placed in service, instead of

depreciating the asset evenly over the useful life of the asset. As a result, the State realized a revenue loss in the first year and an increase in revenue during the subsequent years when no depreciation deduction is taken against the assets. An Accelerated Depreciation Fund was established and \$10.0 million in general revenue was transferred to the account. This fund was created to offset the initial \$30.0 million revenue loss that occurred in FY2015.

- **Domestic Production Activity:** The General Assembly also changed the domestic production activities tax deduction, requiring corporations to add back the federal deducted amount to their state taxable income. S-corporations file business taxes under a personal income tax return. Prior to this change, State laws effectively allowed for filers to claim the federal domestic production activities deduction on State income taxes, as the State taxes are based on the net income on federal tax forms. The domestic production activities deduction is a federal tax break that allows companies to claim a tax deduction equal to a percentage of certain profits from U.S. based operations. The deduction initially was limited to 3.0 percent of qualifying income; however, in 2007, this rate increased to 6.0 percent, and on January 1, 2010, the rate increased to 9.0 percent. Twenty-one states and the District of Columbia have decoupled from the federal provision. The FY2014 legislation amended the definition of net income under the tax on business corporations to include the federal domestic production activities deduction allowed by Section 199 of the Internal Revenue Code.

2010 Amendments: The 2010 General Assembly eliminated the five bracket progressive tax rate system and optional flat tax in favor of a more streamlined tax system. This revised structure also reduced the top marginal tax rate from 9.9 percent to 5.99 percent.

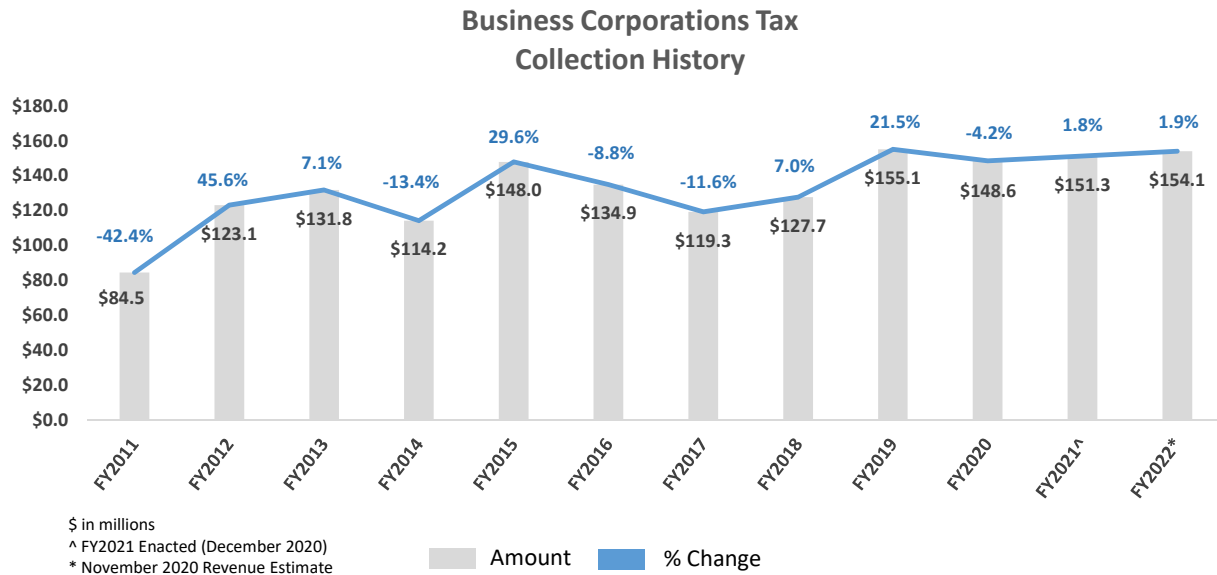
TAX MODIFICATIONS

The following credits are allowable reductions to personal income tax liabilities:

- Child and Dependent Care Tax Credit
- Contribution to Scholarship Organizations
- Earned Income Tax Credit
- Historic Home Ownership Assistance
- Historic Preservation
- Historic Structures Tax Credit
- Income Taxes Paid to Other States
- Stay Invested in RI Wavemaker Fellowship
- Lead Paint Abatement Credit
- Motion Picture Productions Credit
- Musical and Theatrical Production
- Property Tax Relief Credit/Refund/Rebuild Rhode Island
- Rhode Island Qualified Jobs Incentive Program

RIGL 44-11 and 44-12

Business Corporations Tax

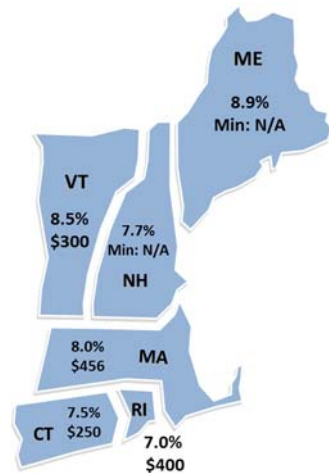


Corporations are required to remit taxes on a percent of net income or the \$400 minimum business corporation tax, whichever is greater.

Since tax year (TY) 2015, Rhode Island has imposed a business corporation tax equivalent to 7.0 percent of net income attributable to Rhode Island corporations and any affiliated companies under common ownership, known as combined reporting. Under combined reporting, companies are required to report all income made by all subsidiaries, regardless of the state in which it was earned, and then remit Rhode Island corporate income taxes on the basis of the entity’s economic activity in the State as determined by an apportionment formula.

Prior to TY2015, Rhode Island had the highest business corporation tax rate in New England at 9.0 percent of net income. The decrease in the corporate tax rate places Rhode Island roughly in the middle of the pack nationally, and the State currently has the lowest rate in New England. The State’s separate franchise tax was repealed in FY2015 and replaced with a minimum business corporation tax of \$400 for both C- and S- corporations.

Top Tax Rate/Minimum Tax – Regional Comparison



Business corporation taxes are deposited as general revenues and are due based on the following schedule:

Due Date	Amount
Apr. 15th	25.0%
June 15th	25.0%
Sept. 15th	25.0%
Dec. 15th	25.0%

Multi-State Apportionment: Beginning in TY2015, Rhode Island requires C-corporations to use a single sales factor apportionment formula for calculating the amount of tax due to the State for businesses that

operate in more than one state. This formula calculates a corporation's tax based on its sales in Rhode Island versus its total corporate and affiliate sales, and disregards property and payroll factors. States use one of two primary methods to calculate a company's apportionment under a single sales apportionment formula: the Joyce or Finnigan methods. They differ in their treatment of the concept called "nexus," which relates to the corporation's presence in a state (for tax purposes). Generally speaking, the Joyce method excludes entities that do not have nexus in Rhode Island. The Finnigan method captures income from all sales that are attributable to Rhode Island. Eleven states, including Rhode Island, require the use of the Finnigan method to calculate apportioned income.

RECENT AMENDMENTS

2020 Amendments: In March 2020 the U.S. Treasury Department extended tax filing deadlines in response to the COVID-19 pandemic. Rhode Island followed suit, permitting business tax returns and tax payments, normally due on April 15, 2020, to be filed on July 15, 2020, without penalties and interest, regardless of the amount owed. The new deadline also applied to first-quarter and second-quarter estimated payments of Rhode Island taxes as well.

2018 Amendments: The 2018 General Assembly repealed the Jobs Training Tax Credit (JTTC). The JTTC could be used against the business corporation tax for expenses relating to the training or retraining of employees. This change went into effect on January 1, 2018.

2017 Amendments:

- **Payment Schedule:** Modified the schedule for corporations to make estimated payments to allow for a more equal and ratable payment schedule and to eliminate the need to defer half of the estimated payments received to the following fiscal year. The change is required to better account for carryforward balances in the State's overall financial reporting process. Carryforward balances result when taxpayers have an overpayment relative to their tax liability but elect to apply the balance to future tax liabilities rather than request a refund.

Under the previous law, the taxes would be paid in two installments. The first installment was due on March 15th and consisted of about 40.0 percent of the overall total payment, and the second installment was due June 15th and consisted of the remaining 60.0 percent of the total payment.

- The new law requires four equal payments spread throughout the tax year. A corporation now pays its estimated tax in equal instalments of 25.0 percent each. The first payment is due on the 15th day of the fourth month of the tax year, the second payment on the 15th day of the sixth month of the tax year, the third payment on the 15th day of the ninth month of the tax year, and the fourth payment on 15th day of the twelfth month of the tax year. The changes are summarized in the following table:

System Prior to January 1, 2018 (Front-Loaded Payment in Two Installments)			System After to January 1, 2018 (Payment in Four Equal Installments, Spread Out)		
	Due Date	Amount		Due Date	Amount
1st Payment	Mar. 15th	40.0%	1st Payment	Apr. 15th	25.0%
2nd Payment	June 15th	60.0%	2nd Payment	June 15th	25.0%
			3rd Payment	Sept. 15th	25.0%
			4th Payment	Dec. 15th	25.0%

Note: For example purposes, this table assumes the filer is a C-Corporation operating on a calendar-year basis.

Dates in the table do not take into account weekends, or holidays.

Source: Division of Taxation

- **Tax Rate Correction:** When the General Assembly reduced the business corporation tax rate in 2014 from 9.0 percent to 7.0 percent, it had failed to amend the business corporation tax withholding rate

used by pass-through entities businesses (sole proprietorships, partnerships, LLCs, and S-corporations). This was corrected in 2017, bringing the tax treatment of these entities into alignment with other business classifications.

2016 Amendments: Reduced the minimum business corporation tax from \$450 to \$400 beginning in TY2017. The General Assembly also adjusted the filing deadlines for corporations and pass-through entities to coincide with federal deadlines for tax years beginning on or after January 1, 2016. Generally, the due date for C-corporations shifted from March 15th to April 15th and deadlines for partnerships (including LPs and LLPs) and LLCs shifted from April 15th to March 15th. The S-corporation due date of March 15th did not change.

2015 Amendments: The 2015 General Assembly reduced the minimum business corporation tax from \$500 to \$450 beginning in TY2016.

2014 Amendments: In 2014, the General Assembly completed major corporate tax reforms, including reducing the business corporation tax rate from 9.0 percent to 7.0 percent, instituting combined reporting, and repealing the franchise tax.

2013 Amendments: In 2013, the General Assembly made the following changes:

- **Depreciation:** Modified RIGL 44-61 to conform to federal law known as the Section 179 deduction. Instead of depreciating a qualified asset evenly over the useful life of the asset, the depreciation schedule allows businesses to depreciate expenses in the year in which a qualified asset was placed in service.
- **Benefits:** Eliminated the State tax benefit for the federal domestic production activities deduction (DPAD). The change requires corporations to add back any amount deducted at the federal level through DPAD to their State taxable income. The law became effective for tax years beginning on or after January 1, 2014.

2011: The 2011 General Assembly expanded the business corporation tax base by requiring limited liability partnerships (LLPs) and limited partnerships (LPs) to pay the minimum business corporation tax, which was \$500 per year at that time. The law also made it clear that any limited liability company (LLC) that is not taxed as a corporation for federal and Rhode Island tax purposes must pay the minimum business corporation tax. The law also adjusted the due date for the payment of this tax and filing of a return from the 15th day of third month to the 15th day of the fourth month after the close of the calendar year or fiscal year, dependent on the company's fiscal structure.

TAX MODIFICATIONS

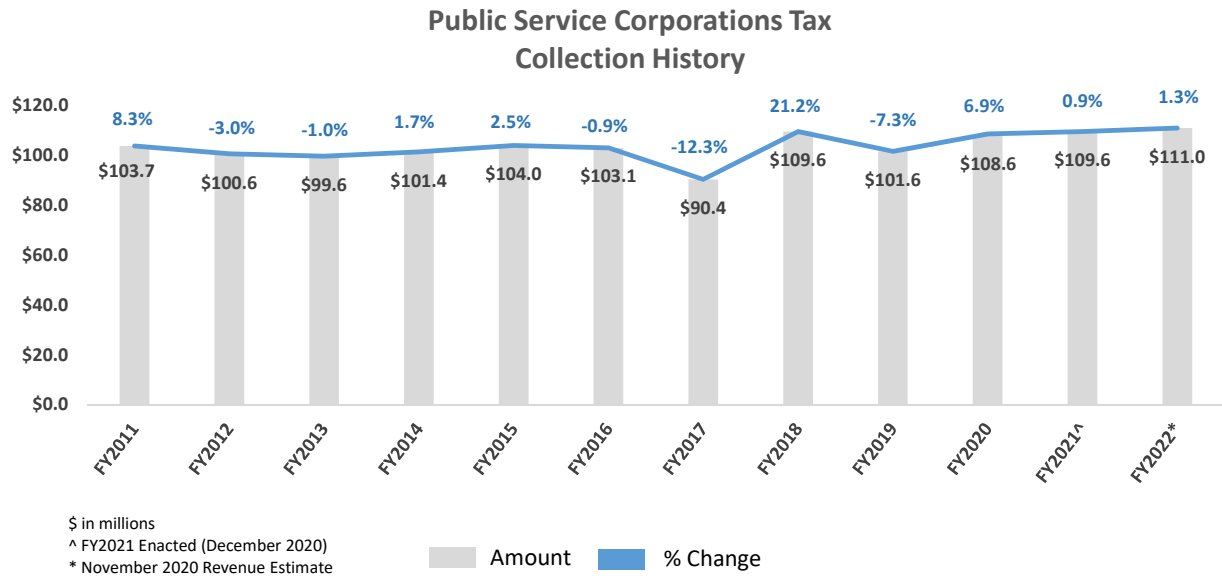
The following tax credits may be applied against the business corporation tax. All other modifications may be found in the appendix:

- | | |
|--|--|
| ▪ Accommodations Under ADA | ▪ Enterprise Zone Wage |
| ▪ Adult & Child Day | ▪ Historic Preservation |
| ▪ Adult Education | ▪ Historic Structures |
| ▪ Apprenticeship | ▪ Hydroelectric Power |
| ▪ Biotechnology Investment | ▪ Incentives for Innovation and Growth |
| ▪ Contributions to Scholarship Organizations | ▪ Interest for Loans to Mill Building Owners |
| ▪ Education Assistance and Development | ▪ Investment |
| ▪ Employment – Welfare Bonus Program | ▪ Juvenile Restitution |

- Motion Picture Production
- Musical and Theatrical Production
- New Qualified Jobs Incentive
- Rebuild Rhode Island
- Research & Development Expense
- Research & Development Property
- Residential Renewable Energy System
- Specialized Mill Building Investment
- Wages Paid by Employers in Mill Buildings

RIGL 44-13

Public Service Corporations Tax (Utilities)



Public service corporations are required to pay an annual tax based on their gross earnings or a minimum of \$100, whichever is greater. The tax rate varies by utility and are summarized in the following table:

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

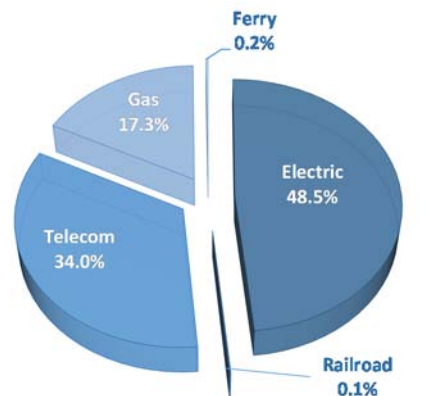
Regional Comparison - Public Service Corporations Tax

	The public service corporations tax is imposed in lieu of the business corporation tax (see previous table for rates)
	Utility corporations are treated as regular corporations subject to the corporate excise tax.
	Gross earnings from residential services: 6.8%; gross earnings from non-residential services: 8.5%; Cable TV 5.0%; Public utilities companies are subject to the corporation business tax unless specifically exempted.

Source: Office of Revenue Analysis, 2019

Public service corporation taxes are deposited as general revenues and are due on the 15th of April, June, September, and December in equal amounts.

Collections from across all public service corporations in FY2020 combined for a total of \$108.6 million and break down by utility sector as shown in the chart.



Source: Nov. 2020 REC – Taxation Testimony

RECENT AMENDMENTS

2020 Amendments: In March 2020 the U.S. Treasury Department extended federal tax filing deadlines in response to the COVID-19 pandemic. Rhode Island followed suit, permitting business tax returns and tax payments, normally due on April 15, 2020, to be filed on July 15, 2020, without penalties and interest, regardless of

the amount owed. These include the public service corporations tax. The new deadline also applied to first-quarter and second-quarter estimated payments of Rhode Island tax as well.

2017 Amendments: The General Assembly modified the schedule for corporations, including utility companies, to make estimated payments to allow for a more equal and ratable payment schedule and to eliminate the need to defer half of the estimated payments received to the following fiscal year. The change is required to better account for carryforward balances in the State’s overall financial reporting process. Carryforward balances result when taxpayers have an overpayment relative to their tax liability but elect to apply the balance to future tax liabilities rather than request a refund.

Under the previous law, the taxes would be paid in two installments. The first installment was due on March 15th and consisted of about 40.0 percent of the overall total payment, and the second installment was due June 15th and consisted of the remaining 60.0 percent of the total payment.

The new law requires four equal payments spread throughout the tax year. A utility now pays its estimated tax in equal instalments of 25.0 percent each. The first payment is due on the 15th day of the fourth month of the tax year, the second payment on the 15th day of the sixth month of the tax year, the third payment on the 15th day of the ninth month of the tax year, and the fourth payment on 15th day of the twelfth month of the tax year. The changes are summarized in the following table:

System Prior to January 1, 2018			System After to January 1, 2018		
(Front-Loaded Payment in Two Installments)			(Payment in Four Equal Installments, Spread Out)		
	Due Date	Amount		Due Date	Amount
1st Payment	Mar. 15th	40.0%	1st Payment	Apr. 15th	25.0%
2nd Payment	June 15th	60.0%	2nd Payment	June 15th	25.0%
			3rd Payment	Sept. 15th	25.0%
			4th Payment	Dec. 15th	25.0%

Note: For example purposes, this table assumes the filer is a C-Corporation operating on a calendar-year basis.

Dates in the table do not take into account weekends, or holidays.

Source: Division of Taxation

2014 Amendments: The General Assembly transferred administrative responsibilities associated with the LIHEAP Enhancement Plan from the Office of Energy Resources (OER) to the Department of Human Services (DHS), completing the transfer of the LIHEAP program from OER to DHS, which began in FY2012. Unlike the LIHEAP program, which is funded entirely with federal funds, the LIHEAP Enhancement Plan program is funded through a monthly assessment on every National Grid electric and gas customer and is used to augment the pool of federal aid available to National Grid customers who may be eligible to receive a credit on their gas or electricity bill. DHS is now responsible for the full administration of the program, including being the responsive agency during the annual regulatory review of the program with the Public Utilities Commission.

2011 Amendments: The General Assembly required Rhode Island electric and gas companies to implement a Low Income Home Energy Assistance Program (LIHEAP) Enhancement Charge to be retained by said companies and used to “provide a credit to customers’ accounts that are receiving federal LIHEAP assistance payments.” The LIHEAP Enhancement charge is no more than \$10 per customer account, such that the total projected revenue from this charge is no less than \$6.5 million and no more than \$7.5 million per year.

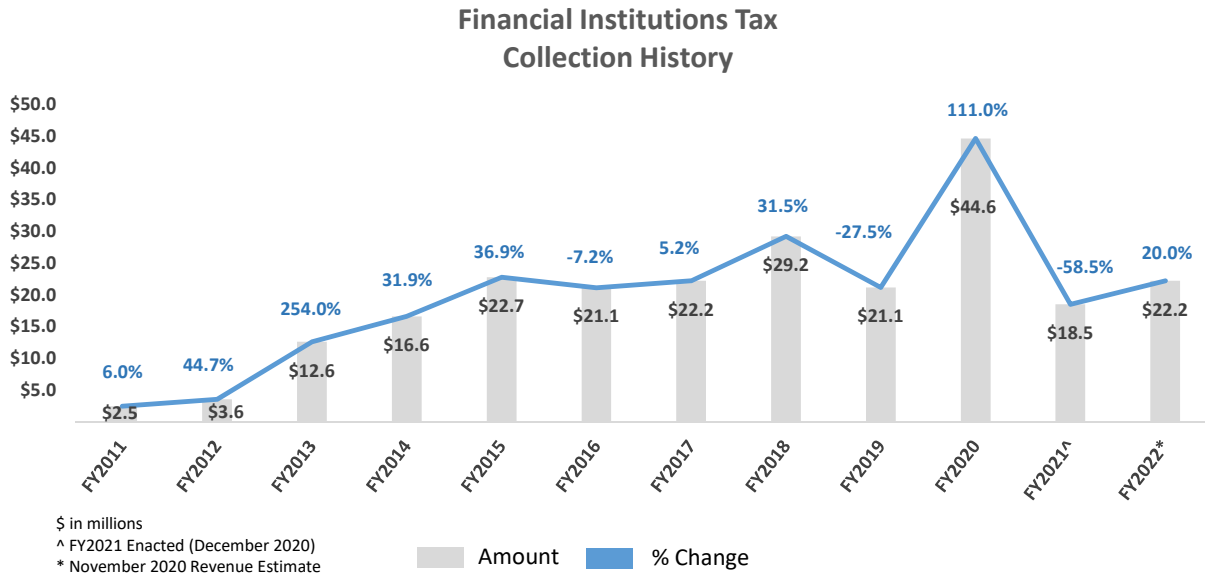
TAX MODIFICATIONS

The following tax incentives may be applied against the public service corporation tax, all other modifications may be found in the appendix:

- Accommodations Under ADA
- Adult & Child Day Care
- Adult Education Tax Credit
- Contributions to Scholarship Organizations
- Education Assistance Tax Credit
- Employment – Welfare Bonus Program
- Enterprise Zone Wage
- Historic Preservation Tax Credit
- Historic Structures Tax Credit
- Interest for Loans to Mill Building Owners
- Musical and Theatrical Production
- New Qualified Jobs Incentive Act
- Rebuild Rhode Island

RIGL 44-14

Financial Institutions Tax

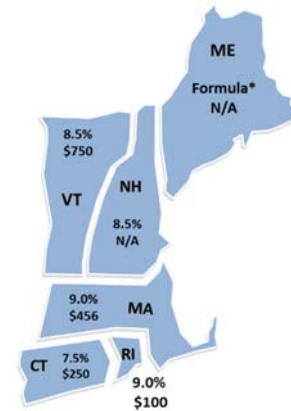


Banking institutions subject to the Financial Institutions tax include every state bank, federal savings bank, trust company, national banking association, mutual savings bank, building and loan association, and loan and investment company, excluding credit unions. The tax is assessed at 9.0 percent of net income, or \$2.50 per \$10,000 of authorized capital stock, whichever is greater. The minimum tax is \$100 annually. Financial Institution taxes are deposited as general revenues and are due on the 15th of April, June, September, and December in equal amounts.

Regional Comparison - Top Tax Rate/Minimum Tax

RECENT AMENDMENTS

2020 Amendments: In March 2020 the U.S. Treasury Department extended federal tax filing deadlines in response to the COVID-19 pandemic. Rhode Island followed suit, permitting business tax returns and tax payments, normally due on April 15, 2020, to be filed on July 15, 2020, without penalties and interest, regardless of the amount owed. These include the financial institutions tax. The new deadline also applied to first-quarter and second-quarter estimated payments of Rhode Island tax as well.



2017 Amendments: The General Assembly modified the schedule for financial institutions, and other types of corporations, to make estimated payments to allow for a more equal and ratable payment schedule and to eliminate the need to defer half of the estimated payments received to the following fiscal year. The change is required to better account for carryforward balances in the State’s overall financial reporting process. Carryforward balances result when taxpayers have an overpayment relative to their tax liability but elect to apply the balance to future tax liabilities rather than request a refund.

Under the previous law, the taxes would be paid in two installments. The first installment was due on March 15th and consisted of about 40.0 percent of the overall total payment, and the second installment was due June 15th and consisted of the remaining 60.0 percent of the total payment.

The new law requires four equal payments spread throughout the tax year. A financial institution now pays its estimated tax in equal instalments of 25.0 percent each. The first payment is due on the 15th day of the

fourth month of the tax year, the second payment on the 15th day of the sixth month of the tax year, the third payment on the 15th day of the ninth month of the tax year, and the fourth payment on 15th day of the twelfth month of the tax year. The changes are summarized in the following table:

Corporate Estimated Tax - Due Dates and Amounts					
System Prior to January 1, 2018			System After to January 1, 2018		
(Front-Loaded Payment in Two Installments)			(Payment in Four Equal Installments, Spread Out)		
	Due Date	Amount		Due Date	Amount
1st Payment	Mar. 15th	40.0%	1st Payment	Apr. 15th	25.0%
2nd Payment	June 15th	60.0%	2nd Payment	June 15th	25.0%
			3rd Payment	Sept. 15th	25.0%
			4th Payment	Dec. 15th	25.0%

Note: For example purposes, this table assumes the filer is a C-Corporation operating on a calendar-year basis.

Dates in the table do not take into account weekends, or holidays.

Source: Division of Taxation

TAX MODIFICATIONS

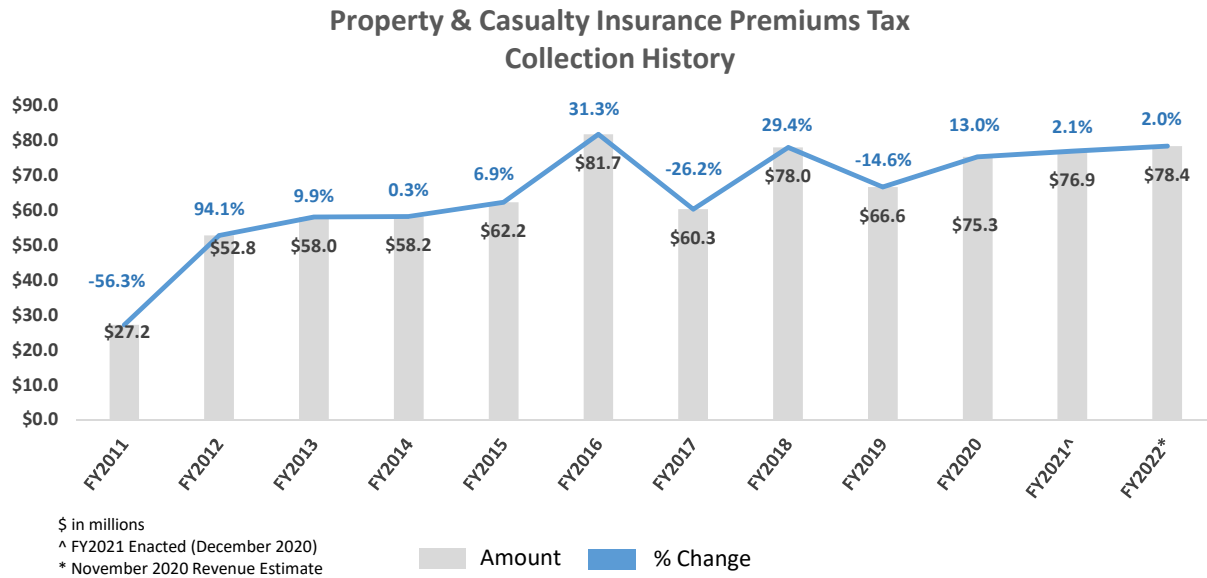
The following credits are allowable reductions to the Financial Institution Tax:

- Adult and Child Daycare
- Adult Education
- Contributions to Scholarship Organizations
- Educational Assistance and Development
- Employment- Welfare Bonus Program
- Enterprise Zone Wage
- Historic Preservation
- Historic Structures
- Interest for Loans to Mill Building Owners
- Investment
- Motion Picture Production
- Musical and Theatrical Production
- New Qualified Jobs Incentive Act
- Rebuild Rhode Island
- Specialized Mill Building Investment

All other modifications may be found in the appendix

RIGL 44-17

Property & Casualty Insurance Premiums Tax



Rhode Island levies a tax equal to 2.0 percent of gross premiums on all insurance contracts and renewals covering property and risks within the State, and written in the State during a calendar year (RIGL 44-17-2). Every domestic, foreign, or alien insurance company, mutual association, organization, or other insurer must file with the Tax Administrator by March 1 of each year.

Regional Comparison - Insurance Premium Tax Rates

	RI	MA	CT
General	2.0%	2.28%	1.75%
Surplus Line Brokers	4.0%	4.0%	4.0%
Life Insurance Companies	-	2.0%	-
Fire/Marine Insurance Companies	-	5.7%	-

Insurance taxes are deposited as general revenues and are due based on the schedule presented in the table.

Due Date	Amount
Apr. 15th	25.0%
June 15th	25.0%
Sept. 15th	25.0%
Dec. 15th	25.0%

RECENT AMENDMENTS

2020 Amendments: In March 2020 the U.S. Treasury Department extended federal tax filing deadlines in response to the COVID-19 pandemic. Rhode Island followed suit, permitting business tax returns and tax payments, normally due on April 15, 2020, to be filed on July 15, 2020, without penalties and interest, regardless of the amount owed. These include the insurance premiums taxes. The new deadline also applied to first-quarter and second-quarter estimated payments of Rhode Island tax as well.

2017 Amendments: The General Assembly modified the schedule for insurance companies, and other types of corporations, to make estimated payments to allow for a more equal and ratable payment

schedule and to eliminate the need to defer half of the estimated payments received to the following fiscal year. The change is required to better account for carryforward balances in the State's overall financial reporting process. Carryforward balances result when taxpayers have an overpayment relative to their tax liability but elect to apply the balance to future tax liabilities rather than request a refund.

Under the previous law, the taxes would be paid in two installments. The first installment was due on March 15th and consisted of about 40.0 percent of the overall total payment, and the second installment was due June 15th and consisted of the remaining 60.0 percent of the total payment.

The amendment requires four equal payments spread throughout the tax year. An insurance company now pays its estimated tax in equal instalments of 25.0 percent each. The first payment is due on the 15th day of the fourth month of the ax year, the second payment on the 15th day of the sixth month of the tax year, the third payment on the 15th day of the ninth month of the tax year, and the fourth payment on 15th day of the twelfth month of the tax year. The changes are summarized in the following table:

System Prior to January 1, 2018			System After to January 1, 2018		
(Front-Loaded Payment in Two Installments)			(Payment in Four Equal Installments, Spread Out)		
	Due Date	Amount		Due Date	Amount
1st Payment	Mar. 15th	40.0%	1st Payment	Apr. 15th	25.0%
2nd Payment	June 15th	60.0%	2nd Payment	June 15th	25.0%
			3rd Payment	Sept. 15th	25.0%
			4th Payment	Dec. 15th	25.0%

Note: For example purposes, this table assumes the filer is a C-Corporation operating on a calendar-year basis.

Dates in the table do not take into account weekends, or holidays.

Source: Division of Taxation

2016 Amendments: The 2016 General Assembly made changes to filing deadlines for corporations and pass-through entities for tax years beginning on or after January 1, 2016. For entities subject to the insurance gross premiums tax, the deadline changed from March 1 to April 15. The deadline did not impact tax returns from surplus lines brokers and licensees which continued to be due on or before April 1. In addition, the General Assembly created a new provision linking the premium tax rate to creation of new jobs by the insurance industry. The greater the number of new jobs created, the lower the tax rate will fall; however, the 2.0 percent premium tax rate may not fall below 1.0 percent.

2010: The General Assembly made the following change to the insurance premium tax:

- **Increased Tax on Surplus Lines:** Increased the tax on surplus lines insurance from 3.0 percent to 4.0 percent of gross premiums, consistent with Massachusetts and Connecticut. Surplus lines insurance is a segment of the insurance market where an insured may obtain coverage from an out-of-state insurer for a risk that traditional or standard insurers are unable or unwilling to insure. Due to the change, an additional \$1.1 million in collections were projected beginning in FY2011.

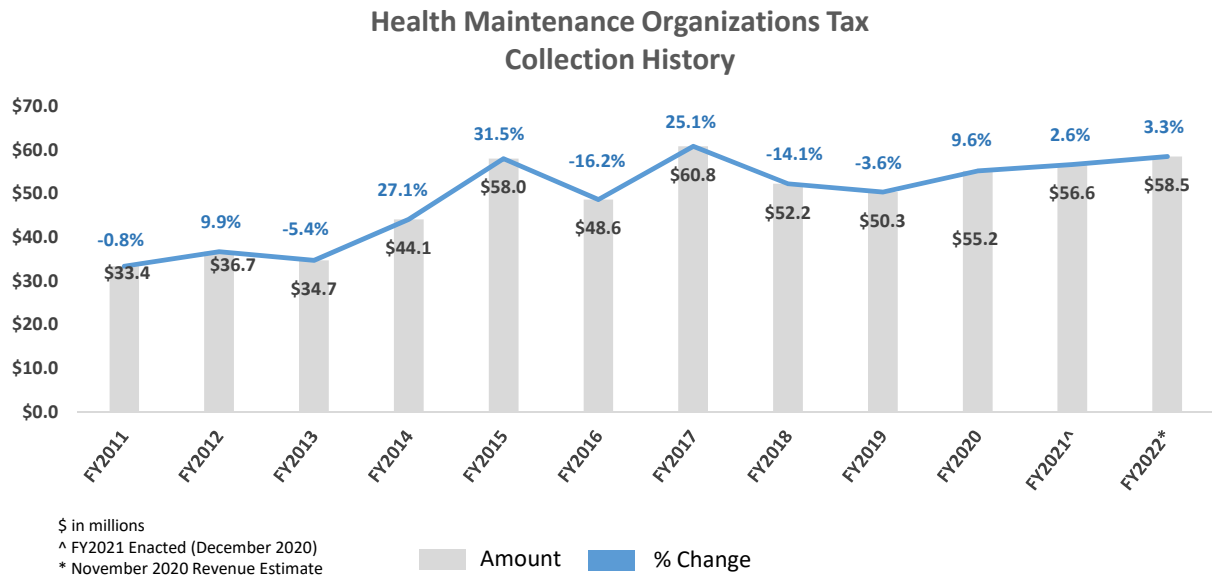
TAX MODIFICATIONS

The following tax credits may be applied against the Insurance Premiums Tax:

- Adult and Child Daycare
- Adult Education
- Contributions to Scholarship Organizations
- Educational Assistance and Development
- Employment – Welfare Bonus Program
- Enterprise Zone Wage
- Historic Preservation
- Historic Structures
- Interest for Loans to Mill Building Owners
- Investment Credit
- Motion Picture Production
- Musical and Theatrical Production
- New Qualified Jobs Incentive Act
- Rebuild Rhode Island
- Research and Development Expense
- Research and Development Property
- Specialized Mill Building Investment




RIGL 44-17 and 27-41

Health Maintenance Organizations



Health maintenance organizations (HMOs), any medical malpractice insurance joint underwriters association, and any nonprofit hospital or medical service corporation, are required to file taxes under the insurance premiums tax (RIGL 44-17) equal to 2.0 percent of gross premiums on all insurance contracts and renewals written in the State during a calendar year. HMOs are either single public or private organizations which:

- Provide or offer health care services to enrolled participants,
- Is compensated, except for copayments, for the provision of basic health care services, and;
- Provide physicians' services primarily directly through physicians who are either employees or partners of the organization; or through arrangements with individual physicians or groups of physicians organized on a group practice or individual practice basis.

Regional Comparison - HMO Tax Rate		
	2.0%	of gross premiums
	2.28%	of gross premiums, less certain deductions
	1.75%	on hospital and medical insurance companies

HMO insurance taxes are deposited as general revenues and are due based on the following schedule:

Due Date	Amount
Apr. 15th	25.0%
June 15th	25.0%
Sept. 15th	25.0%
Dec. 15th	25.0%

RECENT AMENDMENTS

2020 Amendments: In March 2020 the U.S. Treasury Department extended federal tax filing deadlines in response to the COVID-19 pandemic. Rhode Island followed suit, permitting business tax returns and tax payments, normally due on April 15, 2020, to be filed on July 15, 2020, without penalties and interest, regardless of the amount owed. These include the financial institutions tax. The new deadline also applied to first-quarter and second-quarter estimated payments of Rhode Island tax as well.

2017 Amendments: The General Assembly modified the schedule for HMOs, and other types of corporations, to make estimated payments to allow for a more equal and ratable payment schedule and to eliminate the need to defer half of the estimated payments received to the following fiscal year. The change is required to better account for carryforward balances in the State's overall financial reporting process. Carryforward balances result when taxpayers have an overpayment relative to their tax liability but elect to apply the balance to future tax liabilities rather than request a refund.

Under the previous law, the taxes would be paid in two installments. The first installment was due on March 15th and consisted of about 40.0 percent of the overall total payment, and the second installment was due June 15th and consisted of the remaining 60.0 percent of the total payment.

The new law requires four equal payments spread throughout the tax year. An HMO now pays its estimated tax in equal instalments of 25.0 percent each. The first payment is due on the 15th day of the fourth month of the tax year, the second payment on the 15th day of the sixth month of the tax year, the third payment on the 15th day of the ninth month of the tax year, and the fourth payment on 15th day of the twelfth month of the tax year. The changes are summarized in the following table:

System Prior to January 1, 2018			System After to January 1, 2018		
(Front-Loaded Payment in Two Installments)			(Payment in Four Equal Installments, Spread Out)		
	Due Date	Amount		Due Date	Amount
1st Payment	Mar. 15th	40.0%	1st Payment	Apr. 15th	25.0%
2nd Payment	June 15th	60.0%	2nd Payment	June 15th	25.0%
			3rd Payment	Sept. 15th	25.0%
			4th Payment	Dec. 15th	25.0%

Note: For example purposes, this table assumes the filer is a C-Corporation operating on a calendar-year basis.

Dates in the table do not take into account weekends, or holidays.

Source: Division of Taxation

2015 Amendments: To help pay for the state-operated health insurance exchange (HealthSource RI), the General Assembly authorized the Department of Administration to levy an assessment on insurers that offer qualified health plans and qualified dental plans. The assessment is established in accordance with the federal government's assessment on insurers that offer products on the federal health benefits exchange.

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

2008 Amendments: The 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 percent of gross premiums to 1.75 percent of gross premiums. The FY2009 Budget as Enacted included \$10.8 million in additional estimated collections from the change.

TAX MODIFICATIONS

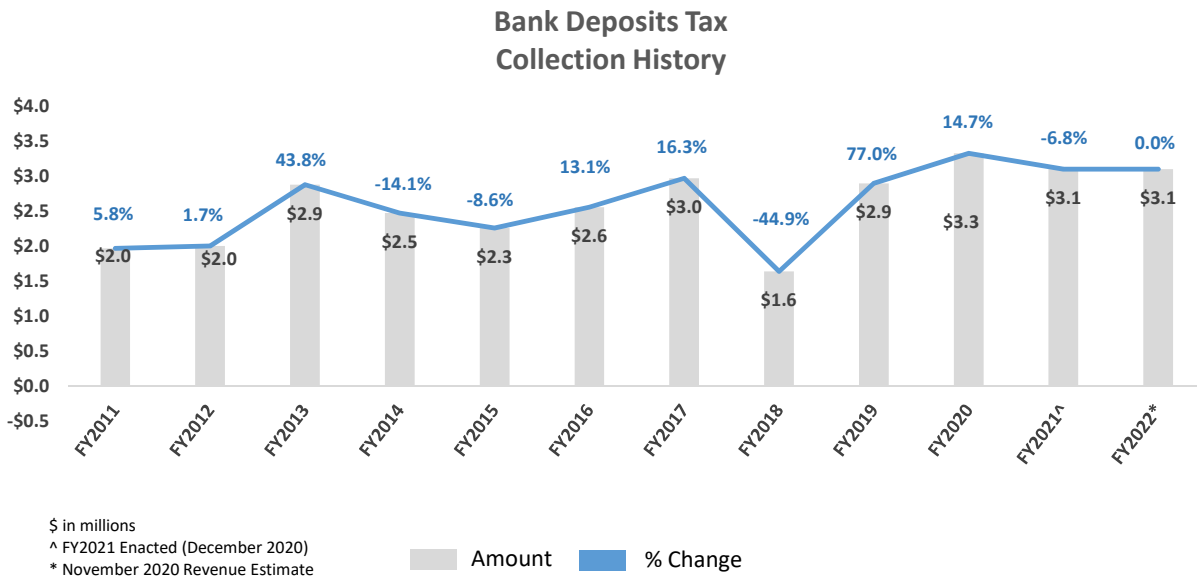
The following tax credits may be applied against the Insurance Premiums Tax:

- Adult and Child Daycare
- Adult Education
- Contributions to Scholarship Organizations
- Educational Assistance and Development
- Employment – Welfare Bonus Program
- Enterprise Zone Wage

- Historic Preservation
- Historic Structures
- Interest for Loans to Mill Building Owners
- Investment Credit
- Motion Picture Production
- Musical and Theatrical Production
- New Qualified Jobs Incentive Act
- Rebuild Rhode Island
- Research and Development Expense
- Research and Development Property
- Specialized Mill Building Investment

RIGL 44-15.1

Bank Deposits Tax (Credit Unions)



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 less than \$150.0 million:

- \$0.0625/\$100 in deposits (equivalent to 0.0625 percent)

Total deposits greater than \$150.0 million:

- \$0.0695/\$100 in deposits (equivalent to 0.0695 percent)

Regional Comparison - Bank Deposit Tax Rates



0.0625 percent to 0.0695 percent, based on total institutional deposits in a calendar year.



Credit Unions are exempt from the financial institutions excise tax.



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

Bank deposit taxes are deposited as general revenues and are due based on the following schedule:

Due Date	Amount
Apr. 15th	25.0%
June 15th	25.0%
Sept. 15th	25.0%
Dec. 15th	25.0%

RECENT AMENDMENTS

2020 Amendments: In March 2020 the U.S. Treasury Department extended federal tax filing deadlines in response to the COVID-19 pandemic. Rhode Island followed suit, permitting business tax returns and tax payments, normally due on April 15, 2020, to be filed on July 15, 2020, without penalties and interest, regardless of the amount owed. These include the financial institutions tax. The new deadline also applied to first-quarter and second-quarter estimated payments of Rhode Island tax as well.

2017 Amendments: In 2017 the General Assembly modified the schedule for credit unions, and other types of corporations, to make estimated payments to allow for a more equal and ratable payment schedule and

to eliminate the need to defer half of the estimated payments received to the following fiscal year. The change is required to better account for carryforward balances in the State's overall financial reporting process. Carryforward balances result when taxpayers have an overpayment relative to their tax liability but elect to apply the balance to future tax liabilities rather than request a refund.

Under the previous law, the taxes would be paid in two installments. The first installment was due on March 15th and consisted of about 40.0 percent of the overall total payment, and the second installment was due June 15th and consisted of the remaining 60.0 percent of the total payment.

The new law requires four equal payments spread throughout the tax year. A credit union now pays its estimated tax in equal instalments of 25.0 percent each. The first payment is due on the 15th day of the fourth month of the tax year, the second payment on the 15th day of the sixth month of the tax year, the third payment on the 15th day of the ninth month of the tax year, and the fourth payment on 15th day of the twelfth month of the tax year. The changes are summarized in the following table:

System Prior to January 1, 2018			System After to January 1, 2018		
(Front-Loaded Payment in Two Installments)			(Payment in Four Equal Installments, Spread Out)		
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2nd Payment	June 15th	60.0%	2nd Payment	June 15th	25.0%
			3rd Payment	Sept. 15th	25.0%
			4th Payment	Dec. 15th	25.0%

Note: For example purposes, this table assumes the filer is a C-Corporation operating on a calendar-year basis.

Dates in the table do not take into account weekends, or holidays.

Source: Division of Taxation

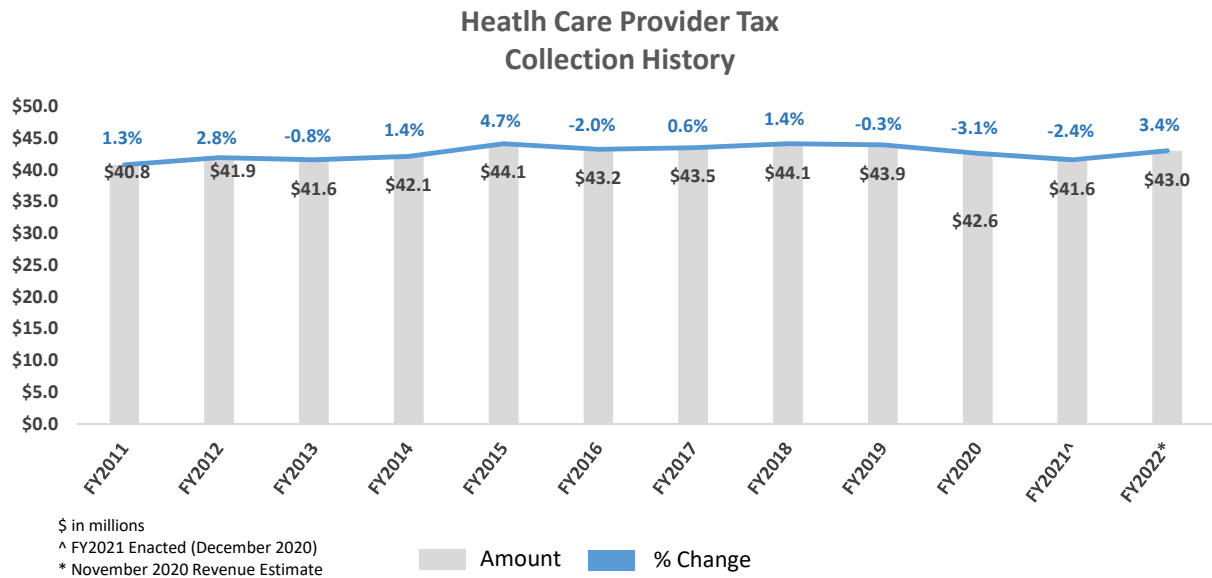
TAX MODIFICATIONS

The following tax credits may be applied against the business corporation tax. All other modifications may be found in the appendix:

- Adult Education
- Contributions to Scholarship Organizations
- Employment – Welfare Bonus Program

RIGL 44-51

Health Care Provider (Nursing Homes)



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 for all patient care services, and excludes charitable contributions and donated goods and services.

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

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

Regional Comparison - Nursing Home Provider Tax/Fee

	5.5 percent on gross patient revenues
	A nursing facility per diem user fee is assessed annually. The fee is calculated annually by MA EOHHS and takes into consideration the 4 classes of facilities that vary by the amount of Medicaid residents they serve.
	A resident day user fee is levied on each Medicaid nursing home bed; rate is determined annually or biennially with the Department of Social Services.

Source: Senate Fiscal Office, 2021

RECENT AMENDMENTS

2015 Amendments: The 2015 General Assembly eliminated the 2.0 percent surcharge on net patient services revenue generated by outpatient healthcare facilities and imaging services providers.

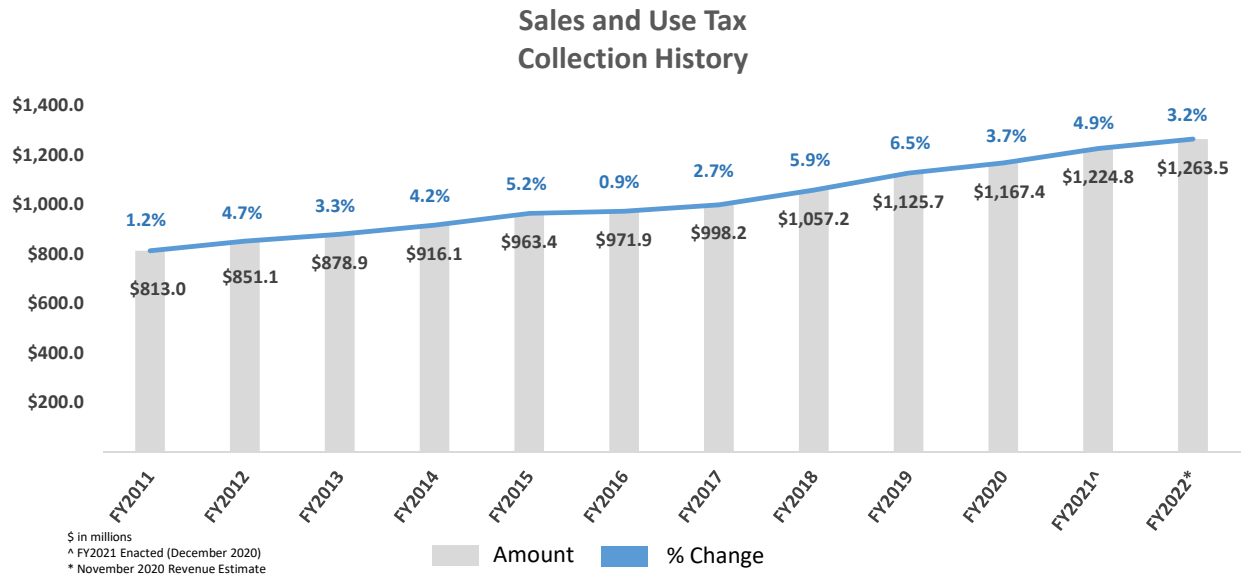
2009 Amendments: The General Assembly Eliminated the health care provider assessment levied against group homes for developmentally disabled individuals (RIGL 44-50) in order to comply with terms set forth in the Global Medicaid Waiver. The change resulted in an \$11.1 million reduction for FY2010. The cost-of-living-adjustment (COLA) that nursing home providers were scheduled to receive each year since FY2012 was suspended. The increased revenues to nursing homes would have been subject to the 5.5 percent health care provider assessment.

TAX MODIFICATIONS

None

RIGL 44-18 and 44-19

Sales and Use Tax



Rhode Island levies a sales and use tax equivalent to 7.0 percent 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 20th 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. The fee for the permit is \$10.

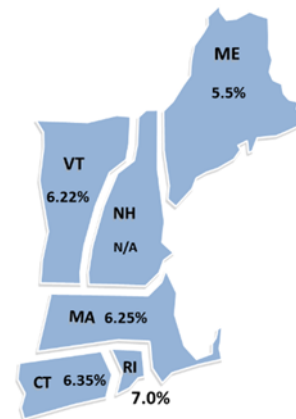
RI Sales Tax Computation

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	7.0% 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, including remote sales, 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.

Sales Tax Rate – Regional Comparison



RECENT AMENDMENTS

2019 Amendments:

- **Digital Downloads:** The General Assembly added the following services to those subjected to the State’s 7.0 percent sales tax. The FY2020 Budget as Enacted assumed a reduction of \$2.6 million in sales tax collections as a result of this initiative based on an October 1, 2019, start date.
 - **Digital Audio-Visual** (Purchases, rentals of, or subscriptions to, streamed movies and video. Examples include Netflix movies and YouTube channels)
 - **Digital Audio** (Podcasts and music, including streaming services such as Spotify and Sirius XM radio)
 - **Digital Books** (e-books)

- **New Exemptions:** The General Assembly added two new categories of products to the list of those items exempted from the State’s sales tax (Estimated to reduce general revenue by a total of \$692,211)
 - **Feminine Hygiene Products** (Loss of \$617,211 in FY2020 based on an October 1, 2019, effective date)
 - **Urns and Shrouds** (Loss of \$75,000 in FY2020 based on an October 1, 2019, start date)
- **Sales Tax Reduction Trigger:** The General Assembly repealed provisions in current law that would automatically reduce the sales tax by one-half percent in the event that the federal government was to enact the Marketplace Fairness Act (See Marketplace Fairness Act section below).
- **Rebuild RI Sales Tax Exemption Limit:** The Rebuild RI tax credit program allows CommerceRI to provide sales tax exemptions to Rebuild RI projects on certain qualifying, project-related purchases. Of the 34 Rebuild RI-awarded projects at the time of passage of the Budget, 28 had also received sales tax exemption approvals, ranging in value from \$100,000 to \$2.7 million. Electric Boat has been an outlier, having received approval for an estimated \$18.0 million in sales tax exemptions. CommerceRI had approved \$40.9 million in sales tax exemptions in total at the time of enactment.

Originally there was no limit (per project or in the aggregate) on the amount of sales tax exemptions that CommerceRI may approve. The FY2019 Budget as Enacted established both a per-project and an aggregate limit by folding the total amount of sales tax exemptions under the same program caps that the Rebuild RI tax credits are subjected to. The combined value of tax credits and sales tax exemptions is calculated retroactively to the beginning of the program for purposes of the overall program cap. Qualified projects awarded combined tax credits and sales tax exemptions in excess of the \$15.0 million per project threshold prior to the enactment of Article 12 are not subject to the new limit.

- **New Cap:** The Budget increased the maximum number of aggregate Rebuild RI tax credits and sales tax exemptions allowed to be issued to \$210.0 million. The original limit was \$150.0 million and pertained only to the tax credits. CommerceRI has approved \$109.5 million in tax credits and \$40.9 million in sales tax exemptions across 34 projects, for a total of \$150.4 million, or 71.6 percent of the total cap authorized by the article.
- **Per-Project Tax Credit and Sales Tax Exemption Limit:** The Budget also provided a special exemption to the \$15.0 million per-project cap on the combined amount of tax credits and sales tax exemptions that may be issued. This special exemption is applicable only to the project that the I-195 Redevelopment District has been authorized to enter into a purchase and sale agreement for parcels 42 and P4 (Fane Tower). The exemption allows combined credits and exemptions up to \$25.0 million. This project also does not count towards the overall program cap of \$210.0 million.

2018 Amendments:

- **Security Services:** The General Assembly added armored car services, guard services, and private investigation services to those services that are subject to the sales tax.
- **Food Modification:** Additionally, the 2018 General Assembly modified the definition of food and food ingredients for purposes of sales tax by removing the exclusion of marijuana seeds or plants from the definition, and exempted keg and barrel containers that are sold to alcoholic beverage producers from the State sales tax.

2017 Amendments:

- **Remote Sellers:** The FY2018 Budget as Enacted included \$37.7 million in additional revenue based on a new framework designed to capture sales and uses taxes by encouraging remote sellers to register, collect, and remit the sales and use tax. The proposal specifically required remote sellers and other online marketplace retailers to either register, collect, and remit sales/use tax for each transaction, or to

do each of the following: post a notice on its website informing Rhode Island purchasers that sales or use tax is due on certain purchases; notify RI purchasers at the time of sale that sales or use tax is due on the product or service purchased; email RI purchasers that sales or use tax is due; and send Rhode Island purchasers an annual notice detailing their cumulative annual purchases from the seller.

- **Noncollecting Retailers:** The General Assembly also created a framework designed to facilitate the ability of noncollecting retailers that sell goods and services to Rhode Islanders over the internet to collect and remit sales and use taxes. It notifies Rhode Island purchasers of their use tax liabilities on purchases from these retailers.

2016 Amendments: The General Assembly added ride sharing services to those services subject to the State's 7.0 percent sales, thus requiring local drivers affiliated with these companies, such as Uber and Lyft, to remit sales tax on service charges. Ride sharing companies are digital networks which connect passengers to the network's local operators. Local affiliated drivers are required to remit sales tax for services beginning July 1, 2016.

2015 Amendments: The General Assembly expanded the existing sales tax exemption on electricity, natural gas, and heating fuels used in the manufacturing process to consumption of these utilities by all businesses.

2014 Amendments: The General Assembly required the Division of Taxation to establish a lookup table referencing taxpayers' federally adjusted gross income (AGI) for the purpose of calculating use tax owed beginning in tax year 2014. In 2011, The Division of Taxation reported that only 958 returns (0.2 percent) of 492,402 personal income tax returns reported use tax. The legislation also added a "safe harbor" provision for taxpayers electing to report use tax owed to the State through the use of the lookup table on the personal income tax return. The Use Tax is owed to the State on tangible personal property purchased from vendors that do not collect and remit sales tax to Rhode Island.

2013 Amendments:

- **Creative Works:** The General Assembly eliminated the sales tax on original and creative works of art created and sold by writers, composer and artists residing in and conducting business in Rhode Island. The exemption also applies to sales by galleries located in the State. Under former law, the exemptions were only applied in designated areas within certain municipalities. The legislation became effective December 1, 2013.
- **Necessary Data:** The General Assembly authorized the Division of Taxation to collect necessary data to evaluate the impact of excise tax changes in comparison with neighboring states. From December 1, 2013, through March 31, 2015, the state sales and use tax will not apply to wine and spirits sold at package stores and liquor stores ("Class A" licensees under RIGL Title 3) and no alcoholic beverages sold at retail will be subject to the State's minimum markup. Beer and other malt beverages will continue to be subject to the sales tax. The 2014 General Assembly extended the pilot program end date to June 30, 2015.
- **Marketplace Fairness Act Alignment:** The 2013 General Assembly amended the State sales and use tax laws so that Rhode Island would be in compliance with the interstate agreement related to the federal Marketplace Fairness Act of 2013 (see Marketplace Fairness Act section below).

2012 Amendments:

- **Clothing:** The General Assembly expanded the 7.0 percent sales and use tax to include each sale of clothing and footwear with a sales price of more than \$250. For clothing that costs more than \$250, the tax applies to the marginal value above the \$250 threshold. The tax became effective for sales after October 1, 2012.

- **Transportation:** The sales tax base was further expanded to include sales tax on taxicabs and other road transportation services and non-veterinary pet services, as defined by the North American Industry Classification System (NAICS) Code.
- **Control and Recycling:** The Taxation of Beverage Containers, Hard-to-Dispose Material and Litter Control Participation Permittee Act was enacted in 1984 to provide funding for the litter reduction and recycling program, and the hard-to-dispose material – control and recycling program. A tax of four cents (\$0.04) is levied on each case of beverage containers sold by a beverage wholesaler to a beverage retailer or consumer within this state, excluding reusable and refillable beverage containers. The tax is collected by the beverage wholesaler and deposited as general revenue. The 2012 General Assembly expanded this tax to include all non-alcoholic drinks for human consumption, excluding milk.

2011 Amendments:

- **“Project Status” Elimination:** The General Assembly discontinued sales tax incentives related to projects involving the Rhode Island Industrial Facilities Corporation after June 30, 2011. The Budget eliminated “project status” sales tax exemptions for future projects, resulting in an estimated \$100,000 in additional sales tax revenues for FY2012. Previously, the Rhode Island Economic Development Corporation (now the Rhode Island Commerce Corporation) and the Rhode Island Industrial Facilities Corporation could authorize sales tax exemptions for construction materials when companies met certain employment benchmarks. Eligible companies paid sales taxes during the construction period, but later applied for sales tax refunds up to contractually-defined amounts. The changes did not impact projects that were already approved under the programs.
- **Broadened Tax Base:** The General Assembly broadened the sales tax base to include:
 - Pre-written computer software that is delivered electronically, or downloaded. Consumers currently pay the tax for the same or similar software if it is purchased in a store.
 - Nonprescription medications, including medical marijuana.
 - Travel and tour companies that sell travel, tour, and transportation services effective October 1, 2011. This law was repealed by the 2012 General Assembly.
 - The value of insurance proceeds received from stolen or destroyed passenger vehicles that are used to purchase a replacement vehicle are currently treated similarly to a used vehicle trade-in allowance, and are exempt from the state’s Sales and Use Tax.

TAX MODIFICATIONS

Rhode Island exempts nearly all services and sales of unprepared food, clothing, and prescription medications from the sales and use tax. While these are major categories of exemptions, there are numerous other exemptions contained in the Rhode Island General Laws. The 2020 Tax Expenditures Report published by the Department of Revenue estimates the total value of sales tax exemptions in 2017 (the most recent year of complete data) at \$2.28 billion.

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, 24 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:

- 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; and
- Protection of consumer privacy.

Streamlined Sales and Use Tax Agreement State Status

Full	Non-Members	Associate
Arkansas	Alabama	Tennessee
Georgia	Alaska	
Indiana	Arizona	
Iowa	California	
Kansas	Colorado	
Kentucky	Connecticut	
Michigan	Delaware	
Minnesota	DC	
Nebraska	Florida	
Nevada	Hawaii	
New Jersey	Idaho	
North Carolina	Illinois	
North Dakota	Louisiana	
Ohio	Maine	
Oklahoma	Maryland	
Rhode Island	Massachusetts	
South Dakota	Mississippi	
Utah	Missouri	
Vermont	Montana	
Washington	New Hampshire	
West Virginia	New Mexico	
Wisconsin	New York	
Wyoming	Oregon	
	Pennsylvania	
	Puerto Rico	
	South Carolina	
	Texas	
	Virginia	

Source: Streamlined Sales Tax Governing Board, 2021

In 2012, the General Assembly enacted legislation taxing individual items of clothing over \$250 per item. As a result, the Streamlined Sales Tax Governing Board (SSTGB) voted Rhode Island out of compliance. The State, however, is still a member of the SSUTA and no further action has been taken.

MARKETPLACE FAIRNESS ACT

The federal Marketplace Fairness Act of 2013 (MFA) was federal legislation that would grant states the authority to compel online and catalog retailers, known as “remote sellers,” no matter where they are located, to collect use tax at the time of a transaction. Local brick and mortar retailers are already required to collect sales tax on these same transactions. The federal legislation derived from the need to simplify sales and use tax rates across all states and enable states to increase collection and enforcement efforts based upon their existing sales and use tax laws.

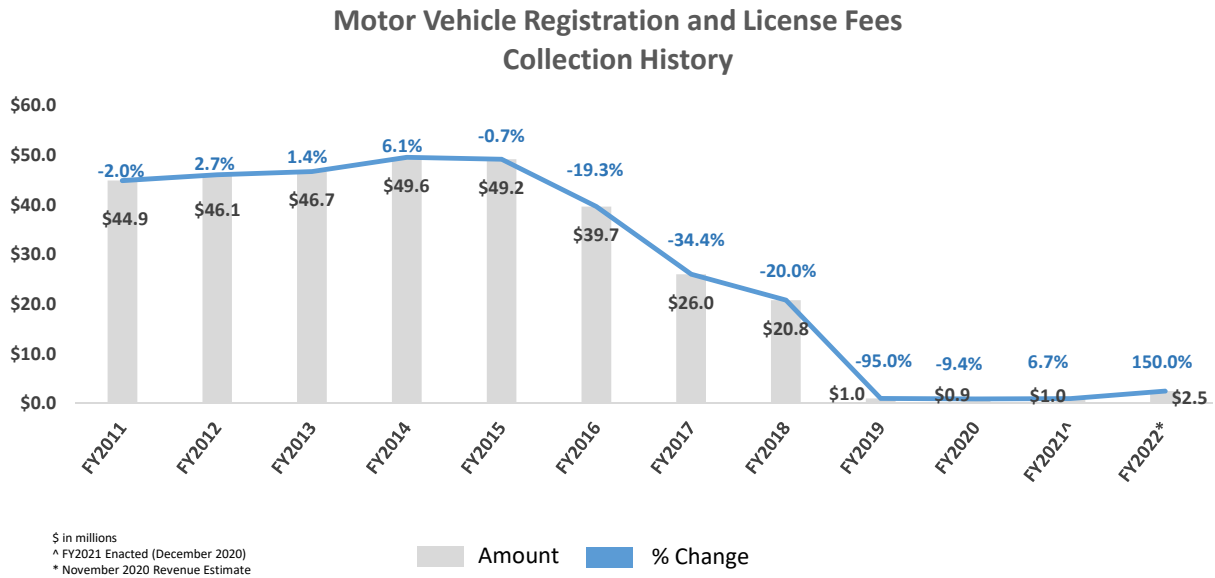
The MFA would require remote sellers to collect the use tax on behalf of states when completing a taxable transaction with a resident of that state, provided that the state has simplified their local sales and use tax laws. States may meet this requirement by implementing the simplification mandates as listed in the federal legislation, or voluntarily adopt the simplification measures of the Streamlined Sales and Use Tax Agreement (SSUTA). Any state which is in compliance with the SSUTA and that has achieved Full Member status as a SSUTA-implementing state is granted collection authority beginning 180 days after the state publishes notice of intent to exercise the authority under this Act.

In anticipation of the passage of the Agreement, the 2011 General Assembly enacted a sales tax rate reduction that is only triggered upon change in the federal law. In the event that the MFA is enacted, the State sales and use tax would drop from the current 7.0 percent to 6.5 percent; the 1.0 percent local meals and beverage tax would increase to 1.5 percent; and, the 1.0 percent local hotel tax would increase to 1.5 percent.

The MFA has yet to be enacted; however, in June 2018, the Supreme Court of the United States upheld a South Dakota law that required a remote seller to collect and remit sales tax as long as certain conditions were met. In the wake of the *South Dakota vs. Wayfair* decision, the 2019 Rhode Island General Assembly enacted a new remote sellers' sales tax structure to compel online sales tax collection and remittance.




Because the federal trigger has not occurred, the State has not reduced the 7.0 percent sales tax. Based upon the November 2020 Revenue Estimating Conference sales tax estimate of \$1.3 billion in collections, the fiscal impact of a one-half percent decrease in the sales tax equates to a \$180.5 million revenue loss. In 2019, the General Assembly repealed provisions in current law that would automatically reduce the sales tax by one-half percent in the event that the federal government was to enact the Marketplace Fairness Act (See Marketplace Fairness Act section below).

RIGL 31-6 and 31-10 Motor Vehicle Registration & License Fees



The State levies motor vehicle registration (RIGL 31-6) and operator license fees (RIGL 31-10). These fees are partially deposited as general revenues (GR) and as restricted receipts within Rhode Island’s Highway Maintenance Account (RIHMA) and the Division of Motor Vehicles (DMV). The November 2020 Revenue Estimating Conference projected \$1.0 million and \$2.5 million in general revenue collections for FY2021 and FY2022 respectively. The only remaining general revenue deposits are duplicate/update license fee revenues associated with Real ID implementation.

Regional Comparison - Registration and License Fees

	Registrations last for two years and begin at \$60. Licenses are five years for \$25-\$63.
	Registrations last for two years and cost \$60. Licenses are generally five years for \$50.
	Two-year registrations cost \$195. Licenses last between five and a half and seven years, and cost between \$72 and \$84.

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 \$45 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	\$45
4,000	10,000	55 - 93
10,000	30,000	121 - 331
30,000	50,000	437 - 675
50,000	74,000	727 - 987
74,000	and above	987 + \$24/ton

License Fees: General operator licenses for motor vehicles cost \$39.50 for the first license and \$62.50 for a five-year renewal.

Motor Vehicle License Fees

Class	Standard	CDL
Tests	27.50	10.00
Permit Limited (under age 18)	12.50	-
Permit Instructional (age 18 and older)	7.50	72.50
Duplicate Permit	12.50	22.50
Limited Provisional License (under age 18)	24.50	24.50
Operator First License	39.50	-
License Renewal (5 years)	62.50	82.50
License Renewal (age 71 and older)	Prorated	34.50
Transfer License (out of state)	44.50	54.50
Update License	27.50	7.50
Duplicate License	27.50	27.50
Permit Motorcycle	27.50	-
Motorcycle License	27.50	-
State ID (age 59 and older, no fee)	27.50	-
State ID Duplicate (age 59 and older, no fee)	27.50	-
State ID Renewal (age 59 and older, no fee)	27.50	-
State ID Update (age 59 and older, no fee)	27.50	-
Application	-	12.50
Chauffeur	-	27.50

DMV FEES AND SUSTAINABLE TRANSPORTATION FUNDING

The use of DMV fee revenue has evolved significantly since 2011, when the General Assembly enacted the Transportation Investment and Debt Reduction Act which established a distinct restricted receipt account funded by DMV fees. This legislation was the first of a series of measures taken by the general assembly over the last decade that were intended to shift the way Rhode Island finances its federal highway obligations to more sustainable methods. Originally, various license and registration fees were increased, with the new marginal revenue deposited into what became known as the Rhode Island Highway Maintenance Account (RIGL 39-18.1-4) within the Intermodal Surface Transportation Fund (ISTF). The following table shows how the fee revenue has been statutorily allocated across several accounts.

DMV Fee Revenue Allocation

Fiscal Year	A21-FY2015 Enacted			A4-FY2018 Enacted			A8-FY2019 Enacted			A8-FY2020 Enacted		
	RIHMA	GR	DMV	RIHMA	GR	DMV	RIHMA	GR*	DMV	RIHMA	GR*	DMV
FY2016	25.0%	75.0%	-	25.0%	75.0%	-	25.0%	75.0%	-	25.0%	75.0%	-
FY2017	75.0%	25.0%	-	50.0%	50.0%	-	50.0%	50.0%	-	50.0%	50.0%	-
FY2018	100.0%	-	-	80.0%	20.0%	-	60.0%	40.0%	-	60.0%	40.0%	-
FY2019	100.0%	-	-	100.0%	-	-	100.0%	-	-	95.0%	-	5.0%
FY2020	100.0%	-	-	100.0%	-	-	100.0%	-	-	95.0%	-	5.0%
FY2021	100.0%	-	-	100.0%	-	-	100.0%	-	-	95.0%	-	5.0%
FY2022	100.0%	-	-	100.0%	-	-	100.0%	-	-	95.0%	-	5.0%

* Article 8 of the FY2019 Budget as Enacted increased combined duplicate license and updated license fees into one fee and increased it by \$20. The new combined fee was exempted from transfer to the RIHMA and is retained by the DMV for administration costs associated with RealID program, which is anticipated to represent a bulk of the duplicate licenses between FY2019 and the deadline of October 2021. The November 2020 Revenue Estimating Conference projected \$1.0 and \$2.5 million revenue from the new combined license fee for FY2021 and FY2022, respectively.

LICENSE PLATE REISSUANCE

Rhode Island law (RIGL 31-3-33) requires that motor vehicle license plates be reissued every 10 years in order to reduce fraud, improve public safety and law enforcement, and to generate revenue. The reissuance was first scheduled to take place in September 2011. It has been delayed 8 times since. The most recent change to the reissuance date was made in Article 7 of the FY2020 Budget as Enacted, which set June 1, 2020, as the new implementation date. Article 7 also required the Division of Motor Vehicles (DMV) to

provide the General Assembly with a monthly implementation status report beginning in August of 2019. According to the last report filed by the DMV (January 21, 2020), the Division and its vendor, 3M were still in the early stages of preparing to implement. According to the Department, the complications surrounding operations during the COVID-19 pandemic has hampered implementation of the reissuance and the DMV has not provided a practical revised implementation schedule.

RECENT AMENDMENTS

2020 Amendments: The Division of Motor Vehicles delayed implementation of the license plate reissuance in response to the significant disruption of agency activities due to the COVID-19 pandemic.

2019 Amendments:

Session	Date	Delay Date	Reason
2011	9/2011	9/2013	\$3.3 million savings initiative
2013	9/2013	9/2015	Budget reduction target initiative
2015	9/2015	7/2016	Need to align plate design w/ state tourism campaign
2016	7/2016	4/2017	RIMS - Staff would have to be taken away from implementation
2017	4/2017	1/2019	Launch of RIMS System/Reprogramming legacy IT system
2018	1/2019	1/2020	Real ID - Staff would have to be taken away from implementation
2019	1/2020	6/2020	Governor had proposed eliminating the reissuance altogether. By the time Budget was enacted, it was too late to timely implement
2020	6/2020	No new date	Delay due to impact of the pandemic

- **DMV Fee Revenue Allocation:** In Article 8 of the FY2020 Budget as Enacted, the General Assembly amended RIGL 39-18.1 to allow the Division of Motor Vehicles (DMV) to retain 5.0 percent of the funds that are deposited into the Highway Maintenance Account. These funds may be used by the DMV to offset the costs of personnel who collect the fees that are deposited into the RIHMA. The changes was estimated to provide \$97.0 million in funding to the RIHMA with the DMV retaining \$4.9 million in restricted receipts.
- **License Plate Reissuance:** The General Assembly delayed the statutorily-mandated license plate reissuance by five months, from January 1, 2020, to June 1, 2020. The fee for the plates is increased from \$6.00 per reissued set to \$8.00. Beginning August 15, 2019, through August 15, 2020, the DMV was required to provide a monthly report to the General Assembly outlining activity and progress towards the implementation of the license plate reissuance.
- **Technology Surcharge Fee Increased:** DMV was authorized to charge a \$1.50 surcharge on every DMV fee transaction. Surcharge revenue is deposited into the State's Information Technology Infrastructure Fund (ITIF). Funds generated through the surcharge are specifically used to pay the original and ongoing costs associated with the DMV's information technology system, known as the Rhode Island Modernization System, or RIMS. Collection of the surcharge had been authorized through June 30, 2022. The FY2020 Budget as Enacted made several changes related to the technology surcharge. The surcharge was increased by \$1.00, for a total of \$2.50 per DMV fee transaction. Revenue from the additional \$1.00 is directed to a new restricted receipt within the DMV to pay for IT project-related payments and/or ongoing maintenance of and enhancements to the DMV's computer system. The remaining \$1.50 is deposited into the ITIF. The Budget removed the existing sunset and shifted the remaining \$1.50 from the ITIF to the DMV account beginning on July 1, 2022.
- **Overweight and Oversize Vehicle Permit Fees** Prior to FY2020, all vehicles exceeding 80,000 lbs. paid a flat per-trip fee of \$20.00 for overweight and oversize vehicle permits (OOVP). Article 8 establishes a new per-trip fee tier for vehicles exceeding 130,000 lbs. and increases the per-trip fee for non-divisible loads exceeding 80,000 lbs. but less than 130,000 lbs. The fee for non-divisible loads exceeding 80,000 lbs. increases from \$20.00 to \$40.00, and the per-trip fee for non-divisible loads exceeding 130,000 lbs. increases from \$20.00 to \$300.00. Article 8 also increases the annual fee for non-divisible loads of less than 130,000 lbs. from \$300.00 to \$400.00. The operator of the overweight/oversize vehicle may pay the annual fee in lieu of individual per trip fees. The DOT issues OOVPs, but the Division of Motor Vehicles (DMV) collects the associated fees. The fee changes are estimated to generate an additional \$501,840 which will be payable to the DMV and deposited as general revenue.

2018 Amendments:

- **DMV Fee Revenue Allocation:**
 - **DMV Fee Revenue Transfer Phase-in:** The FY2019 Budget adjusted, for the second consecutive year, the phase-in schedule for transferring of all vehicle license and registration fees from the general fund to the RIHMA. Article 8 reduced transfers to the RIHMA in the FY2018 Supplemental Budget from 80.0 percent to 60.0 percent; resulting in a \$10.3 million reduction in funding to the RIHMA, and a corresponding increase in budgeted general revenue, in FY2018.
 - **Real ID License Fee Revenue:** In implementing the changes necessary to bring Rhode Islanders into compliance with federal Real ID standards by an October 2021 deadline (the original 2020 due date was extended due to pandemic), the DMV has planned for a significant increase in duplicate license requests. To address the anticipated increase in implementation costs, the FY2019 Budget as Enacted made modifications to DMV's fee structure. The Budget combined the fee to obtain a duplicate license (\$25) and the fee to update address/name information on a license (\$5), effectively raising the latter fee to \$20. The Budget also required the revenue from the new combined fee to be deposited into general revenue (the separate fees had previously been deposited into the RIHMA). The November 2020 Revenue Estimating Conference projected \$1.0 million and \$2.5 million in revenue from the combined fee for FY2021 and FY2022, respectively.
- **License Plate Reissuance:** The General Assembly delayed the statutorily-mandated license plate reissuance by one year, from January 1, 2019, to January 1, 2020. The Governor cited the implementation of Real ID as the reason for requesting the delay. Delaying the reissuance resulted in a loss of approximately \$1.8 million in revenue in FY2019.
- **Registration Reinstatement Fee:** The General Assembly eliminated the requirement to pay a \$250 fee to reinstate a vehicle registration that has been suspended, denied, or revoked for failing to have a valid inspection (pursuant to RIGL 31-38-2, 31-38-3, 31-38-4, or 31-47.1-3).

2017 Amendments:

- **DMV Fee Revenue Allocation:** The FY2018 Budget adjusted the phase-in schedule for transferring of all vehicle license and registration fees from the general fund to the RIHMA. Article 4 retains 25.0 percent more of the fees in FY2017 for the general fund and 20.0 percent more in FY2018. The Budget assumed \$13.0 million more in general revenue in FY2017 and \$9.4 million in FY2018 based on the adjustments.
- **License Plate Reissuance:** The General Assembly delayed the statutorily-mandated license plate reissuance by 21 months, from April 1, 2017, to January 1, 2019. The Governor cited the demands of implementing the Division's new information technology systems as the reason for requesting the delay. The FY2018 Budget as Enacted assumed a general revenue loss of approximately \$1.8 million due to the delay.
- **Refunds:** The FY2018 Budget as Enacted eliminated the ability for an individuals to obtain a refund on a multi-year motor vehicle registration in the event they move out of the state within the first year of the registration. The Budget assumed a \$107,800 increase in general revenue.
- **Truck Registration Fees:** The FY2018 Budget as Enacted also reversed the reductions to annual registration fees for commercial trucks, truck tractors, and truck trailers that were to take effect on July 1, 2017. The FY2017 Budget as Enacted provided a new sliding scale fee schedule for commercial truck vehicles beginning in FY2018. Owners of vehicles at the lowest weights were to receive a 30.6 percent reduction of registration fees. Registration savings increased with the weight of the vehicle, topping out between 50.6 to 52.4 percent for those trucks above 26,000 pounds. The Budget maintains

the fee schedule that were in effect for FY2017. The Budget assumed an additional \$840,000 in revenues associated with the collection of the higher fees.

- **Technology Surcharge:** The FY2018 Budget as Enacted established in law the technology surcharge fee of \$1.50 per DMV transaction. This fee funds the technology investment fund (RIGL 42-11-2.5) and is earmarked for the Division's computer system, Rhode Island Modernization System (RIMS). The surcharge increases the technology investment fund annually by \$2.1 million. Previously, through rules and regulations, authorized under the FY2008 Budget as Enacted, the DMV levied a similar surcharge with a sunset date in FY2017. The Budget establishes a new sunset of June 30, 2022.

2016 Amendments:

- **License Plate Reissuance:** The General Assembly delayed the statutorily-mandated license plate reissuance by nine months, from July 1, 2016, to April 1, 2017. The Governor cited the demands of implementing the Division's new information technology systems as the reason for requesting the delay. The FY2017 Budget as Enacted assumed a general revenue loss of approximately \$2.0 million due to the delay.
- **Veterans Plates:**
 - **Fee Exemptions:** The FY2017 Budget as Enacted created an exemption for veterans from paying service and transfer fees associated with their special designated license plates. A \$5 fee was normally required when transferring the registration and license plates to a new vehicle as long as the name on the registration remains the same. Similarly, a \$20 fee was required for various registration service transactions such as a duplicate registration. The Budget assumed a loss of \$35,000 in general revenue from the exemption.
 - **New Special Plate:** The General Assembly authorized a new special license plate commemorating parents whose son or daughter has been killed in the line of duty while serving in the armed forces. These parents are traditionally known as Gold Star Parents. The Gold Star Parent license plate is exempt from the same transfer and service fees as the other veterans' plates. However an individual with a Gold Star Parent registration on a commercial vehicle must still pay the fees associated with the commercial designation and class of vehicle.

- Commercial Truck Registrations:** The FY2017 Budget as Enacted reduced the annual registration fees for commercial trucks, truck tractors, and truck trailers in Rhode Island. A new sliding scale fee schedule was established, beginning July 1, 2017 (FY2018), for commercial truck vehicles. Owners of vehicles at the lowest weights will see a 30.6 percent reduction of registration fees. Registration savings increase with the weight of the vehicle, topping out between 50.6 to 52.4 percent for those trucks above 26,000 pounds. These cuts in fees are expected to reduce general revenue collections by \$4.2 million in FY2018.

More Than (lbs)	Not More Than (lbs)	Original Rate	New Rate	Change	Percent Change
0	4,000	\$49	\$34	(\$15)	-30.6%
4,000	5,000	55	40	(15)	-27.3%
5,000	6,000	63	48	(15)	-23.8%
6,000	7,000	71	56	(15)	-21.1%
7,000	8,000	79	64	(15)	-19.0%
8,000	9,000	85	70	(15)	-17.6%
9,000	10,000	93	78	(15)	-16.1%
10,000	12,000	121	78	(43)	-35.5%
12,000	14,000	139	92	(47)	-33.8%
14,000	16,000	155	92	(63)	-40.6%
16,000	18,000	173	104	(69)	-39.9%
18,000	20,000	191	109	(82)	-42.9%
20,000	22,000	209	120	(89)	-42.6%
22,000	24,000	225	130	(95)	-42.2%
24,000	26,000	245	143	(102)	-41.6%
26,000	28,000	311	148	(163)	-52.4%
28,000	30,000	331	158	(173)	-52.3%
30,000	32,000	437	211	(226)	-51.7%
32,000	34,000	463	224	(239)	-51.6%
34,000	36,000	491	238	(253)	-51.5%
36,000	38,000	517	251	(266)	-51.5%
38,000	40,000	543	264	(279)	-51.4%
40,000	42,000	569	277	(292)	-51.3%
42,000	46,000	623	304	(319)	-51.2%
46,000	50,000	675	330	(345)	-51.1%
50,000	54,000	727	356	(371)	-51.0%
54,000	58,000	783	384	(399)	-51.0%
58,000	62,000	831	408	(423)	-50.9%
62,000	66,000	891	438	(453)	-50.8%
66,000	70,000	939	462	(477)	-50.8%
70,000	74,000	987	486	(501)	-50.8%
72,000	74,000	1,011	498	(513)	-50.7%
74,000	76,000	1,035	510	(525)	-50.7%
76,000	78,000	1,059	522	(537)	-50.7%
78,000	80,000	1,083	534	(549)	-50.7%
80,000	82,000	1,107	546	(561)	-50.7%
82,000	84,000	1,131	558	(573)	-50.7%
84,000	86,000	1,155	570	(585)	-50.6%
86,000	88,000	1,179	582	(597)	-50.6%
88,000	90,000	1,203	594	(609)	-50.6%
90,000	92,000	1,227	606	(621)	-50.6%
92,000	94,000	1,251	618	(633)	-50.6%
94,000	96,000	1,275	630	(645)	-50.6%
96,000	98,000	1,299	642	(657)	-50.6%
98,000	100,000	1,323	654	(669)	-50.6%
100,000	102,000	1,347	666	(681)	-50.6%
102,000	104,000	1,371	678	(693)	-50.5%
104,000 ⁺	-	-	-	-	-

¹\$690 PLUS \$12 for each additional 2,000 lbs. gross weight over 104,000 lbs. or portion thereof.

2015 Amendments: The General Assembly delayed the statutorily-mandated license plate reissuance by ten months, from September 2015 until July 2016. The Governor cited the need to align the new design of the plates with the State’s new tourism and marketing campaigns as the rationale for the delay. The FY2016 Budget as Enacted assumed a general revenue loss of approximately \$2.6 million due to the delay.

2014 Amendments: The FY2015 Budget as Enacted established a phased-in transfer of motor vehicle registration and license fee receipts from the general fund to the RIHMA. In FY2016, 25 percent of the fee revenue was to be transferred to the account; 75.0 percent in FY2017, and 100.0 percent in FY2018 and beyond. This change was enacted as part of an initiative to create a sustainable funding stream for transportation infrastructure.

2013 Amendments:

- DMV Fee Revenue:** The FY2014 Budget as Enacted renamed the Rhode Island Highway Maintenance Trust Fund to the Rhode Island Highway Maintenance Account and established the account in the Intermodal Surface Transportation Fund. It also established the amount of surcharges on the registration fee to be paid for special registration plates (antique, farm, motorcycle, bailee, transporter, boat dealer, cycle dealer, manufacturer, new car dealer, used car dealer, racer tow, and in-transit) and requires that these fees be paid in full in order to register the vehicle and upon each subsequent renewal.

- License Plate Reissuance:** The General Assembly delayed the statutorily mandated license plate reissuance by two years, from September 15, 2013 until September 1, 2015. The Governor cited the budget target reductions as the rationale for delay.

2011 Amendments:

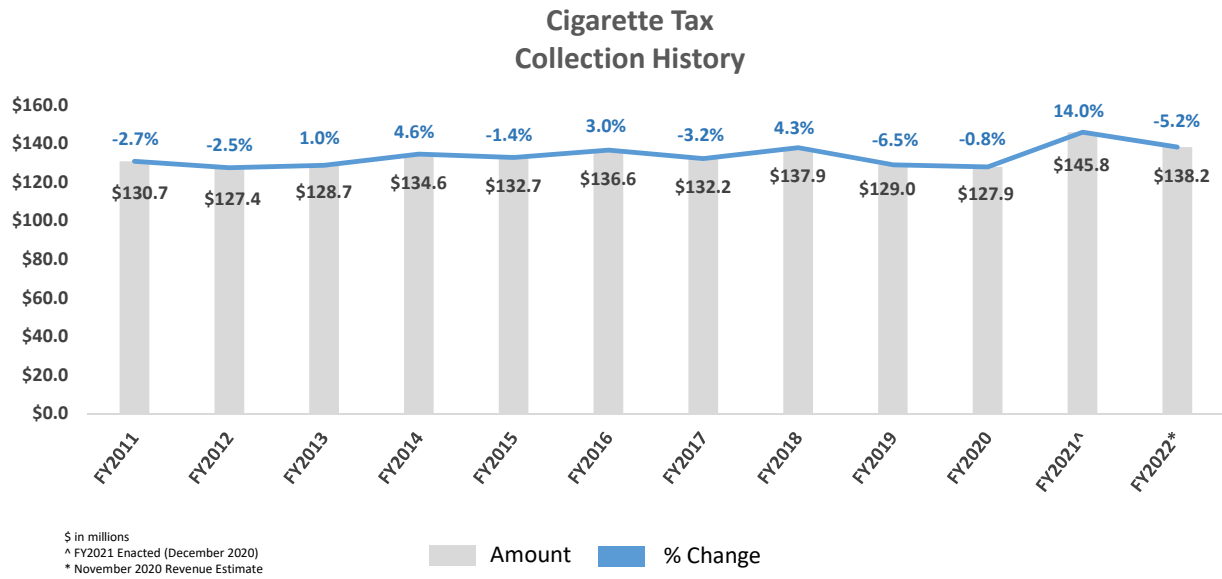
- RIHMA Funding:** In the FY2012 Budget as Enacted the General Assembly increased driver’s license fees and registration fees for all vehicles, phased-in over a 3-year period beginning on July 1, 2013 (FY2014), and required the revenues from the increases to be deposited into the Rhode Island Highway Maintenance Trust Fund. Two-year registrations and driver’s licenses were each increased by \$30 (\$10 per year for three years), while one-year registrations were increased by \$15 (\$5 per year for three years).
- License Plate Reissuance:** The General Assembly delayed the statutorily mandated license plate reissuance by two years, from September 1, 2011, until September 1, 2015. The Governor cited the the delay as budget \$3.3 million budget savings initiative as the rationale for delay.

TAX MODIFICATIONS

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. There are no tax incentives for this program.

RIGL 44-20

Cigarette Taxes



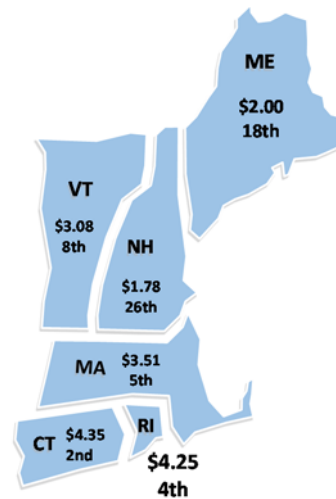
The State levies taxes on cigarettes sold or held in the State. Rhode Island taxes cigarettes at \$4.25 per pack of twenty, or the equivalent of \$0.21 per cigarette. Dealers and distributors are required to purchase cigarette stamps which are then affixed to packages of cigarettes and provide proof 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. 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.

Cigarette taxes are deposited as general revenues.

At \$4.25 per pack, Rhode Island had the third 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 in the minimum markup section below. While Rhode Island has a higher tax rate, the average price for a pack of cigarettes is below that in both Massachusetts and Connecticut.

Regional Comparison – Excise Tax/Pack & Rank



Source: TobaccoFreeKids.Org

RECENT AMENDMENTS

2020 Amendments: Federal legislation raising the minimum age to purchase tobacco products from 18 to 21 became effective on December 21, 2019. Because of the pandemic-shortened session in 2020, the General Assembly did not enact the federal age changes into Rhode Island statutes. Nonetheless, the federal law still applies and is in effect in the State. The Office of Revenue Analysis estimated the State would lose \$3.7 million in cigarette taxes

To estimate the lost revenue from the 18 to 21 population, the Office of Revenue Analysis (ORA) used census data and the Youth Risk Behavior Survey to estimate the number of cigarette smokers in that age group. ORA estimates there are currently 4,160 18 to 21 year old cigarette smokers in Rhode Island. Using statistics on the number of cigarettes smoked per day by 18, 19, and 20 year olds, ORA estimates the State will lose \$1.8 million in excise tax revenues. ORA also similarly estimated the impact on other tobacco products (OTP). Approximately 7.7 percent of 18 to 21 year olds use OTP, resulting in an estimated excise tax revenue decrease of \$827,310. The increased minimum purchase age will also reduce sales tax revenues by \$1.0 million. This results in a net revenue loss of \$3.7 million in FY2021.

Tobacco 21 Fiscal Impact	
Cigarette Excise Tax	(\$1.8)
Sales and Use Tax	(1.0)
Cigar Tax	(0.8)
Total	(\$3.7)

\$ in millions. Totals may vary due to rounding.

2017 Amendments: The General Assembly included a \$.50 increase on the excise tax levied per pack of cigarettes, which raises the tax from \$3.75 to \$4.25 per pack of twenty, or to the equivalent of \$0.21 per cigarette. Total retail price will increase by \$0.51, from \$9.49 to \$10.00 per individual pack. The FY2018 Budget as Enacted assumed the additional excise tax would generate an additional \$8.7 million (combined excise and sales taxes).

2015 Amendments: The General Assembly increased the excise tax on cigarettes by \$0.25 per pack, which raises the tax from \$3.50 to \$3.75 per pack of twenty, or to the equivalent of \$0.19 per cigarette. Total retail price increased by \$0.29 (which adds approximately \$0.04 per pack due to minimum markup laws for wholesalers and retailers), from \$8.88 to \$9.17 per individual pack. The FY2016 Budget as Enacted assumed the increase excise tax and associated sales taxes would generate an additional \$7.1 million.

2012 Amendments: The General Assembly raised the cigarette tax rate by \$0.04 per pack, to \$3.50 per pack of 20 cigarettes. The law also broadened the definition of little cigars, allowing this product to be taxed like cigarettes. The FY2013 Budget as Enacted assumed \$1.8 million in additional revenues related to the increase and \$2.1 million from the addition of little cigars.

2009 Amendments: The 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 FY2010 Budget as Enacted assumed an additional \$12.0 million (inclusive of floor stock tax) in additional cigarette tax revenue in FY2009, and \$27.5 million in FY2010.

TAX MODIFICATIONS

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.

RIGL 44-20-19 provides a 1.25 percent 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.

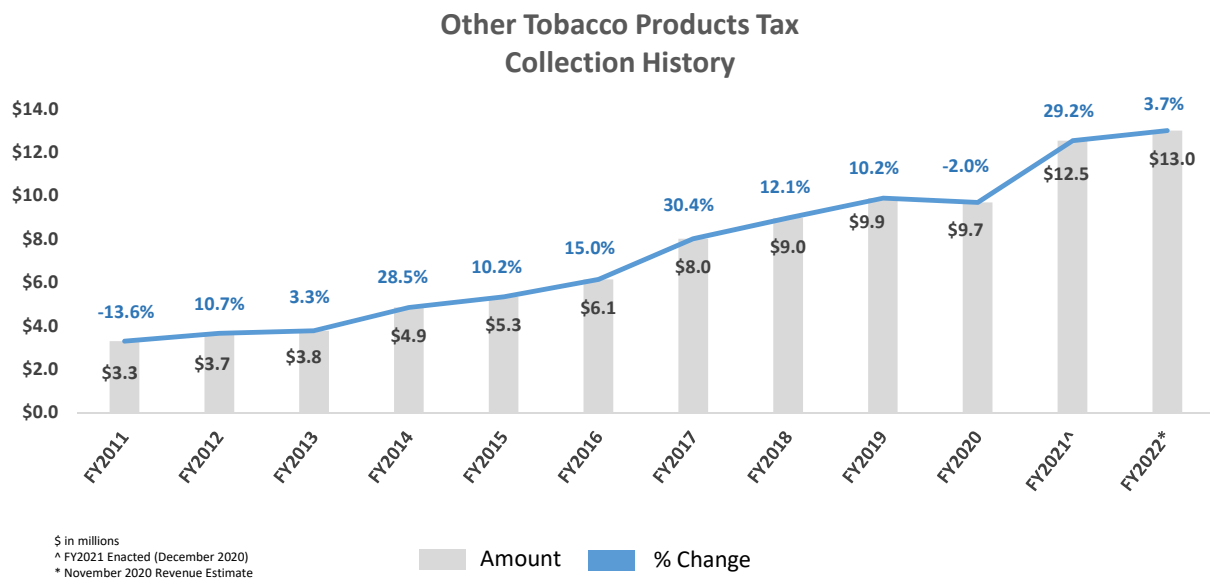
Impact of Cigarette Excise Increase and Regional State Comparison

	Rhode Island		Massachusetts		Connecticut	
Base Price per Pack in \$		\$4.33		\$4.14		\$4.14
Excise Tax in \$		4.25		3.51		4.35
<i>Subtotal base price + Excise</i>		8.58		7.65		8.49
Wholesale Markup	2.0%	0.17	2.0%	0.15	6.5%	0.55
Wholesale Cartage	0.75%	0.07	0.75%	0.06	0.0%	0.00
Retail Markup	6.0%	0.53	25.0%	1.96	8.0%	0.72
<i>Total Base Cost</i>		9.35		9.82		9.76
Sales Tax	7.0%	0.65	6.25%	0.61	6.35%	0.62
Total Price per Pack		\$10.00		\$10.43		\$10.38

Note: The Office of Revenue Analysis calculated final retail price per pack using a weighted average of price per pack based on the respective states' minimum price lists and data on market share provided by the CDC. Data on final retail price for Connecticut is from The Tax Burden on Tobacco, 1970-2018 dataset as provided by the CDC. An average ratio between the final retail price calculated by ORA for RI and MA and the average cost per pack from The Tax Burden on Tobacco data for RI and MA was applied to the average cost per pack from The Tax Burden on Tobacco data for CT.

RIGL 44-20-13.2




Other Tobacco Taxes



The State assesses a tax equivalent to 80.0 percent 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.

Sales and use taxes are also assessed upon tobacco products, and are applied after inclusion of the tobacco taxes into the price. Tobacco taxes are deposited as general revenues.

Regional Comparison - Other Tobacco Tax Rates

	 RI	 MA	 CT
Smokeless Tobacco Products Tax Rate	80.0% of the wholesale cost (except snuff)	210.0% of the wholesale price	50.0% of the wholesale price (except snuff)
Snuff Tax Rate	\$1.00 per ounce	210.0% of the wholesale price	\$3.00 per ounce
Cigars Tax Rate	80.0% of the wholesale cost, up to 50¢ per cigar	40.0% of the wholesale price	50.0% of the wholesale price, up to 50¢ per cigar

Source: Tobaccofreekids.org, 2021

RECENT AMENDMENTS

2020 Amendments: Effective December 21, 2019, federal legislation raised the minimum age to purchase tobacco products from 18 to 21. The legislation provided the US Food and Drug Administration (FDA) with six months to amend regulations to reflect the change. Upon adoption of the regulations, the minimum purchase age increased to 21 within 90 days.

Because of the pandemic-shortened session in 2020, the General Assembly did not enact the federal age changes into Rhode Island statutes. Nonetheless, the federal law still applies and is in effect in the State. The Office of Revenue Analysis estimated the State would lose \$3.7 million in cigarette taxes

To estimate the lost revenue from the 18 to 21 population, the Office of Revenue Analysis (ORA) used census data and the Youth Risk Behavior Survey to estimate the number of cigarette smokers in that age group. ORA estimates there are currently 4,160 18 to 21 year old cigarette smokers in Rhode Island. Using statistics on the number of cigarettes smoked per day by 18, 19, and 20 year olds, ORA estimates the State will lose \$1.8 million in excise tax revenues. ORA also similarly estimated the impact on other tobacco products (OTP). Approximately 7.7 percent of 18 to 21 year olds use OTP, resulting in an estimated excise tax revenue decrease of \$827,310. The increased minimum purchase age will also reduce sales tax revenues by \$1.0 million. This results in a net revenue loss of \$3.7 million in FY2021.

Tobacco 21 Fiscal Impact	
Cigarette Excise Tax	(\$1.8)
Sales and Use Tax	(1.0)
Cigar Tax	(0.8)
Total	(\$3.7)

\$ in millions. Totals may vary due to rounding.

2012: The 2012 General Assembly raised the cigarette tax rate by \$0.04 per pack, to \$3.50 per pack of 20 cigarettes. The increase was estimated to yield \$1.8 million in additional revenues. The law also broadened the definition of little cigars, allowing this product to be taxed like cigarettes.

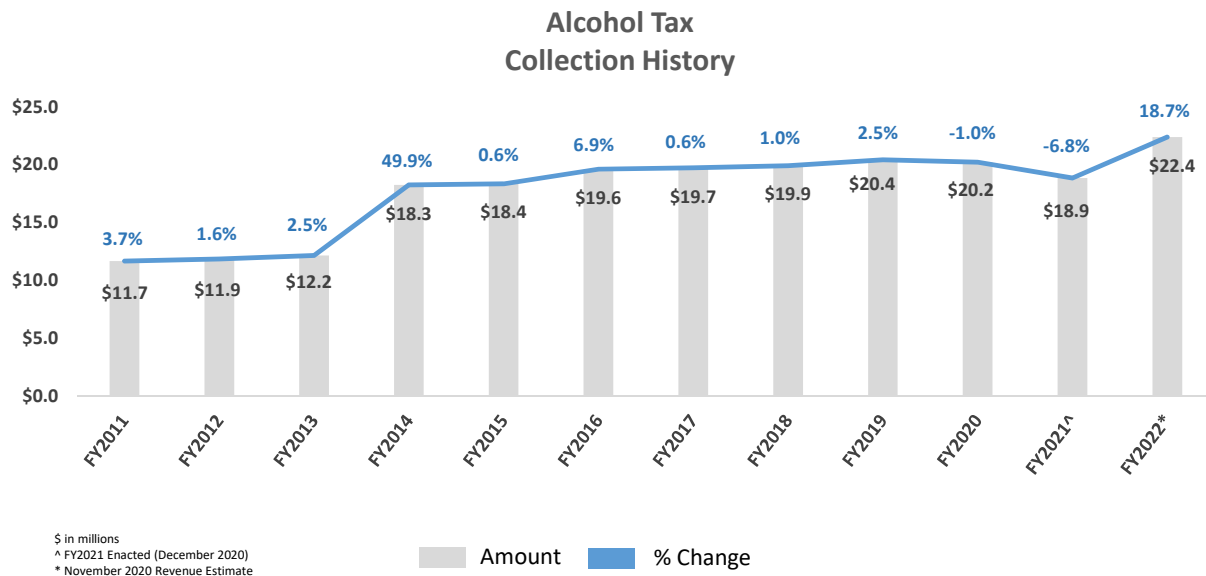
2009: The 2009 General Assembly increased the tax on other tobacco products from 40 percent of the wholesale cost to 80 percent of wholesale, effective April 10, 2009. Cigars maintained a cap of \$0.50 tax per cigar. The changes were estimated to yield \$333,333 and \$1.0 million in FY2009 and FY2010.

TAX MODIFICATIONS

None

RIGL 3-4 and 3-10

Alcohol Taxes



The State levies taxes on alcoholic beverages imported, manufactured, rectified, blended, or reduced for sale in the State. Alcohol taxes are payable monthly for imported beverages and quarterly for beverages manufactured within the State. Alcohol taxes are deposited as general revenues. Alcoholic beverages are also subjected to the State's 7.0 sales tax, which is applied the retail price of the beverage (which typically reflects the cost of the excise tax).

Alcohol Excise Tax Rate History & Regional Comparison

Type	RI	MA	CT	Per Unit
Beer	\$3.30	\$3.41	\$7.44	Barrel
Still Wines (Entirely RI Grown)	0.30	-	-	Gallon
Still Wines	1.40	0.55	0.79	Gallon
Sparkling Wines	0.75	0.70	1.94	Gallon
Whiskey, Rum, Gin, Spirits, Etc.	5.40	4.05	5.94	Gallon
Whiskey, Rum, Gin, Spirits, Etc. (≤ 30 Proof)	1.10	1.10	2.75	Gallon
Ethyl Alcohol (Beverage Use)	7.50	-	-	Gallon
Ethyl Alcohol	0.08	-	-	Gallon
Sales Tax	7.0%, wine and spirits exempted	6.25%, spirits exempted	6.35%, no exemptions	

RECENT AMENDMENTS

2016 Amendments: The General Assembly established a two-tiered licensing and fee framework for alcohol distilleries. Annual license fees for small producers (less than 50,000 gallons of distilled spirits produced annually) were set at \$500, for all others it remains \$3,000. Additionally, the change added a tax break for small distillers, similar to an existing exemption for breweries that are actively owned, managed, and operated in Rhode Island for at least 12 consecutive months – exempting from the alcohol tax the first 49,999 gallons of spirits produced.

2015 Amendments: The General Assembly permanently authorized the originally temporary excise tax changes enacted in the FY2014 Budget. No formal evaluation was performed by the Division of Taxation, however, the Division began producing a new annual report on the sale and taxation of alcoholic beverages.

2013 Amendments: The General Assembly authorized a temporary restructuring of the State's taxes on alcohol with the intent of evaluating the impact of such changes on revenue, pricing, and purchasing behavior relative to neighboring states. Spirits and wine were exempted from the sales tax from December 1, 2013, to June 30, 2015, and the excise tax on beer was increased from \$3.00 per barrel to \$3.30, spirits from \$3.75 per gallon to \$5.40, and wine from \$0.60 per gallon to \$1.40 from July 1, 2013 to June 30, 2015. The excise and sales taxes were scheduled to return to the former levels on July 1, 2015. During the 19 months period, the Division of Taxation was charged with collecting alcoholic beverage sales and tax data for the purpose of evaluating the impact of the changes.

TAX MODIFICATIONS

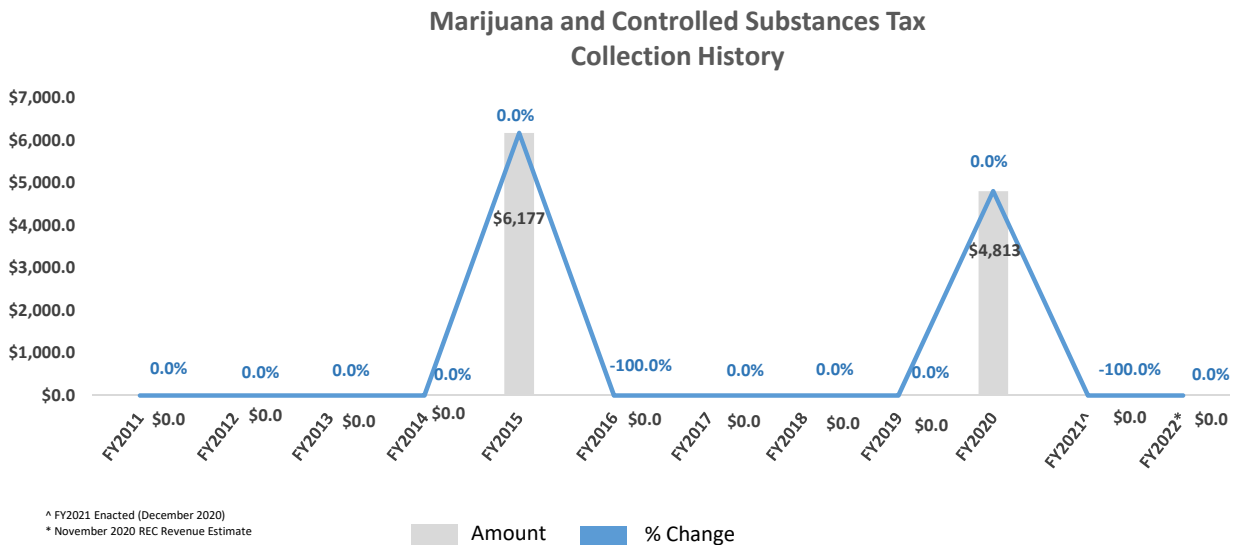
Sacramental wines, which are wines used for sacramental or other religious purposes, are not subject to any tax if sold directly to a member of the clergy for use by the purchaser, or his or her congregation. (RIGL 3-10-1(b))

A **Brewery** that has been owned, managed, and operated in this State for at least twelve (12) consecutive months receives 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. The brewer must hold a manufacturer's license authorized under RIGL 3-10 through the Tax Administrator.

A **Distillery** that has been owned, managed, and operated in this State for at least twelve (12) consecutive months receives a tax exemption on the first one hundred thousand (49,999) barrels of distilled spirits that it produces and distributes in this state in any calendar year. The distiller must hold a manufacturer's license authorized under RIGL 3-10 through the Tax Administrator.

RIGL 44-49

Marijuana and Controlled Substances



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.

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 created a 2.0 FTE Special Investigations Unit in FY2014 with the purpose of actively collecting the controlled substance tax.

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.

Both Massachusetts and Connecticut have the same tax schedule as Rhode Island.

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 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.

RECENT AMENDMENTS

2018 Amendments: The 2018 General Assembly approved legislation modifying the medical marijuana program. Some of the changes included increases in the Compassion Center renewal fees, the Compassion Center surcharges, and the Sales Taxes and Surcharges. These increases allowed for an increase to revenue of \$2.0 million.

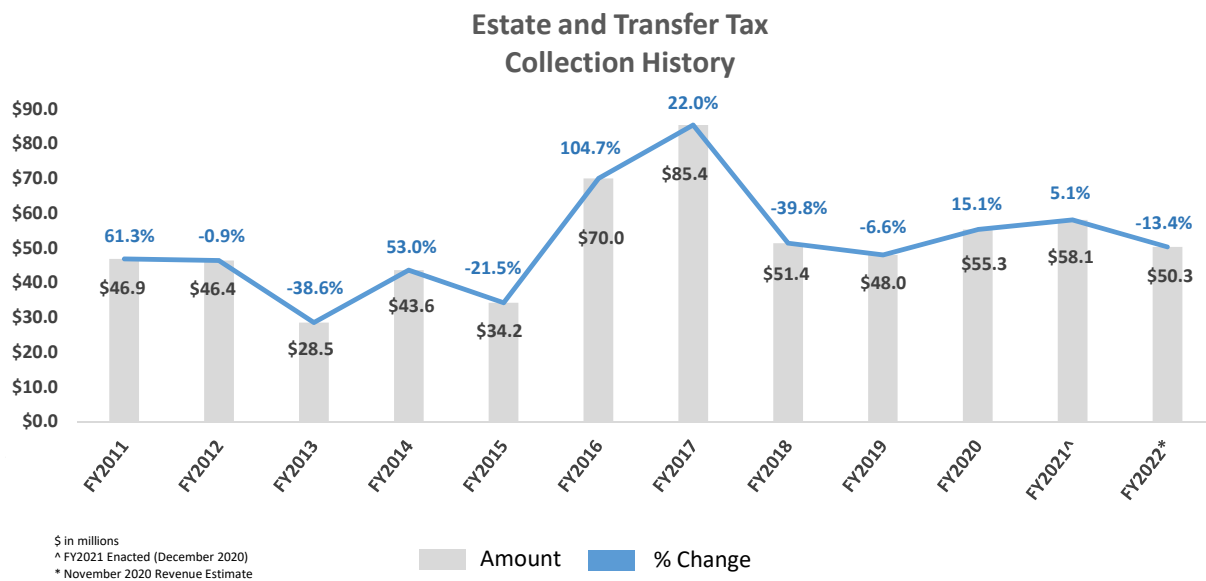
2011 Amendments: The 2011 General Assembly enacted a new law establishing a 4.0 percent surcharge on net patient revenues of nonprofit “compassion” centers registered under RIGL 21-28.6-12 that are involved in dispensing marijuana for medicinal purposes. Payments are filed monthly and must be made electronically. Per RIGL 44-67-11, these surcharge revenues are deposited into the general fund as departmental revenues.

TAX MODIFICATIONS

Persons in lawful possession of marijuana or other controlled substances are not subject to the tax. There are no incentives for this program.

RIGL 44-22

Estate and Transfer Taxes



The State assesses a tax on the transfer of the net estate of every resident or nonresident decedent as a tax upon the right to transfer. Prior to the 2014 General Assembly, the State assessed this tax through a formula that included a threshold exemption amount. In the 2014 session, the Assembly replaced the exemption threshold amount with a flat credit amount against estate taxes owed for decedents whose deaths occur on or after January 1, 2015.

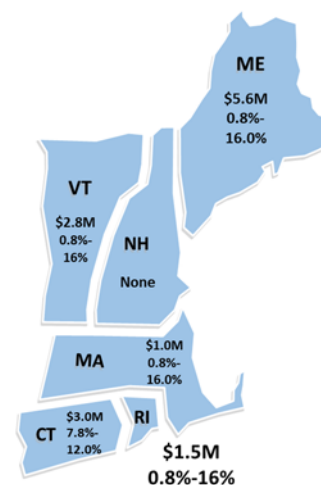
Under current law, the estates of decedents whose deaths occur prior to January 1, 2015, are subject to an exemption threshold amount. If an estate's net taxable value is less than the exemption threshold amount, then that estate is not subject to the estate and transfer tax. If an estate's net taxable value is more than the exemption threshold amount, then the entire taxable value of the estate is subject to the estate and transfer tax.

Effective for deaths occurring on or after January 1, 2015, all estates are subject to tax beginning at the first \$1 regardless of the net taxable value of the estate. In lieu of the exemption threshold amount; however, estates are granted a non-refundable credit against estate taxes owed of \$64,400, adjusted annually by the percentage increase in the Consumer Price Index for all Urban Consumers (CPI-U). Estates with a net taxable value in excess of \$1.6 million will owe tax, but because of the credit, tax is not owed on the first \$1.6 million in estate value. According to the Division of Taxation (Form 100, Estate Tax), the credit amount for tax year 2020 is \$69,515 and increases to \$70,490 in tax year 2021.

Property is determined to be allocable to Rhode Island if:

- It is real estate or tangible personal property and has actual situs (where the property is treated as being located for legal purposes) within the State of Rhode Island; or,
- It is intangible personal property and the decedent was a resident.

Regional Comparison – Estate Tax Exemption and Rate



Payments are due within nine months of the death of the decedent. Estate taxes are deposited as general revenues.

Rhode Island Estate Tax Threshold Amount		
For decedent whose death occurs in:	Estate tax threshold amount is:	Estate tax credit amount is
2021	\$1,595,156	\$70,490
2020	1,579,922	69,515
2019	1,561,719	68,350
2018	1,537,656	66,810
2017	1,515,156	65,370
2016	1,500,000	64,400
2015	1,500,000	64,400

Source: Division of Taxation, 12/1/20

RECENT AMENDMENTS

2014: The General Assembly modified the estate tax by removing the exemption threshold and adding a credit to offset any estate tax owed on assets valued at under \$1.5 million. Effective July 1, 2014, for all deaths on or after January 1, 2015, all estates are subject to tax beginning at the first \$1; however, estates are granted a non-refundable credit valued at \$64,400. Estates in excess of \$1.5 million will owe tax, but because of the credit, tax is not owed on the first \$1.5 million in estate value. Under RIGL 44-22-1.1, the credit amount will be adjusted annually by the percentage increase in the Consumer Price Index for all Urban Consumers (CPI-U). Prior to this change, the estate tax was imposed only on estates valued at \$850,000 adjusted by CPI-U beginning January 1, 2011, (for FY2014, this amount totaled \$921,655). Instead of a credit, estates valued under this amount were exempt from the estate tax and the filing requirement.

2013: The General Assembly revised RIGL 44-22 for purposes involving the calculation of the estate tax on farmland. All farmland included as part of an estate for the purposes of assessing the estate tax shall be valued at its current use value rather than its full and fair cash value when determining the value of a decedent's estate.

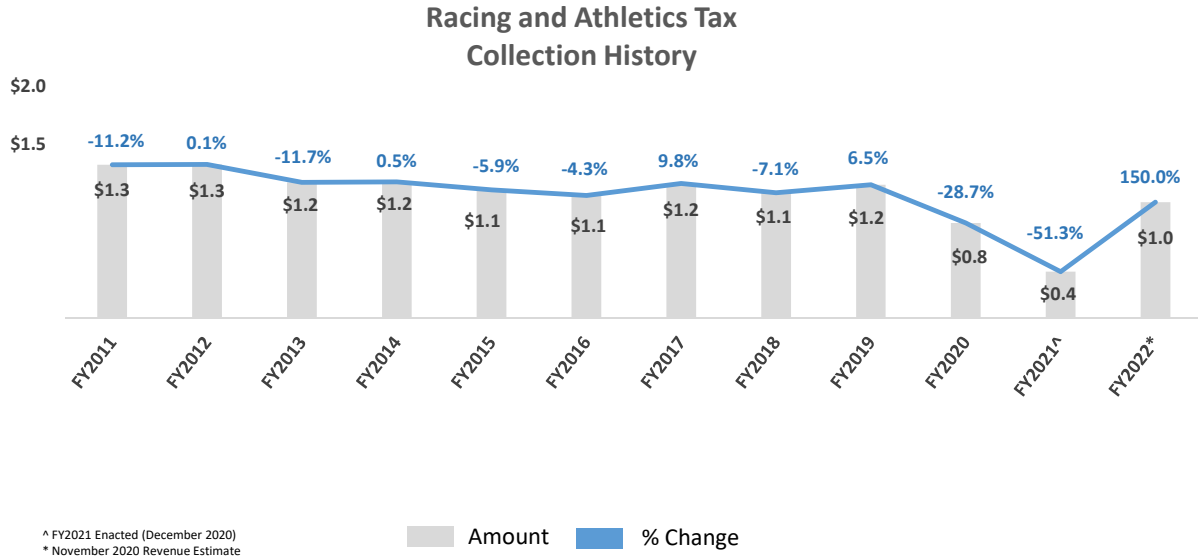
2009: The General Assembly increased the estate tax exemption amount from \$675,000 to \$850,000 effective for TY2010. The exemption is indexed to the Consumer Price Index – All Urban Consumers (CPI-U) inflation index beginning in TY2011, and is only applied in years when the index shows a positive inflationary number. The change resulted in an estimated \$802,320 reduction in revenues for FY2010.

TAX MODIFICATIONS

For decedents whose death occurs on or after January 1, 2015, a credit of \$64,000 (adjusted annually by the percentage change in Consumer Price Index for all Urban Consumers, or CPI-U) is applied against the estate tax. According to the Division of Taxation (Form 100, Estate Tax), the credit amount for tax year 2016 is \$64,400 and increases to \$65,370 in tax year 2017.

RIGL 44-22

Racing and Athletics Tax (Simulcast)



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

The State used to receive commissions for dog races and jai alai; however, both activities have since been prohibited in the locations in which they were operating.

Simulcast: The State is paid 4.0 percent on straight wagers (win, place or show) and 5.5 percent on wagers on three or more animals. The amounts paid out are rounded down to a 10 cent interval. The State also receives 50.0 percent of this rounding loss, or “breakage.”

Racing and Athletics taxes are paid by licensees at the close of racing each day and deposited as general revenues.

RECENT AMENDMENTS

2010 Amendments:

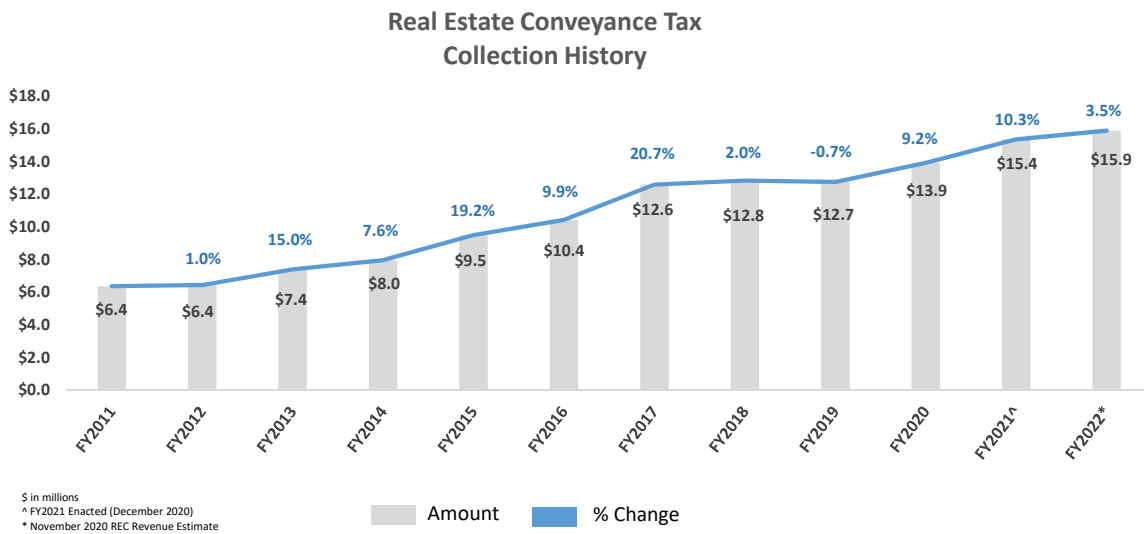
- Dog Racing:** The General Assembly enacted legislation (2010-H-8070 Sub A) that prohibited the licensing of dog racing in the Town of Lincoln, effectively ending dog racing at the Twin River gaming facility. Racing and Athletics tax revenue estimates were reduced by \$300,000 in the FY2011 Budget as Enacted to account for the change.
- Jai Alai:** Jai alai, a live-player game derived from handball and racquet sports, was played at Newport Grand through 2003. That year, the General Assembly passed legislation that prohibited the Department of Business Regulation, Division of Racing and Athletics, from licensing jai alai in the city of Newport. Jai alai games that are simulcasted year-round from Dania and Miami/Fort Pierce, Florida are shown in current Rhode Island casinos.

TAX MODIFICATIONS

None

RIGL 44-25

Real Estate Conveyance Tax



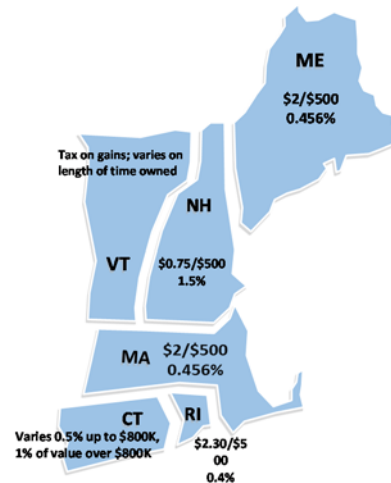
The State imposes a tax on each deed, instrument or writing by which interests in real estate are conveyed to a purchaser, and when the value of the transfer is greater than \$100. The tax rate is \$2.30 for each \$500, or fractional part, of the purchase price, equating to a 0.5 percent tax rate.

Payments are due upon making, execution, delivery, acceptance, or recording the instrument of conveyance. The municipality collects the fee at the time the deed is recorded and then remits the state share to the state on a monthly basis.

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
State	\$1.20	0.24%
General Revenue	0.60	0.12%
Distressed Communities	0.30	0.06%
Housing Resources Commission	0.30	0.06%
Local Government	1.10	0.22%
Total	\$2.30	0.46%

Regional Comparison – Real Estate Conveyance Fee and Rate



Source: National Association of Realtors 2021

RECENT AMENDMENTS

2015 Amendments: The General Assembly expanded the real estate conveyance tax to apply to sales of controlling interests in a limited liability company (LLC), corporation, partnership, or other entity

that holds real property in Rhode Island. Previously, the owner of a business could sell the ownership of a business entity that owns a real property, such as a real estate, without paying the transfer tax on the value of the real estate. The change requires that under such sales, the owner must pay the transfer tax based on the value of the interest in the property.

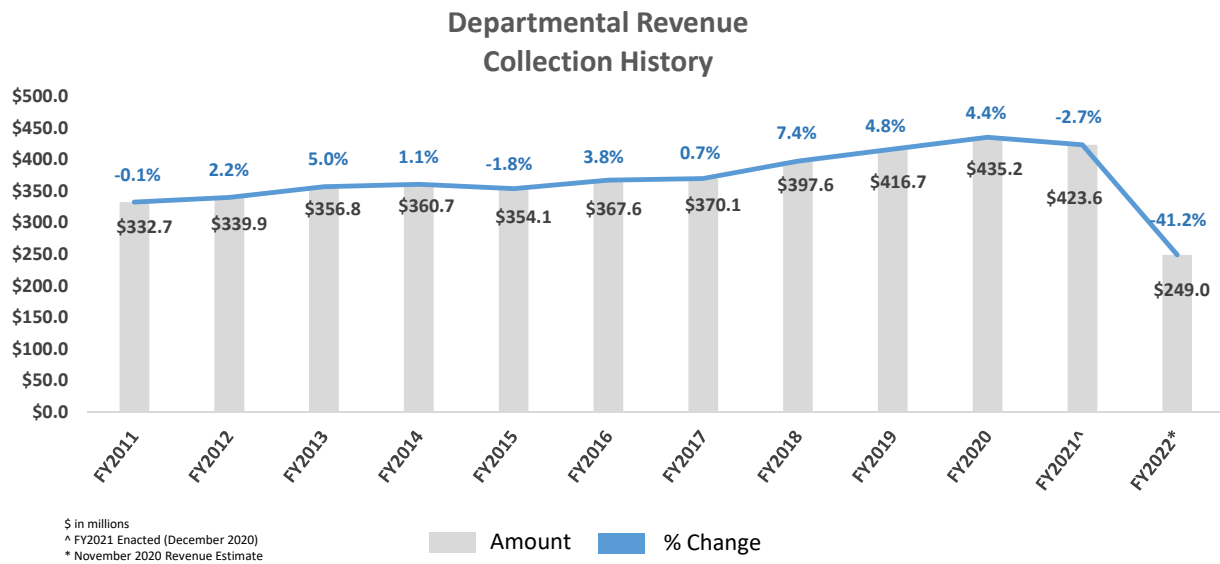
2014 Amendments: The General Assembly increased this tax by \$0.30 per \$500 of value, from \$2.00 to \$2.30, with the additional \$0.30 deposited into a restricted receipt account administered by the Department of Administration, Office of Housing and Community Development, through the Housing Resources Commission. The increase applies to real estate closings on or after July 1, 2014. The restricted receipt account was established in the FY2015 Budget for funding to be dedicated to housing assistance, lead abatement, and homelessness prevention.

2002 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.

TAX MODIFICATIONS

The tax does not apply to transactions where the State or its political subdivisions are the purchaser of real estate. There are no tax incentives for this program.

Departmental Revenues



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 include fees or charges for the use of State facilities or when consumers receive a “good or service” 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 are generally due at the time of assessment. For example, license fees are generally payable upon application, etc.

RECENT AMENDMENTS

2019 Amendments:

- **Hospital License Fee:** The hospital license fee is a provider tax which the State levies on hospitals. This fee is federally capped at 6.0 percent and requires annual legislative action in order to continue. It is calculated as a percent of gross patient services revenues, which include revenues from patient care activity but exclude revenues from non-patient activity such as research, academic activity, or

investment earnings. Hospitals pay the fee in a single payment each July. The FY2020 Budget as Enacted set the hospital license fee at 6.0 percent in FY2020 and lowered the fee to 5.0 percent for FY2021.

- **Beverage Containers and Hard-to-Dispose Materials:** The Taxation of Beverage Containers, Hard-to-Dispose Material, and Litter Control Participation Permittee Act (RIGL 44-44) was enacted in 1984 to provide funding for the litter reduction and recycling program and the hard-to-dispose material – control and recycling program. Collections are deposited as general revenue.
 - **Beverage Containers:** A tax of four cents (\$0.04) was originally levied on each case of beverage containers sold by a beverage wholesaler to a beverage retailer or consumer within this State, excluding reusable and refillable beverage containers. The tax is collected by the beverage wholesaler and deposited as general revenue. The tax is applicable to beer, other malt beverages, and all non-alcoholic drinks except for milk. Article 5 of the FY2020 Budget as Enacted doubled the tax to \$0.08, yielding an estimated \$2.1 million in new revenue. The new tax became effective on July 1, 2019.
 - **Hard-to-Dispose Materials:** A tax is collected at the point of sale by hard-to-dispose material wholesalers to hard-to-dispose material retailers. Every hard-to-dispose material retailer selling, using, or otherwise consuming any hard-to-dispose material in Rhode Island is liable for the tax imposed by this Act. The following table outlines the original tax rate for materials subject to collections and shows the changes made under Article 5, Section 17. The new tax is effective on July 1, 2019.

Material	per Unit of Measurement	Original Rate	Article 5	
			Rate	Change
Lubricating Oils	Quart (32.0 ounces)	\$0.05	\$0.10	0.05
	Liter	0.052	0.106	0.054
Antifreeze	Gallon	0.10	0.20	0.1
	Liter	0.0264	0.0528	0.0264
Organic Solvents	Gallon	0.0025	0.005	0.0025
	Liter	0.00066	0.00132	0.00066
Tire	per Tire	0.50	1.00	0.5
Vehicle Title Fee	each New Vehicle Sale	3.00	6.00	3.00
Beverage Containers*	per Case	0.04	0.08	0.04

**Does not include reusable and refillable containers*

- **Professional License Fee Increases:** Article 5 of the FY2020 Budget as Enacted raised the licensing fees associated with mortgage loan originators and debt collectors. The budget assumed \$1.9 million in revenue from the changes in FY2020.
 - **Mortgage Loan Originators:** The previous annual license fee for mortgage loan originators was \$100. Article 5 raised the fee to \$400. The increase is expected to generate \$1.3 million based on approximately 3,119 licensees per year.
 - **Debt Collectors:** The previous annual license fee for mortgage loan originators was \$100. Article 5 raised the fee to \$750. The increase is expected to generate \$577,850 based on approximately 1,445 licensees per year.

License	Original Annual License Fee	New Annual License Fee	Enacted Revenue
Mortgage Loan Originator	\$100	\$400	\$1,247,400
Debt Collector	100	750	577,850
Total			\$1,825,250

- **DEM Parking Fees:** The FY2020 Budget as Enacted froze the parking fees charged at State beaches through October 1, 2021.

Beach Parking Fees

	Resident	Non-Resident
Weekday	\$6.00	\$12.00
Weekend	7.00	14.00
Season Pass	30.00	60.00

Note: Seniors pay half price.

2018 Amendments:

- **Hospital Licensing Fee:** The General Assembly set the hospital license fee rate at 6.000 percent of net patient revenues. The fee was estimated to yield \$180.8 million in FY2019.
- **Mutual Fund Registration:** Rhode Island charges an initial and an annual renewal fee of \$1,000 to register a mutual fund to be sold in Rhode Island. The FY2019 Budget as Enacted increased these fees to \$1,750. According to the Department of Business Regulation (DBR), this increase would keep the fee in alignment with rates charged in other New England states. Initial fees range from \$500 in Connecticut to \$2,500 in Massachusetts. Renewals range from \$500 in Connecticut to \$1,500 in Vermont. There are approximately 9,100 mutual funds registered to be sold in Rhode Island. This increase was projected to generate \$6.9 million in general revenue in FY2019.
- **Insurance Claims Adjuster License:** The current fee to maintain an insurance claims adjuster license in Rhode Island is \$150 every two years. The FY2019 Budget as Enacted increased the biennial fee to \$250. According to the Department of Business Regulation (DBR), 49 states license the various classes of insurance claims adjusters, including independent, public, and company levels. Massachusetts and Connecticut charge \$200 and \$300, respectively. There are approximately 60,000 insurance claim adjusters license in Rhode Island, a majority of who are not residents of the state. This increase was projected to generate \$3.0 million in general revenue in FY2019.
- **Real ID - Vital Records Fee:** The FY2019 Budget as Enacted authorized a tiered set of fees for individuals to obtain copies of certain vital records. The fees established are \$5 for mail-in certified records, \$3 for duplicate certified records, and \$2 for walk-in requests for certified records requests. The revenue generated from these fees is to be deposited into the Information Technology Infrastructure Fund for purposes of supporting the Electronic Statewide Registration System (ESRS) at the Department of Health. The proposal was estimated to generate \$350,351 annually.

The additional funding for ESRS is in part to ensure capacity during the implementation of the REAL-ID. REAL-ID is a federally mandated standard for state driver's licenses and identification cards. Rhode Island is required to implement this standard beginning December 2018. The State projects an increased demand for copies of birth certificates and other REAL-ID supporting documentation, over the following 22-month period. The Department of Health plans to establish an Office of Vital Records satellite office at the main Division of Motor Vehicles office in Cranston to provide customers accessibility to certified birth certificates onsite when they apply for a REAL-ID.

- **Wholesale Food Processor License:** The FY2019 Budget as Enacted reduced the license renewal fee for wholesale food processors from \$500 per year to \$300. This change was expected to reduce general revenue by \$104,200.
- **Frozen Desert Processing License:** The FY2019 Budget as Enacted removed the requirement of a separate license for retail frozen dessert processing for any business that is already registered as a food establishment under Rhode Island law. Elimination of this requirement resulted in an estimated \$80,000 reduction in general revenue.
- **Barber/Hairdresser Chair Fee:** The FY2019 Budget as Enacted also eliminated the \$50 fee barbers and hairdressers must pay annually per chair or workstation. This change was estimated to reduce general revenue by \$60,000 in FY2019.
- **Food Safety Manager License:** The FY2019 Budget as Enacted changed the recertification/renewal period for Certified Food Safety Managers from three to five years. Extending the period was estimated to reduce general revenues in FY2019 by \$60,000.
- **Child Care Violation Fines:** The FY2019 Budget as Enacted included \$5,500 of new departmental revenue attributed to the establishment of new administrative penalties for child care providers and placement agencies. DCYF is now required to assess administrative penalties for child care licensing violations relating to child care centers, family child care homes, and group family child care homes. The new penalty structure is to be progressive, with numerous opportunities to comply. DCYF may assess administrative penalties on licensed child care providers that violate a rule, regulation, order, permit, license, or approval issued or adopted by the Director, or any law which the Director has the authority or responsibility to enforce. The provider has the right to an adjudicatory hearing and has 30 days to seek judicial review of the penalty in Family court. Penalties may not exceed \$500.

2017 Amendments:

- **Hospital Licensing Fee:** The General Assembly set the hospital license fee rate at 5.856 percent of net patient revenues. The fee was estimated to yield \$181.0 million in FY2018.

2016 Amendments:

- **Hospital Licensing Fee:** The hospital licensing fee expires at the end of each fiscal year and must be reinstated in the following year. For FY2017, the General Assembly set the rate at 5.625 percent of FY2015 net patient revenues. The fee is estimated to yield \$168.0 million in FY2016.
- **Department of Revenue – Transfer Pricing Audit Project:** As part of the Division of Taxation’s Transfer Pricing Audit initiative the Division will contract with a third-party vendor to identify companies for potential audit that have intercompany transactions between related businesses. Prior to the State’s implementation of combined reporting, companies could shift revenues between related entities to avoid taxation in certain states. The audit program will have a three-year look-back period and is estimated to capture \$6.7 million of underpaid taxes in FY2017.
- **Department of Administration – Fraud Initiative:** The Budget included \$5.0 million in revenues attributable to the State’s new Fraud Detection and Prevention initiative. The initiative involves consolidating the fraud units across multiple state agencies into a centralized operation within the Department of Administration. Investment will be made in improving fraud and waste data tools and the alignment is expected to produce efficiencies and better detection. These improvements are anticipated to reduce the 15.0 percent estimated tax collection gap on individual income due to wage reporting issues and the 5.0 percent collection gap on the sales and use tax.
- **Department of Environmental Management – Beach Fees and Reimbursements:** The cost of seasonal passes and parking fees for state beaches are reduced to pre-2011 levels, which was the last time these fees were addressed in the Budget. The local share of the associated revenues *is*

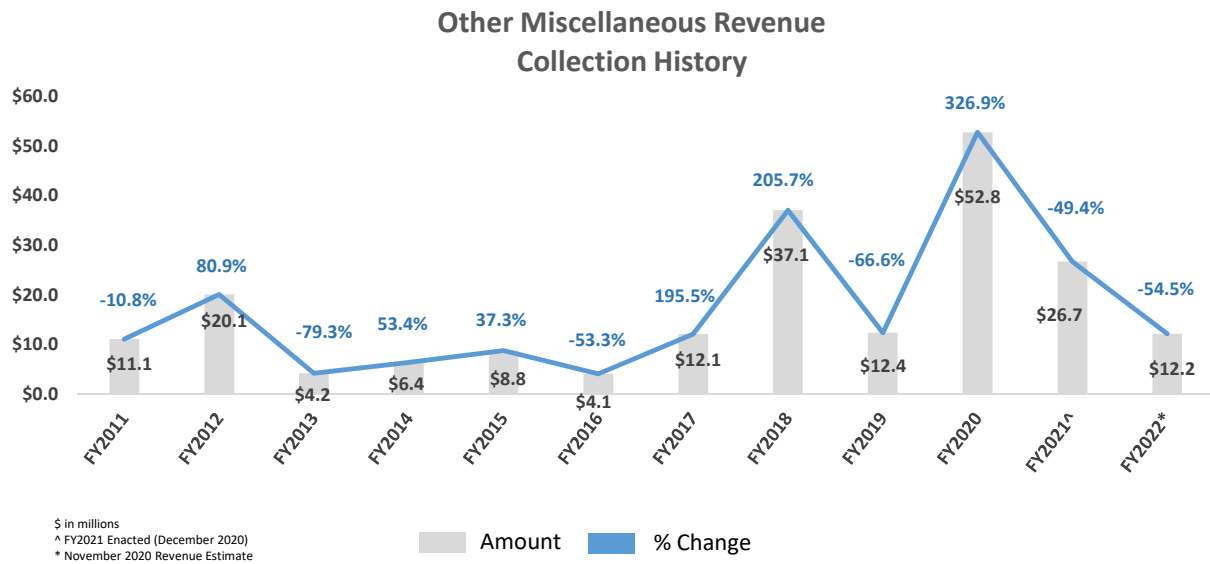
similarly being restored to the previous level of 27.0 percent. The Budget also provides for reimbursing individuals who purchased season passes before the July 1, 2016, effective date.

- **Department of Revenue – Nexus Program:** The FY2017 Budget as Enacted included \$1.0 million for increased compliance with tax laws required for out-of-state entities that do business in Rhode Island. The Division of Taxation expects to identify and register entities that have not paid appropriate corporate, withholding, and/or sales and use taxes, and identify and collect back taxes owed. This program was part of the Division from 1993 through 2010 and collected over \$19.0 million, averaging over \$1.0 million per year and 3,480 new registrants and tax filers. The Division estimated the reestablished program will also generate revenue of \$1.0 million annually.

2015 Amendments:

- **Hospital Licensing Fee:** The General Assembly set the rate at 5.862 percent of FY2014 net patient revenues. The fee was estimated to yield \$157.2 million in FY2015 and \$169.1 million in FY2016.
- **Department of Revenue – Imaging Services Surcharge:** The FY2016 Budget as Enacted eliminated the 2.0 percent surcharge on net patient services revenue generated by outpatient healthcare facilities and imaging services providers. Prior to the change, Rhode Island imposed a monthly surcharge of 2.0 percent upon the net patient revenue received by every outpatient health care facility and every imaging services provider. Additionally, any outpatient health care facility or imaging services provider which fails to pay the surcharge within the time required is assessed a penalty of 10.0 percent plus interest on any overdue amount.
- **Multiple Departments – Professional Licensing Requirements:** Based upon the results of a review conducted by the Office of Regulatory Reform (ORR), the FY2016 Budget as Enacted eliminated licensing requirements for 27 professional licenses issued by Department of Business Regulation (DBR), Department of Health (DOH), Department of Elementary and Secondary Education (RIDE), and the Department of Environmental Management (DEM). This proposal is part of a larger effort undertaken by ORR to repeal unnecessary, duplicative, or burdensome regulatory requirements. ORR worked with these agencies to identify which professional licenses are burdensome, unnecessary due to other requirements that demonstrate professional competence, if there were a small number of license holders, or whether the occupation is licensed in Connecticut and Massachusetts.

Other Miscellaneous Revenues



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, quasi-public agency transfers, and other sources. For FY2021 and FY2022, the following miscellaneous revenues are anticipated to be received:

Other Miscellaneous Revenues	FY 2021	Percent of	
		Total	FY 2022
Highway Maintenance Account Cost Recovery	\$4,800,000	45.4%	\$4,700,000
DBR/DOH: Transfer Excess Med Marijuana Rev	3,675,000	34.8%	4,500,000
GO Bond Closeouts and Interest	500,000	4.7%	2,100,000
Centralized Collections Unit	750,000	7.1%	1,250,000
PUC Rent	333,420	3.2%	333,420
DHS Settlements	300,000	2.8%	300,000
Inter-year Adjustments	139,193	1.3%	140,243
State Fleet Sale	50,000	0.5%	50,000
Airport Lease Payments	22,887	0.2%	21,837
DEPCO Settlements	4,500	0.0%	4,500
Total	\$10,575,000		\$13,400,000

2020 November Revenue Estimating Conference

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

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 \$4.2 million to \$52.8 million.

RECENT AMENDMENTS

2019 Amendments: The FY2020 Budget as Enacted required several quasi-public entities to transfer reserve balances to the State Controller by June 30, 2020, to be deposited into the General Fund. This included \$4.0 million from the Rhode Island Infrastructure Bank, \$1.5 million from Rhode Island Housing and Mortgage Finance Corporation, and \$1.5 million from Rhode Island Student Loan Authority. The transfers combined for a total of \$13.2 million in revenue for FY2020, \$8.4 million more than the FY2019 Enacted level.

2018 Amendments: The FY2019 Budget as Enacted transferred \$4.0 million in reserves from the Rhode Island Infrastructure Bank.

2017 Amendments: The FY2018 Budget as Enacted transferred \$29.0 million in reserves from five quasi-public agencies to support the General Fund.

2011: The 2011 General Assembly enacted legislation transferring all proceeds from the sale of real state property (for example, land and/or buildings) to the information technology investment (ITI) fund restricted receipt account. This fund is used for acquiring information technology improvements, including, but not limited to, hardware, software, consulting services, and ongoing maintenance and upgrade contracts for state departments and agencies.

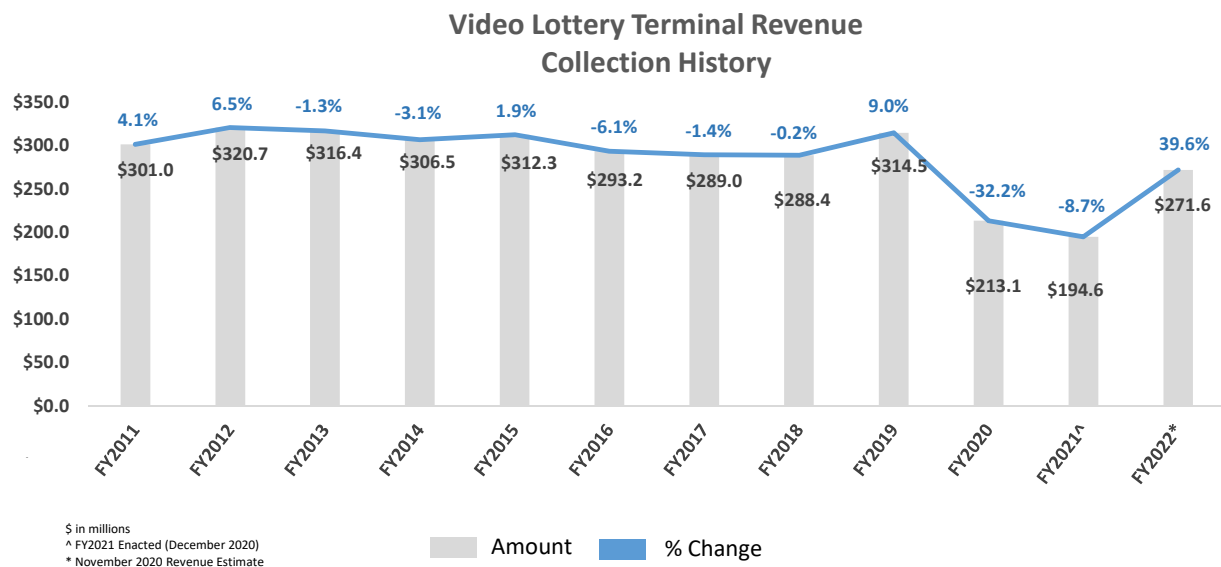
2010: The 2010 General Assembly included the Governor's recommended transfer of \$1.0 million in surplus funds from the Rhode Island Health and Education Building Corporation to the State General Fund.

TAX MODIFICATIONS

None

RIGL 42-61.2

Video Lottery Terminals



Video Lottery games are operated through approximately 5,100 video lottery terminals (VLTs) at two licensed gambling facilities - Twin River Lincoln and Twin River Tiverton. The State receives a portion of net terminal income from VLTs. Net terminal income (NTI) represents the net amount after prizes are paid out, and the State receives approximately 60.0 percent of the NTI. The payout scale varies by facility, and is illustrated below:

Regional Comparison - Video Lottery Terminals

RI	MA	CT
<p>Net terminal income minus commission payments and incentive program reimbursements is remitted to the State. Video lottery commissions are paid to the facility operators, technology providers, the central communications provider, and others based on various percentages of net terminal income.</p> <p><u>Twin River</u> - approx. 60%</p> <p><u>Newport Grand</u> - approx. 60%</p>	<p><u>Slots Facility</u>: 40% of gross gaming revenue</p> <p><u>Resort Casino</u>: 25% of gross gaming revenues</p>	<p>The state receives 25% of slot revenue.</p>

Distribution of Lottery Revenues

Distribution	Lincoln	Tiverton
State General Revenues	60.58%	60.74%
Licensed Retailer (Facility)*	28.31%	28.31%
Technology Provider	6.99%	7.00%
Central Communications Provider	2.50%	2.50%
Host Municipality	1.45%	1.45%
Narragansett Indian Tribe	0.17%	0.00%
Total	100.0%	100.0%

2020 November Revenue Estimating Conference FY2022

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, table games at Twin River, as well as revenues from traditional games and Keno sales. Payments from VLT proceeds are due monthly.

RECENT AMENDMENTS

2018 Amendments: The Newport Grand Casino ceased operations on August 28, 2018, and the new Twin River Tiverton Casino opened on September 1, 2018.

2017 Amendments: The General Assembly permitted the expansion of the use of net terminal lottery income to be used for marketing purposes. The increase marketing authorization was permitted until the Twin River –Tiverton facility opened in September 2018. The General Assembly also doubled the amount of “free-play” incentive credits permitted for distribution (from 10.0 percent to 20.0 percent). Free play, which offers customers credits to play slot machines, is a promotional tactic that casinos use to bring in people in hopes that they will continue to gamble once their credits are used up. Distribution of free play credits in amounts greater than 20.0 percent may be permitted subject to Lottery Commission approval.

2016 Amendments: The General Assembly enacted S-20181A on March 4, 2016, authorizing a referendum measure to be placed on the next statewide ballot occurring November 8, 2016, asking voters to decide whether or not to allow state-operated casino gaming in the town of Tiverton. The referendum was approved by voters statewide and in Tiverton

2015 Amendments: The Budget amended the State and Newport Grand net terminal income shares for FY2016 and FY2017, adding 1.9 percentage points to the Newport Grand share. The impact is expected to reduce general revenue to the State by \$760,000 in FY2016.

The 2014 Budget as Enacted had enhanced the share of video lottery terminal proceeds for the Newport Grand Casino for revenues gained during the operation of the facility. The General Assembly extended a 2.25 percent enhanced share increase to aid in operations of the casino in both FY2014 and again in FY2015. Unlike the last two years, the funds garnered by the 1.9 percent enhanced share must be applied exclusively to the marketing expenditures, as approved by the Lottery. If the funds are not used for Lottery-approved marketing, they must be returned to the State.

2014 Amendments:

- **Casino Gambling Referendum – Newport:** The General Assembly enacted H8924 Substitute A as amended that authorized a voter referendum at the statewide general election in November 2014 to approve State-operated casino gaming at the Newport Grand facility in Newport, Rhode Island. The expansion of casino gaming would only take place if, in addition to statewide and local (Newport) voter approval, there was also a statewide voter approval of a constitutional amendment outlining changes in the location of where casino gaming is permitted in any city or town. While the voters approved the referendum on the statewide ballot on November 4, 2014, for the second time casino gambling was not approved by voters in the host municipality of Newport.
- **Twin River Marketing:** The FY2015 Budget as Enacted (Article 13) directed the Division of Lottery to contract for increased State shares of marketing expenses at Twin River. Twin River approached the State about an expanded cost-share program to help minimize the negative fiscal impact of Massachusetts casinos that are set to begin operations in FY2016. At the time, the State participated in the first \$10.0 million in qualified marketing expenses annually. The State share is equal to the percentage that the State captures of video lottery terminal net terminal income (61.05 percent at that time). Twin River is responsible for the first \$6.0 million in marketing investments, and the State participates in the next \$4.0 million. The Budget expanded the State’s participation in the marketing program.

<u>Current</u>		<u>Proposed</u>	
Twin River First	\$6.0	Twin River First	\$6.0
Shared (61.05% State)	4.0	Shared (61.05% State)	4.0
	10.0		10.0
Next \$7.0 million			
		Twin River First	4.0
		Shared (61.05% State)	3.0
			7.0
Total Potential Investment		Total Potential Investment	
Twin River	7.6	Twin River	12.7
State	2.4	State	4.3
	\$10.0		\$17.0

\$ in millions

The Budget assumed \$1.1 million in reduced revenues based on the change. This amounts to approximately one-half of the State cost. Full cost is not accounted for because the premise of increased marketing is to increase State and facility revenues.

2013 Amendments: The General Assembly enhanced the share of video lottery terminal proceeds for the Newport Grand casino for revenues gained during the operation of the facility. The General Assembly extended a 2.0 percent enhanced share increase to aid in operations of the casino in both FY2014 and again in FY2015. The Budget assumed \$1.0 million for the FY2014 enhanced share.

2011 and 2012 Amendments:

- **Casino Gaming Referendum:** The FY2012 Budget as Enacted authorized a referendum measure to be placed on the next statewide ballot, which would not be until November 6, 2012, asking voters to decide whether or not to allow state-operated casino gaming (table games). In 2012 the referendum was approved statewide. At the time, according to the State Constitution, the municipality where gambling will take place must approve gambling on a local referendum. Casino gambling won voter-approval in the Town of Lincoln and table gaming commenced in June, 2014; however, the City of Newport rejected the proposal.
- **Net Terminal Income (NTI) Adjustment:** The General Assembly increased the rate of net terminal income (NTI) payable to Newport Grand LLC for two years beginning July 1, 2013 and ending on June 30, 2015. The slot parlor will receive 30.05 percent of the NTI, an increase of 2.25 percentage points; shares to the State decrease correspondingly.
- **Delinquent Taxes/Prizes:** The General Assembly passed legislation authorizing the Lottery Director to implement an offset on lottery prizes of individuals that are delinquent on state taxes. The Director may apply some or the entire prize to reduce the winner's unpaid taxes. The provision applies only to lottery prizes over \$600 and individuals who have unpaid taxes in excess of \$600.

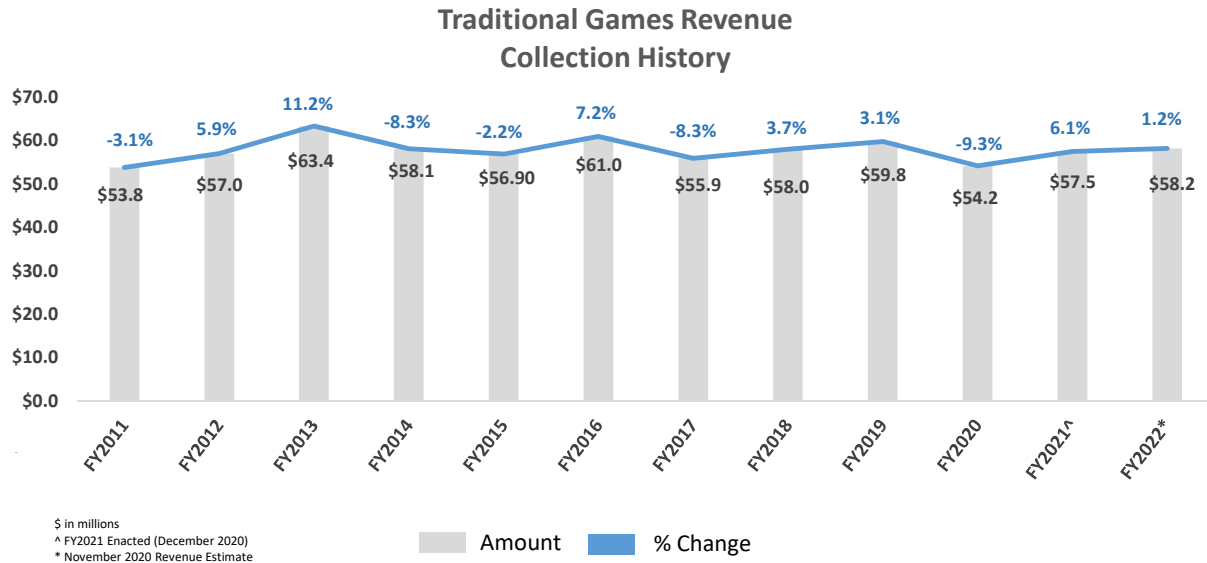
2010 Amendments: The General Assembly passed legislation that requires the State to participate, up to a capped threshold, in paying for new marketing programs at Twin River and Newport Grand. FY2011 revenues were reduced by \$3.7 million, assuming maximum participation by Twin River. No estimate was included for Newport Grand; however, the maximum State liability was \$518,196. Additionally, the share of VLT revenues for Newport Grand was increased to match that of Twin River, resulting in \$985,000 in reduced FY2011 revenues. The Division of Lottery authorized 24/7 gambling, effective beginning November 19, 2009. The General Assembly had previously authorized 24/3 gambling at VLT facilities, with increased host community and Permanent School Fund contributions based on increased hours.

TAX MODIFICATIONS

None

RIGL 42-61

Traditional Games



Traditional Games include instant scratch card tickets, numbers drawings (including PowerBall and Mega Millions), raffles (limited periods), and Keno sales. These games are available for in person purchase and, since May 2020, online via a smartphone app or website.

Originally, when traditional lottery (instant tickets) began, the State enacted legislation requiring that the Division of Lottery remit 25.0 percent of the gross profits to the State general fund. The remaining 75.0 percent would be allocated to the Division for operating expenses, including prize payments. The 2014 General Assembly, however, removed the requirement that 25.0 percent of the total revenue

Regional Comparison - Traditional Lottery Games		
RI	MA	CT
Transfer to general fund all revenues in the state lottery fund after payments of prizes and lottery expenses.	The apportionment of the total revenues: (a) the payment of prizes to the holders of winning tickets or shares (not less than 45% of the total revenues) (b) the payment of costs incurred in the operation and administration of the lottery (not exceed 15% of the total revenues) (c) the balance used to fund budgeted aid to cities and towns.	Weekly transfers of estimated net income (sales revenue less prizes, commissions, and expenses) are made to the Connecticut general fund from the Lottery.

received from the sale of lottery tickets and all other income earned from the lottery, and no less than 15.0 percent of the total revenues from Keno, be transferred into the general fund; thus, allowing the Division to continue to fund all traditional and video lottery operations through traditional ticket sales.

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, table games at Twin River, as well as revenues from traditional games and Keno sales. Payments from Traditional Games’ proceeds are due quarterly.

RECENT AMENDMENTS

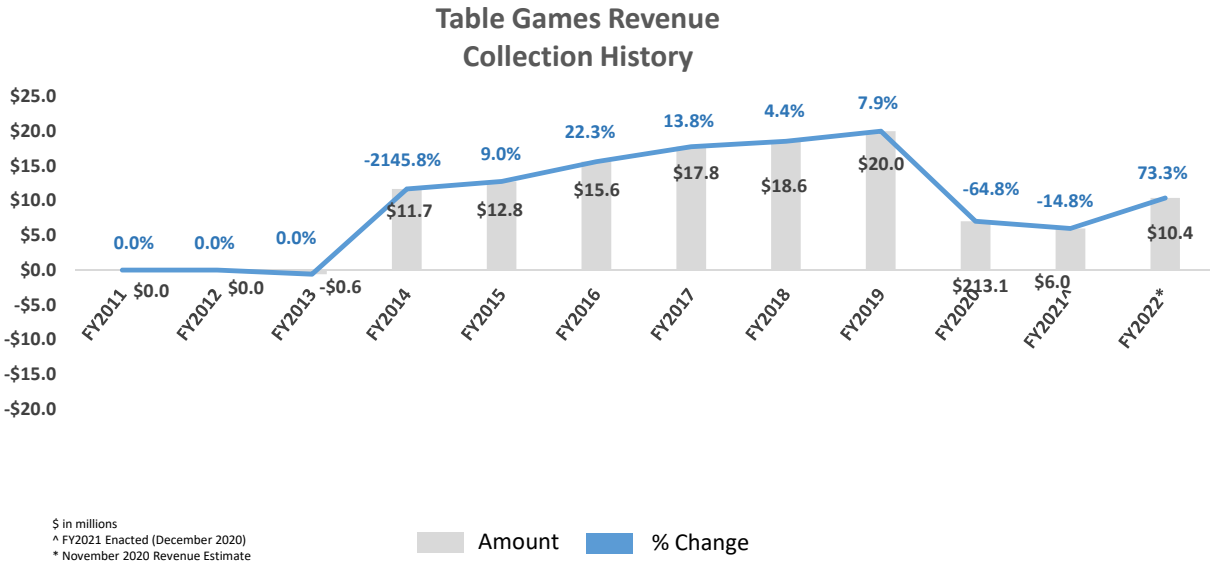
2020 Amendments: The Lottery launched online and smartphone versions of traditional games in May 2020.

2014: The 2014 General Assembly removed the requirement that 25.0 percent of the total revenue received from the sale of traditional lottery tickets and all other income earned from the lottery, and no less than 15.0 percent of the total revenues from Keno, be transferred into the general fund.

2011: The 2011 General Assembly passed legislation authorizing the Lottery Director to implement an offset on lottery prizes of individuals that are delinquent on state taxes. The Director may apply some or the entire prize to reduce the winner's unpaid taxes. The provision applies only to lottery prizes over \$600 and individuals who have unpaid taxes in excess of \$600.

RIGL 42-61.2

Table Games



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, table games at the Twin River Lincoln and Tiverton casinos, as well as revenues from traditional games and Keno sales.

Regional Comparison - Video Lottery Terminals



16% of net table game revenue (Previously, 18% of net table game revenue)	Resort <i>Casino</i> : 25% of gross gaming revenue	No share
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Casino gaming (table games) commenced at Twin River in Lincoln, RI, on June 14, 2013, following the approval by voters in November 2012, and at Twin River Tiverton on September 1, 2018, after approval by voters in 2016. The games were never approved for the Newport Grand facility. Table games at the Casino include traditional games, such as poker, blackjack, roulette, and craps.

Net table game revenue (NTGR) is deposited in the State Lottery Fund for administrative purposes with commissions distributed to Twin River and the balance being remitted to the General Fund.

Table Game Distribution from Lottery Fund

Recipient	Twin River	
	Lincoln Casino	Tiverton Casino
State*	16.0%	15.5%
Twin River	82.00%	82.5%
Town of Lincoln^	1.0%	1.0%
Town of Tiverton^	1.0%	1.0%

* The State is allocated an additional 2.0% of Net Table Game Revenues in the event that Video Lottery Terminal Net (VLT) Terminal Income drops below Net Table Game Revenue.

^In the event that either Casino does not receive \$3.0 million in combined revenue from VLT's and Table Games, then the State must make up the difference out of its share of table game revenue.

RECENT AMENDMENTS

2018 Amendments:

- **New Casino:** The Newport Grand Casino ceased operations on August 28, 2018, and the new Twin River Tiverton Casino opened on September 1, 2018.
- **Stadium Gaming:** The FY2019 Budget as Enacted permitted the Lottery to undertake time-limited pilot programs for the purpose of identifying and evaluating potential new revenue opportunities. Each pilot initiative will be required to have a periodic, subjective evaluation using measurable criteria to determine its ongoing revenue generating capacity. According to the Division of the Lottery, there are a number of innovative new gaming opportunities that it is considering to pilot, including stadium gaming. Stadium gaming allows casino patrons to play multiple table style games simultaneously through the use of interactive video terminal. The State Office of Revenue Analysis estimated that a stadium gaming pilot and other gaming opportunities will generate \$4.1 million in general revenue in FY2019.

2016 Amendments: The General Assembly enacted S-20181A on March 4, 2016, authorizing a referendum measure to be placed on the next statewide ballot occurring November 8, 2016, asking voters to decide whether or not to allow state-operated casino gaming (table games) in the town of Tiverton. The referendum was approved by voters statewide and in Tiverton.

2014 Amendments:

- **Casino Gambling Referendum – Newport:** The General Assembly enacted H8924 Substitute A as amended that authorized a voter referendum at the statewide general election in November 2014 to approve State-operated casino gaming at the Newport Grand facility in Newport, Rhode Island. The expansion of casino gaming would only take place if, in addition to statewide and local (Newport) voter approval, there was also a statewide voter approval of a constitutional amendment outlining changes in the location of where casino gaming is permitted in any city or town. While the voters approved the referendum on the statewide ballot on November 4, 2014, for the second time casino gambling was not approved by voters in the host municipality of Newport.

- Twin River Marketing:** The FY2015 Budget as Enacted (Article 13) directed the Division of Lottery to contract for increased State shares of marketing expenses at Twin River. Twin River approached the State about an expanded cost-share program to help minimize the negative fiscal impact of Massachusetts casinos that are set to begin operations in FY2016. At the time, the State participated in the first \$10.0 million in qualified marketing expenses annually. The State share is equal to the percentage that the State captures of video lottery terminal net terminal income (61.05 percent at that time). Twin River is responsible for the first \$6.0 million in marketing investments, and the State participates in the next \$4.0 million. The Budget expanded the State's participation in the marketing program.

The Budget assumed \$1.1 million in reduced revenues based on the change. This amounts to approximately one-half of the State cost. Full cost is not accounted for because the premise of increased marketing is to increase State and facility revenues.

<u>Current</u>		<u>Proposed</u>	
Twin River First	\$6.0	Twin River First	\$6.0
<u>Shared (61.05% State)</u>	<u>4.0</u>	<u>Shared (61.05% State)</u>	<u>4.0</u>
	10.0		10.0
Next \$7.0 million			
		Twin River First	4.0
		<u>Shared (61.05% State)</u>	<u>3.0</u>
			7.0
Total Potential Investment		Total Potential Investment	
Twin River	7.6	Twin River	12.7
<u>State</u>	<u>2.4</u>	<u>State</u>	<u>4.3</u>
	\$10.0		\$17.0
<i>\$ in millions</i>			

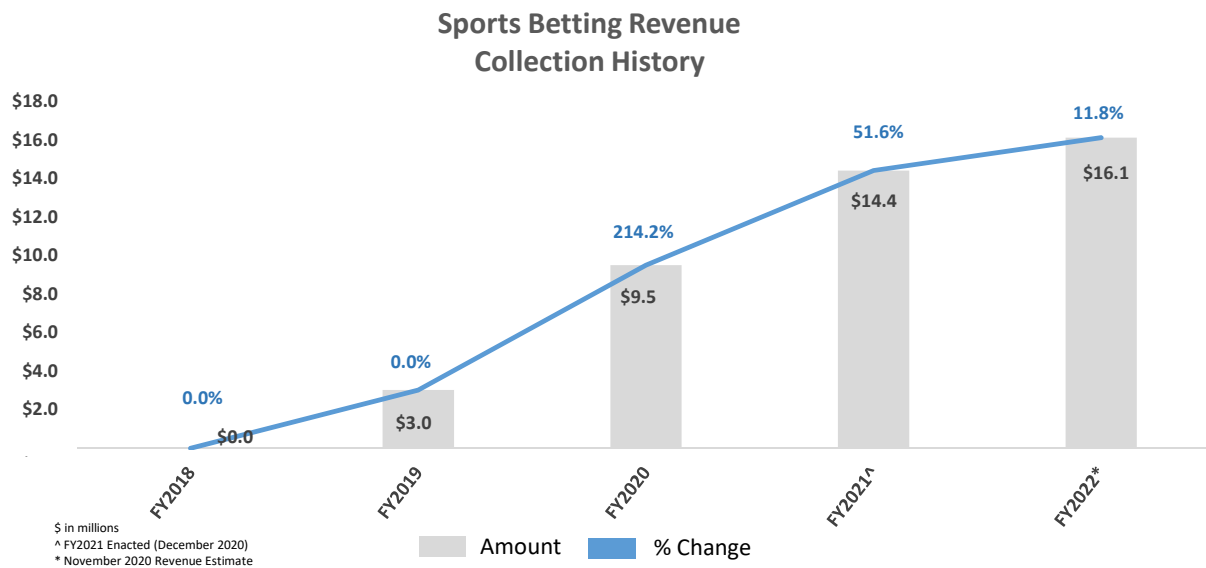
2011 and 2012 Amendments (FY2012 and FY2013): The FY2012 Budget as Enacted authorized a referendum measure to be placed on the next statewide ballot, which would not be until November 6, 2012, asking voters to decide whether or not to allow state-operated casino gaming (table games). In 2012 the referendum was approved statewide. At the time, according to the State Constitution, the municipality where gambling will take place must approve gambling on a local referendum. Casino gambling won voter-approval in the Town of Lincoln and table gaming commenced in June, 2014; however, the City of Newport rejected the proposal.

TAX MODIFICATIONS

None

RIGL 42-61.2

Sports Betting



In Rhode Island, individuals may place wagers on sporting events. To do so, the player must be physically present in the State and have an established account with one of the State's two hosting facilities (Twin River Lincoln Casino or Twin River Tiverton Casino). Players may establish their accounts in person and place bets at the hosting facilities or opt to play using an online website or smartphone application. The latter two methods utilize geo-location technology to assure that bet are made from within Rhode Island.

The State receives 51.0 percent of sports betting revenue, the vendor implementing the sportsbook receives 32.0 percent, the host facility receives 17.0 percent, and the towns of Lincoln and Tiverton each are guaranteed \$100,000 each year for serving as a host community.

Only Rhode Island and New Hampshire have currently legalized sports betting in New England.

Background

In 2018 the General Assembly authorized state-regulated sports betting in Rhode Island, contingent upon federal law. State-operated sports wagering was ultimately permitted at the Twin River and Tiverton Casinos. The Department of Revenue's Lottery Division is charged with implementing and overseeing the program.

The federal Professional and Amateur Sports Protection Act (PASPA) outlawed sports betting in the United States in all but four states (Delaware, Montana, Nevada, and Oregon). In May 2018, the U.S. Supreme Court rule PASPA unconstitutional in a case involving New Jersey. At that time as many as 10 other states, including Rhode Island, had pre-filed bills that would permit sports betting in anticipation of the law being struck down.

2020 Amendments: In July 2020 the General Assembly enacted legislation (2020-S-2919) that permitted the players to register and establish their sports betting accounts remotely via the sports betting mobile application.

2019 Amendments: The Lottery went live with a mobile sports betting application that allowed individuals to place bets on sporting events from their mobile phones and personal computers. The platforms utilize geo-location technology to ensure that all bets are being made physically in the State. Players were required to register and established an account in person at one of the State’s casinos in order to use the service.

2018 Amendments: The FY2018 Budget as Enacted authorized sports betting in Rhode Island, and provided an extensive framework for the regulation of the activity by the Division of Lottery (Lottery) at the Department of Revenue. This framework addresses:

- Statutory definitions; promulgation of rules and regulations
- Facility, security, and audit requirements
- Vendor qualifications and requirements
- Prizes
- Compulsive gambling programming and funding
- Allocation of sports wagering revenue among the State, the sports wagering vendor, the Twin River and Tiverton facilities, and the Towns of Lincoln and Tiverton.

Section 4 – Definitions and Authority: This section provides the definitions underpinning to sports wagering, including limits on what is permitted. Sports betting may only take place on-site at either the Twin River Lincoln or Tiverton facilities. Remote or offsite sports betting is prohibited. Mobile sports betting online applications are also not permitted. It establishes the authority of the Department of Revenue to oversee its sports betting, authorizes the Lottery Division to contract with a sports wagering vendor, and outlines generally the additional powers and duties of the DOR and Lottery. Section 4 also prohibits wagering on any collegiate sporting event that takes place in Rhode Island or one in which a Rhode Island-based college participates in, regardless of where it occurs. Lastly, this section also extends the existing compulsive gambling treatment programming provided by Twin River in cooperation with the State to those with sports betting problems.

Sections 5, 6, and 7 – Regulatory and Operational Framework: This section provided much of the regulatory framework by which the State, through the Lottery Division, will implement, operate, conduct and control sports wagering in Rhode Island. Included here is the authority of DOR to promulgate rules, regulations and establish security provisions. Section 5 also delineated the allocation of sports wagering revenue among the State, the sports wagering vendor, the host facilities, and the host communities. This allocation is summarized here:

Sports Wagering Revenue Allocation	
State	51.0%
IGT (vendor)	32.0%
Twin River & Tiverton	17.0%
Lincoln	\$100,000
Tiverton	\$100,000

In preparing its revenue estimate, ORA utilized a study conducted by Oxford Economics for the American Gaming Association titled “Economic Impact of Legalized Sports Betting”. The study systematically looked sports betting across the 50 states and its estimates for Rhode Island provide the foundation for ORA’s calculations.

Article 4 - Estimated Handle	
Factors	Amount
Total amount wagered on sports in RI -top range	\$972.5
Total amount wagered on sports in RI - bottom range	654.6
<i>Assumed handle under Article 4</i>	973.1

The total amount of money wagered is known as the handle. After all winnings are paid, the amount of money left over is the hold.

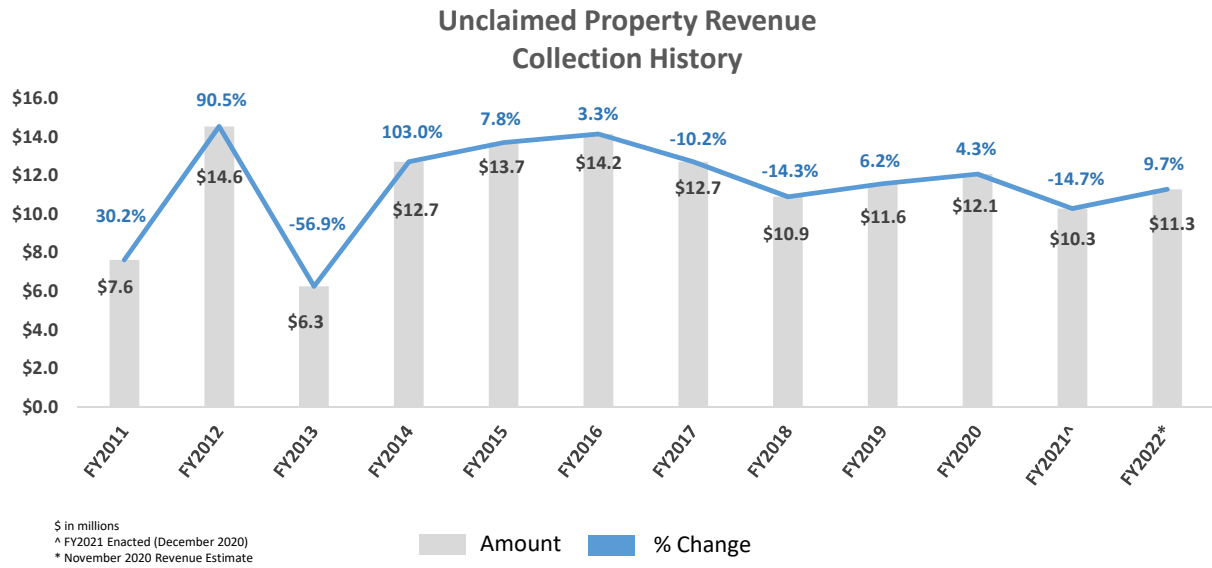
Article 4 - Estimated Hold	
Factors	Amount
Lowest annual hold % last 10 fiscal years - Nevada	4.4%
Highest annual hold % last 10 fiscal years - Oxford Study	6.5%
<i>Est. hold percentage (range mid-point)</i>	5.5%

According to the study, estimates that the sports betting handle for Rhode Island, or total amount of money wagered, for location-based, limited sports wagering ranges between \$654.6 million and \$972.5 million. Article 4 assumes an estimated handle of \$973.1 million, slightly higher than the upper range from the study. This was adjusted upward based the experience of IGT (the State’s casino gaming vendor) in other gaming markets where sports betting is underway.

Article 4 Revenue Calculation	
Factors	Assumptions
Est. handle	\$973.1
Est. hold percentage	5.5%
Est. total hold	\$53.5
State share percentage	51.0%
<i>Est. full year state revenue</i>	\$27.3
Start Date	October 1, 2019
Est. percentage of wagering Oct. - June (Nevada)	86.0%
Adjusted estimate, partial year	\$23.5
<i>\$ in millions</i>	

RIGL 33-21.1

Unclaimed Property



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 bonds; wages; refunds; safe deposit boxes; insurance payments; gift certificates; credit memos; account receivable credits and payables, etc.

Regional Comparison - Unclaimed Property



<p>All funds are deposited into the General Fund, net of certain allowable administrative costs.</p>	<p>All funds, exceeding \$500,000 are deposited into the General Fund.</p>	<p>Unclaimed property receipts are deposited into the Citizen's Election Fund to provide public campaign grants to participating candidates.</p>
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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. The transfer to the State general fund is the total revenues from sales of unclaimed property, minus personnel costs of the unclaimed property program; administrative costs of the program; claims paid in the current year; and liability holdback¹.

¹*The Governmental Accounting Standards Board (GASB) Statement 21 contains guidelines for the amount (25.0 percent) of escheated (unclaimed) property receipts that must be withheld to cover future claims. Rhode Island holds back either 25.0 percent 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.*

RECENT AMENDMENTS

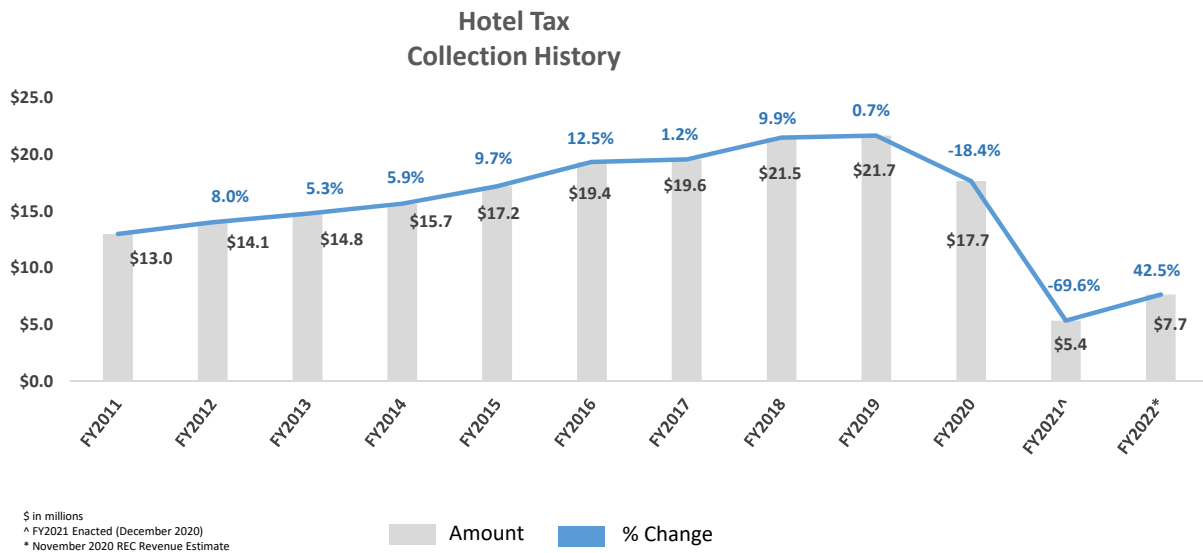
None

TAX MODIFICATIONS

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

RIGL 44-18-36.1

Hotel Tax



Rhode Island levies three types of taxes on hotels, collectively referred to as “lodging taxes,” on temporary lodging accommodations. These taxes are levied individually based on the type of hotels identified in the Rhode Island general laws (RIGL).

7.0 percent Sales Tax: The sales and use tax, equivalent to 7.0 percent of the retail sales price of certain goods, is applied to the sale price of a hotel room. Sales taxes are deposited as state general revenue.

5.0 percent Hotel Tax: The State levies a 5.0 percent gross receipts tax, known as the hotel 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). Proceeds from this tax are distributed according to RIGL 42-63.1-3 among state tourism districts, municipalities, state general revenue, and economic development, convention, and visitor agencies, both state and regional.

Regional Comparison - Hotel Taxes		
RI	MA	CT
6.0 percent; additional to sales tax	5.7 percent State Rate; Local rates up to an additional 6.0 percent; Certain municipalities, including Boston and Worcester, may add up to 2.75 percent tax to fund convention centers; additional to sales taxes	15.0 percent

1.0 percent Occupancy Tax: In addition to these taxes, a local “occupancy tax” of 1.0 percent is charged, administered, and collected by the Division of Taxation. This tax, added in 2005, is fully allocated to the city or town in which the lodging rental 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 is as follows:

Location of Room Rental/ State Hotel Tax Recipient	Share of Hotel Tax (5.0 %)
<i>Providence</i>	
Providence Convention Authority	30.0%
City of Providence	25.0%
RI Commerce Corporation	21.0%
Providence Warwick Convention Visitors Bureau	24.0%
General Revenue	0.0%
<i>Warwick</i>	
Warwick Department of Economic Development	30.0%
City of Warwick	25.0%
RI Commerce Corporation	21.0%
Providence Warwick Convention Visitors Bureau	24.0%
General Revenue	0.0%
<i>Omni Hotel (Providence)</i>	
Providence Convention Authority	30.0%
RI Commerce Corporation	50.0%
Providence Warwick Convention Visitors Bureau	20.0%
General Revenue	0.0%
<i>Statewide District*</i>	
Municipality of Room Rental	25.0%
RI Commerce Corporation	70.0%
Providence Warwick Convention Visitors Bureau	5.0%
General Revenue	0.0%
<i>All Other Locations in the State</i>	
Regional Tourism District of Room Rental	45.0%
Municipality of Room Rental	25.0%
RI Commerce Corporation	25.0%
Providence Warwick Convention Visitors Bureau	5.0%
General Revenue	0.0%

**Rooms rentals in Cranston, Foster, Johnston, N. Providence, Scituate, and W. Warwick*

Regional Tourism Districts: Regional Tourism Districts are established under RIGL 42-63.1-5 and are responsible for promoting tourism in their corresponding communities:

- **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

RECENT AMENDMENTS

2019 Amendments: The General Assembly changed the distribution of 5.0 percent State hotel tax. The FY2020 Budget as Enacted modified how the portion of the State hotel tax that is collected from “residential units offered for tourist or transient use through a hosting platform” (such as AirBnB or VRBO) is distributed among the entities entitled to a share of the tax.

When the General Assembly first subjected hosting platform rentals to the hotel tax in 2015, local tourism districts and convention center authorities were left out of the distribution of the new revenue at their request. Instead, 25.0 percent of this portion of the State hotel tax went to the municipality that the property is located in and 75.0 percent was given to the Rhode Island Commerce Corporation (CommerceRI).

The Budget aligned the distribution of the hosting platform portion of the State hotel tax with the existing formula for the standard hotel room portion of the tax. There are no fiscal impacts to municipalities.

2018 Amendments: The General Assembly increased the percentage share of the 5.0 percent state hotel tax received by local tourism districts and municipalities and lowered the share provided to the RI Commerce Corporation.

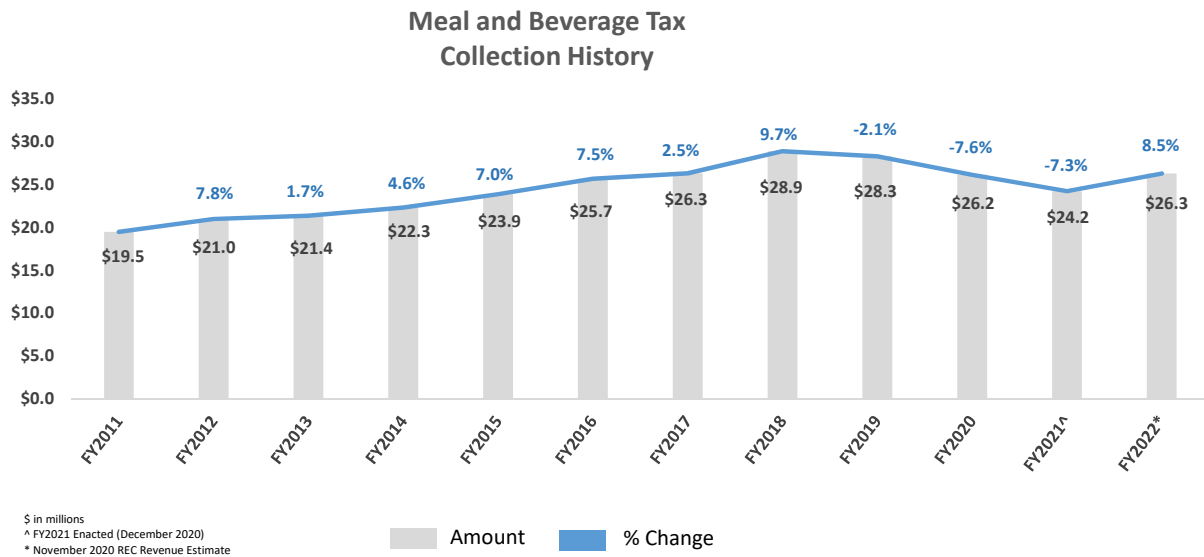
2015 Amendments: The Budget as Enacted expanded the definition of hotels for purposes of taxation to include houses, condominiums, or other residences regardless of the number of rooms used and/or advertised for rent for occupancy, such as those listed on Airbnb.com. The Budget modified the definition to include any facility offering a minimum of 1 room to capture bed and breakfasts and unlicensed rentals, both with less than three rooms to rent. Prior to this change, lodging taxes applied only to hotels that have more than three rooms and are rented for 30 days or less. The Budget also expanded the definition to include room resellers. The General Assembly allocated the portion of the 5.0 percent state hotel tax collected on this expanded base to the municipality in which the room is located (25.0 percent) and to the RI Commerce Corporation (75.0 percent). The local tourism districts were not allocated any of this new revenue.

State of Rhode Island Combined Local 1% Hotel Tax and 25% of the State 5% Hotel Tax

Municipality	FY 2016	FY 2017	FY2018	FY 2019	FY 2020
Barrington	\$269	\$1,774	\$2,973	\$3,283	\$2,862
Bristol	41,492	53,466	61,553	71,792	63,800
Burrillville	-	-	63	164	173
Central Falls	30	294	123	315	648
Charlestown	29,367	58,248	69,281	52,303	66,044
Coventry	99,317	97,864	107,238	94,075	84,155
Cranston	15,995	19,898	24,856	20,918	42,734
Cumberland	-	709	834	403	350
East Greenwich	864	614	1,109	2,051	1,714
East Providence	48,780	43,176	47,041	62,091	63,624
Exeter	16	43	-	27	103
Foster	156	262	634	893	654
Glocester	2,209	2,658	3,054	3,441	3,220
Hopkinton	546	9,871	1,673	1,240	702
Jamestown	12,906	20,119	27,734	42,990	31,699
Johnston	8,803	8,287	7,410	8,431	7,610
Lincoln	107,456	108,061	111,905	142,843	129,410
Little Compton	2,675	19,711	20,049	26,306	23,483
Middletown	829,180	871,298	1,073,970	1,097,520	1,010,852
Narragansett	133,633	236,553	271,722	268,875	260,050
Newport	2,352,508	2,343,149	2,561,498	2,511,513	2,324,899
New Shoreham	407,818	488,132	653,006	576,895	551,934
North Kingstown	82,512	110,908	112,160	105,278	97,982
North Providence	7	1	519	1,602	2,020
North Smithfield	3,370	2,908	3,223	3,402	3,452
Pawtucket	41,586	3,641	90,006	106,445	95,709
Portsmouth	17,355	33,325	17,101	20,714	19,616
Providence	1,955,060	2,044,173	2,226,505	2,207,610	1,903,228
Richmond	4,123	4,141	6,528	11,767	9,282
Scituate	6,686	7,324	6,994	7,294	7,302
Smithfield	172,680	152,249	166,073	161,878	159,797
South Kingstown	168,666	167,644	196,107	191,361	198,876
Tiverton	306	1,171	3,645	17,252	19,797
Warren	555	2,696	826	1,764	(179)
Warwick	1,179,116	1,189,270	1,248,726	1,277,620	1,132,030
Westerly	588,042	640,261	686,463	759,627	793,836
West Greenwich	106,059	113,941	123,472	129,240	120,986
West Warwick	133,987	138,289	153,540	137,948	126,450
Woonsocket	59,269	47,003	52,062	65,046	59,739
Total	\$8,613,399	\$9,043,134	\$10,141,675	\$10,194,218	\$9,420,643

RIGL 44-18-18.1

Meal and Beverage Tax (Local)



Beginning August 1, 2003, the State required collection of a 1.0 percent meals and beverage tax, in addition to the 7.0 percent 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 monthly, 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 FY2020, collections ranged from a low of \$16,898 (Foster) to a high of \$5.2 million (Providence).

Regional Comparison - Meals & Beverage Tax

RI	MA	CT
1.0 percent in addition to the sales tax	0.75 percent local option; meals also subject to the sales tax	No separate tax, meals subject to the sales tax.

**Meals & Beverage Tax Collections:
Top 5 Municipalities**

Providence	\$5,252,178
Warwick	2,784,958
Newport	2,223,684
Cranston	1,858,687
East Providence	986,260

RECENT AMENDMENTS

No recent amendments.

Meals and Beverage Tax Distribution

Municipality	FY2016	FY2017	FY2018	FY2019	FY2020
Barrington	\$172,575	\$178,288	\$184,739	\$195,499	\$152,985
Bristol	445,779	490,293	451,567	474,409	416,000
Burrillville	190,021	195,692	214,442	221,434	186,986
Central Falls	121,924	123,031	142,982	128,331	132,792
Charlestown	158,031	173,879	187,253	189,078	152,990
Coventry	389,819	437,307	466,386	442,965	438,323
Cranston	1,792,828	1,818,951	1,975,488	2,027,876	1,858,687
Cumberland	473,622	481,440	539,876	514,176	506,646
East Greenwich	677,598	809,903	694,380	683,524	634,609
East Providence	960,092	1,005,535	1,076,247	1,098,154	986,260
Exeter	100,330	105,533	116,466	114,565	111,618
Foster	17,936	17,661	23,382	20,847	16,898
Glocester	75,375	74,338	75,453	82,812	74,640
Hopkinton	52,205	45,689	53,522	56,874	48,734
Jamestown	92,434	94,108	90,468	85,554	69,411
Johnston	584,763	624,339	709,170	760,660	683,594
Lincoln	784,459	791,292	811,829	830,812	685,299
Little Compton	57,268	68,507	65,110	58,794	48,533
Middletown	725,596	730,305	810,338	833,415	723,622
Narragansett	664,935	627,427	697,787	685,665	629,826
Newport	2,266,128	2,235,459	2,641,064	2,493,288	2,223,684
New Shoreham	361,187	358,555	376,358	392,629	374,252
North Kingstown	556,133	532,105	624,355	634,782	579,873
North Providence	348,364	352,137	397,108	399,707	426,666
North Smithfield	314,344	304,746	302,535	309,588	314,651
Pawtucket	812,269	865,294	945,504	952,426	939,512
Portsmouth	229,833	238,740	279,811	285,976	271,232
Providence	5,260,911	5,463,457	6,246,967	5,586,483	5,252,178
Richmond	141,584	142,210	145,562	143,403	135,091
Scituate	64,084	54,994	67,639	65,021	61,551
Smithfield	786,891	755,766	796,851	852,674	820,099
South Kingstown	834,015	859,118	911,785	968,694	871,225
Tiverton	225,960	224,686	253,167	303,474	278,459
Warren	356,392	297,499	319,510	289,579	300,451
Warwick	2,712,574	2,890,427	3,188,368	3,018,267	2,784,958
Westerly	873,436	883,820	930,904	990,459	859,102
West Greenwich	137,441	126,823	122,462	116,905	128,869
West Warwick	347,921	345,927	392,007	414,732	407,763
Woonsocket	516,678	511,790	567,885	573,533	565,861
Total	\$25,683,735	\$26,337,071	\$28,896,727	\$28,297,063	\$26,153,929

Tax Credits

The State offers numerous tax credits 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. Although this report lists 35 credits as currently written in the Rhode Island General Laws, many of these credits have gone unused since the reform of the personal income tax beginning TY2011.

The Department of Revenue, Office of Revenue Analysis (ORA) 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 2020 Tax Expenditures Reports unless otherwise noted. Values are actual amounts taken in credits, unless noted by an asterisk (*) which indicates a projected amount.

The tax credits and incentives detailed in this summary are primarily State incentives. A number of federal pass-thru incentives are also available to taxpayers and are included in this report.

Credit	Tax Credits: Total Forgone Revenue by Tax Year							
	2014	2015	2016	2017	2018*	2019*	2020*	2021*
Accommodations Under ADA	-	-	-	1,000	1,000	1,000	1,000	1,000
Adult and Child Daycare	-	-	-	-	-	-	-	-
Adult Education	-	-	-	-	-	-	-	-
Apprenticeship	-	-	-	-	-	-	-	-
Biotechnology Investment	-	-	-	-	-	-	-	-
Child and Dependent Care (Federal)	3,272,280	3,514,986	3,601,918	3,672,222	3,743,898	3,743,898	3,743,898	3,743,898
Contributions to Scholarship Organizations	1,197,840	1,171,502	1,339,428	1,289,055	1,027,707	1,215,730	1,215,730	1,215,730
Earned Income	10,529,853	18,949,131	23,682,525	27,859,648	27,999,132	27,929,390	27,929,390	27,929,390
Educational Assistance and Development	-	-	-	-	-	-	-	-
Employment- Welfare Bonus Program	-	-	-	-	-	-	-	-
Historic Homeownership Assistance	-	-	-	5,129	4,860	12,039	2,000	2,000
Historic Preservation	9,307,630	13,164,495	7,362,155	5,782,702	10,783,862	13,364,979	12,429,813	10,333,831
Historic Structures	1,331,248	1,037,731	2,704,003	22,027,086	3,978,983	5,822,343	4,542,697	6,005,650
Hydroelectric Power	-	-	-	-	-	-	-	-
Interest for Loans to Mill Building Owners	-	-	-	-	-	-	-	-
Investment	19,440,000	2,567,962	2,269,036	4,007,608	600,622	3,138,322	3,138,322	3,138,322
Jobs Training	3,579,736	588,428	1,404,970	661,578	24,140	-	-	-
Juvenile Restitution	-	-	-	-	-	-	-	-
Lead Paint Abatement	174,211	231,060	215,526	256,290	250,000	250,000	250,000	250,000
Motion Picture Production	3,073,899	3,079,929	1,254,310	2,134,162	2,052,708	4,265,508	10,143,324	14,611,421
Motor Fuel Use Carrier Taxes Paid to RI	3,479,354	3,380,989	5,921,129	2,957,954	3,409,372	3,409,372	3,409,372	3,409,372
Musical and Theatrical Production	79,859	464,974	644,364	520,959	58,211	692,905	442,020	236,007
New Qualified Jobs Incentive Act	-	-	-	40,187	96,042	1,870,412	2,689,545	4,609,790
Property Tax Relief	4,310,877	4,207,901	4,124,475	4,144,492	3,705,073	3,705,073	3,705,073	3,705,073
Real or Personal Property Taxed in another State	-	-	-	-	-	-	-	-
Rebuild Rhode Island	-	-	-	-	670,280	10,805,704	13,397,675	22,425,659
Research & Development – Expense Credit	8,494,085	2,679,264	2,819,293	2,694,684	3,350,465	2,756,989	2,756,989	2,756,989
Research & Development – Property Credit	27,432	-	13,817	60,142	-	36,980	36,980	36,980
Resident Trust Beneficiary for Accumulating Distribution	-	-	-	-	-	-	-	-
Residential Renewable Energy System Credit	-	-	-	-	-	-	-	-
Specialized Investment in Mill Building	-	-	-	-	-	-	-	-
Stay Invested in RI Wavemaker Fellowship	-	-	-	586,926	906,659	746,793	746,793	746,793
Tax on Net Estate of Decedent	-	-	20,700,000	37,000,000	35,200,000	30,966,667	30,966,667	30,966,667
Taxes Paid to Other States	143,938,021	170,006,382	182,475,753	193,026,414	205,685,665	205,685,665	205,685,665	205,685,665
Wages Paid by Employers in Mill Building	-	-	-	-	-	-	-	-
Total	212,236,325	225,044,734	260,532,702	308,728,238	303,548,679	320,419,769	327,232,953	341,810,237

1. Accommodations under Americans' with Disabilities Act (RIGL 44-54): Small businesses (under 30 employees or less than \$1.0 million in gross receipts) are allowed a tax credit equal to 10.0 percent 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)

No statistics are available for this credit.

Business Corporations		
Calendar Year	Taxpayers	Amount
2017	1	\$1,000
2018*	1	1,000
2019*	1	1,000
2020*	1	1,000
2021*	1	1,000

** ORA Estimates*

2. Adult & Child Day Care Assistance and Development Tax Credit (RIGL 44-47): Allows for an employer to receive a 30.0 percent 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 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)

No statistics are available for this credit.

3. Adult Education Tax Credit (RIGL 44-46): Employers are allowed a credit equal to 50.0 percent 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, and it may not 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)

No statistics are available for this credit.

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 50.0 percent 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)

No statistics are available for this credit.

5. 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 percent 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 125.0 percent of wages by companies under the same Standard Industrial Classification (SIC), or if there is only one company, then 125.0 percent of the average wage for all codes in the State; and,
- Companies must maintain average employment levels that are at least 9.5 percent 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)

No statistics are available for this credit.

6. Child and Dependent Care (Federal): Taxpayers entitled to the federal child and dependent care credit are entitled to a credit against the Rhode Island personal income tax of 25.0 percent of the federal credit claimed. Taxpayers may claim expenses paid for someone to care for a dependent that is under age 13 or to care for a spouse or dependent whom is unable to care for himself/herself. The credit may be applied against the following taxes:

- Personal Income (RIGL 44-30)

Personal Income		
Calendar Year	Taxpayers	Amount
2017	26,459	\$3,672,222
2018*	26,614	3,743,898
2019*	26,614	3,743,898
2020*	26,614	3,743,898
2021*	26,614	3,743,898

* ORA Estimates

7. Contributions to Scholarship Organizations (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 75.0 percent credit for donations for a one-year contribution, and up to 90.0 percent 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 \$1.5 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 90.0 percent 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 250.0 percent 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)

Calendar Year	Business Corporations		Personal Income		Banks		Insurance		Public Service Corp.	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
2017	-	-	73	\$1,244,055	-	-	1	\$45,000	-	-
2018*	-	-	52	1,027,707	-	-	-	-	-	-
2019*	-	-	74	1,185,730	-	-	1	30,000	-	-
2020*	-	-	74	1,185,730	-	-	1	30,000	-	-
2021*	-	-	74	1,185,730	-	-	1	30,000	-	-

* ORA Estimates

8. Earned Income (RIGL 44-30-2.6(c)): The Earned Income Tax Credit (EITC) is a refundable tax credit for low and moderate income working individuals whereby the credit can go beyond reducing an individual's tax liability to zero to producing a credit that is greater than the amount of tax owed, thus representing a cash payment to the filer. It is designed to work in tandem with other cash transfer programs to encourage employment among low-income families. As income rises, cash benefits decrease and the EITC transfer increases as an offset, and in essence, replaces cash benefits and thus encourages employment.

The General Assembly modified this credit structure in 2014, reducing the amount of the federal EITC allowable to 10.0 percent of the federal EITC beginning TY2015; however, the State refunds 100.0 percent of that amount. The credit amount was again modified in 2015 for TY2016 and to 12.5 percent, and again in 2016 beginning TY2017 and thereafter to 15.0 percent of the federal EITC, continuing to be fully refundable.

Calendar Year	Personal Income	
	Taxpayers	Amount
2017	86,811	\$27,859,648
2018*	85,370	27,999,132
2019*	86,091	27,929,390
2020*	86,091	27,929,390
2021*	86,091	27,929,390

* ORA Estimates

9. Educational 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 8.0 percent 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)

No statistics are available for this credit.

10. Employment – Welfare Bonus Program (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 is limited to the first 100 individual recipients who are determined to be eligible to participate in the program. *[Note: The Department of Human Services no longer administers this program; as a result, the credit is effectively eliminated.]*

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)

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.

No statistics are available for this credit.

11. Historic Home Ownership Assistance (RIGL 44-33.1-3): Prior to January 1, 2011, Rhode Island taxpayers who owned and resided in a designated historical residence were eligible to receive a personal income tax credit for up to 20.0 percent of the certified costs of any renovations to and/or rehabilitation of the historical properties. The credit was capped at \$2,000, and unused portions could be carried forward to subsequent tax years. The RI Historical Preservation and Heritage Commission had been charged with certifying eligible projects. The credit was eliminated as part of the income tax reforms enacted in June 2010. At that time taxpayers with unused credits were prohibited from carrying forward any amount to tax years 2010 and beyond. At that time there was an estimated 115 taxpayers with \$797,911 in unused carryforward tax credit amounts. The following table shows the forgone revenue as projected by the Office of Revenue Analysis:

Personal Income

Calendar Year	Taxpayers	Amount
2017	5	\$5,129
2018*	No Estimate Possible	4,860
2019*	No Estimate Possible	12,039
2020*	No Estimate Possible	2,000
2021*	No Estimate Possible	2,000

* ORA Estimates

12. Historic Preservation (RIGL 44-33.6): A taxpayer that incurs qualified rehabilitation expenditures (QREs) for the substantial rehabilitation of a certified historic structure, provided the taxpayer is not a social club, is entitled to a credit is equal to 20.0 percent of the QREs for any certified historic structure or 25.0 percent of the QREs, provided that either:

- At least 25.0 percent of the total rentable area of the certified historic structure will be made available for trade or business; or,
- The entire rentable area located on the first floor of the certified historic structure will be made available for a trade or business.

Tax credits are allowed for the tax year in which the structure or an identifiable portion of the structure is placed into service. The maximum credit cannot exceed \$5.0 million for all phases of any certified rehabilitation project and the total credits authorized cannot exceed the sum of the estimated credits available in the historic preservation tax credit trust fund. *[Note: Beginning in 2013, the Historic Structures Tax Credit (RIGL 44-33.2) effectively became a “new” credit (RIGL 44-33.6). While the credit essentially works the same way, the Office of Revenue Analysis reports each program separately since some credits that were initially claimed under the old program are being used.]*

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)

Calendar Year	Business Corporations		Personal Income		Banks		Insurance		Public Service Corp.		Non-Profit Refund	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
2017	-	-	32	\$2,344,431	-	-	1	\$302,613	-	-	2	3,135,658
2018*	Unknown	-	Unknown	-	Unknown	-	5	8,283,862	Unknown	-	2	2,500,000
2019*	Unknown	174,667	Unknown	4,213,823	Unknown	-	Unknown	3,703,277	Unknown	-	Unknown	5,273,212
2020*	Unknown	138,066	Unknown	3,382,048	Unknown	-	Unknown	4,879,950	Unknown	-	Unknown	4,029,750
2021*	Unknown	110,507	Unknown	2,639,527	Unknown	-	Unknown	3,662,518	Unknown	-	Unknown	3,921,279

* ORA Estimates

13. Historic Structures Credit (RIGL 44-33.2): 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 30.0 percent 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 percent, 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.

However, in 2012, a new law was enacted that reopened the program under a new and separate chapter of the law. Certain projects were grandfathered into the program and continued, however, other projects were “abandoned” – leaving approximately \$34.5 million in credits unclaimed and available as of May 15, 2013. The new provisions re-titled the credits as “historic preservation tax credits” and vary from the former program in the following ways:

- Allows for the reissuance of tax credits previously issued but subsequently abandoned or forfeited by developers.
- Creates two tiers of tax credits. Approved projects qualify for tax credits of 25.0 percent of qualified expenditures if the first floor or at least 25.0 percent of the structure will be rentable by a trade or business; all other approved projects qualify for tax credits of 20.0 percent.
- Requires projects over \$10.0 million in hard construction cost utilize contractors and sub-contractors with approved apprenticeship programs.
- Includes a three-year sunset, with no new credits to be issued after June 30, 2016.
- Limits credits to \$5.0 million per project.
- Allows for the forfeiture of credits if substantial construction (defined as expenditure of 10 percent of qualified rehabilitation expenditures) have not commenced within 12 months of project approval or if the project remains idle for more than six months.
- Makes application fees nonrefundable.

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)

Calendar Year	Business Corporations		Personal Income		Banks		Insurance		Public Service Corp.	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
2017	1	16,357	71	\$2,203,050	-	-	28	\$19,807,679	-	-
2018*	-	-	-	-	-	-	99	3,978,983	-	-
2019*	Unknown	63,031	Unknown	1,260,922	Unknown	-	Unknown	4,498,390	Unknown	-
2020*	Unknown	110,054	Unknown	2,228,672	Unknown	-	Unknown	2,203,971	Unknown	-
2021*	Unknown	119,032	Unknown	2,647,514	Unknown	-	Unknown	3,239,103	Unknown	-

* ORA Estimates

14. Hydroelectric Power Credit (RIGL 44-30-22): The State allows a tax credit for up to 10.0 percent 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 not be carried forward, and may be applied against the following taxes:

- Business Corporations (RIGL 44-11)

No statistics are available for this credit.

15. Interest for Loans to Mill Building Owners (42-64.9-9): A 10.0 percent credit is allowed against taxes due for interest earned and paid on loans made to “eligible businesses,” solely and exclusively for expenditures within a certified mill building. Eligible businesses are located in a certified mill building after the building has undergone substantial rehabilitation; engaged principally in manufacturing, wholesale trade, or other commercial business activities; and, whose salaries and wages exceed the total Rhode Island salaries and wages paid to its employees in the prior calendar year.

- 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)

No statistics are available for this credit.

16. Investment Tax Credit (RIGL 44-31): A 4.0 percent credit is allowed against Business Corporation 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 10.0 percent 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 125.0 percent of the average annual wage paid by all employers in the State (125.0 percent of the average annual wage paid to all covered workers in 2012 was equal to \$55,726), 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 2.0 percent 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)

Calendar Year	Business Corporations		Banks		Insurance	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
2017	38	1,157,085	1	2,489,188	2	\$361,335
2018*	16	253,723	-	-	1	346,899
2019*	32	865,028	1	2,050,629	2	222,666
2020*	32	865,028	1	2,050,629	2	222,666
2021*	32	865,028	1	2,050,629	2	222,666

* ORA Estimates

17. Job Training Tax Credit (RIGL 42-64.6): Rhode Island allows certain companies a tax credit equal to 50.0 percent 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 150.0 percent 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)

Calendar Year	Business Corporations		Banks		Insurance		Public Service	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
2017	2	637,437	-	-	1	\$24,141	-	-
2018*	-	-	-	-	1	24,141	-	-
2019*	-	-	-	-	-	-	-	-
2020*	-	-	-	-	-	-	-	-
2021*	-	-	-	-	-	-	-	-

* ORA Estimates

18. Juvenile Restitution Credit (RIGL 14-1-32.1): The State offers a tax credit equal to 10.0 percent 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 following taxes:

- Business Corporations (RIGL 44-11)

No statistics are available for this credit.

19. Lead Paint Abatement (RIGL 44-30.3-1): A property owner or lessee who resides in Rhode Island is entitled to tax relief for residential lead removal or lead hazard reduction when he or she: (1) obtains a Housing Resources Commission (HRC) regulated certificate of conformance for mitigation; or, (2) obtains a Department of Health (DOH) regulated lead safe certificate for abatement.

The tax relief shall be equal to the amount actually paid for the required lead abatement or lead hazard mitigation up to a maximum of \$1,500 per dwelling unit for mitigation and up to \$5,000 per dwelling unit for abatement. The credit can be earned on a maximum of three dwelling units per claimant. The tax credit is refundable for the amounts of the credit claimed in excess of the taxpayer's liability.

The maximum amount of credits that can be claimed in a given fiscal year is \$250,000. Claimants with household incomes of \$35,200 or less shall receive priority in receiving tax credit certificates.

The 2014 General Assembly created the HRC Restricted Account, which exempts revenue raised from with the real estate conveyance tax from the 10.0 percent indirect cost recovery provision. A portion of these funds, along with \$600,000 from the Mortgage Fraud Settlement, estimated to be \$3.4 million in total for FY2015, will be dedicated to the HRC for lead abatement funding and the housing rental subsidy program.

The credit may be applied against the following taxes:

- Personal Income (RIGL 44-30)

Personal Income		
Calendar		
Year	Taxpayers	Amount
2017	59	\$256,290
2018*	59	250,000
2019*	59	250,000
2020*	59	250,000
2021*	59	250,000

* *ORA Estimates*

20. Motion Picture Production Credit (44-31.2): The State offers a tax credit for motion picture production companies equivalent to 25.0 percent of qualified production costs attributable to expenditures from to activity within the State. The credits are transferable, and unused portions may be carried forward for up to three years. The 2012 General Assembly capped the total credit issuance for a given production at \$5.0 million in a given year, and productions must meet a minimum \$100,000 production budget threshold to qualify. The Tax Administrator may waive the tax credit cap for any feature length film or television series to use up any unused amounts in the motion picture tax credit program up to the \$15.0 million annual threshold. This cap also includes musical and theatrical production tax credits. Several other modifications were made regarding the credit, including clarification of definitions in the statute and expanding the eligibility to documentary, musical, and theatrical productions. Under a sunset provision enacted in 2012, no film tax credits can be issued on or after July 1, 2019, unless a production has received initial certification prior to July 1, 2019.

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)

Calendar Year	Business Corporations		Personal Income		Banks		Insurance	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
2017	3	1,124,973	24	\$800,187	-	-	5	\$209,001
2018*	1	1,322,213	6	382,210	-	-	4	348,285
2019*	Unknown	1,311,618	Unknown	2,501,695	Unknown	-	Unknown	452,195
2020*	Unknown	3,387,547	Unknown	5,410,847	Unknown	589,618	Unknown	755,312
2021*	Unknown	4,338,683	Unknown	7,473,523	Unknown	1,327,489	Unknown	1,471,726

* ORA Estimates

21. Motor Fuel Use Carrier Taxes Paid to Rhode Island (RIGL 31-36.1-15): The State offers a tax credit for motor carriers on all motor fuel purchased by the carrier within this State for use in its operations outside the State. The carrier must file evidence of the payment of the tax to the Tax Administrator claiming the credit allowed in this chapter.

When the amount of the credit provided exceeds the amount of the tax for which the carrier is liable for the same quarter, the excess may, under the regulations of the Tax Administrator and the International Fuel Tax Agreement (IFTA), be allowed as a credit on the tax for which the carrier would be otherwise liable for any of the eight (8) succeeding quarters.

The credits may be applied against the following taxes:

- Motor Carrier Fuel Use (RIGL 36-31)

Motor Carrier Fuel Use Tax		
Calendar Year	Taxpayers	Amount
2017	844	\$2,957,954
2018*	918	3,409,372
2019*	918	3,409,372
2020*	918	3,409,372
2021*	918	3,409,372

* ORA Estimates

22. Musical and Theatrical Production (RIGL 44-31.3-2): Any person, firm, partnership, trust, estate or other entity that receives an accredited theater production certificate shall be allowed a tax credit equal to 25.0 percent of the total production and performance expenditures and transportation expenditures for the accredited theater production. In order to qualify for the credit, the production must meet the following accreditation criteria:

An accredited theater production is defined as a for-profit live stage presentation in a qualified production facility that meets the following criteria:

- **Must be a pre-Broadway production or post-Broadway production:** Pre-Broadway production means a live stage production that, in its original or adaptive version, is performed in a qualified production facility having a presentation scheduled for Broadway's theater district in New York City within 12 months after its Rhode Island presentation pre-Broadway production; a post-Broadway production means a live stage production that, in its original or adaptive version, is performed in a qualified production facility and opens its US tour in Rhode Island after a presentation scheduled for Broadway's theater district in New York City.

- **Performed in a Qualified Production Facility:** A qualified production facility in the State which contains at least one stage, capacity to seat at least 1,500 people, dressing rooms, storage areas, and other ancillary amenities necessary for the accredited theater production.
- **Certification by the Rhode Island Film and Television Office (RIFTO):** The production must receive an “accredited theater production certificate” issued by the Rhode Island Film and Television Office certifying that the production is an accredited theater production that meets the guidelines of this chapter.

The credit may not exceed \$5.0 million and is limited to certified production costs directly attributable to activities in the State and transportation expenditures. The total production budget must be a minimum of \$100,000. No more than \$15,000,000 may be issued for any tax year for motion picture tax credits and/or musical and theatrical production tax credits. These credits are equally available to motion picture productions and musical and theatrical productions. No specific amount is set aside for either type of production.

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

Calendar Year	Business Corporations		Personal Income		Banks		Insurance		Public Service Corp.	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
2017	-	-	28	\$520,959	-	-	-	-	-	-
2018*	-	-	5	58,211	-	-	-	-	-	-
2019*	Unknown	-	Unknown	692,905	Unknown	-	Unknown	-	Unknown	-
2020*	Unknown	-	Unknown	442,020	Unknown	-	Unknown	-	Unknown	-
2021*	Unknown	-	Unknown	236,007	Unknown	-	Unknown	-	Unknown	-

* ORA Estimates

23. New Qualified Jobs Incentive Act (RIGL 44-48.3): The Act authorizes the creation of the Rhode Island New Qualified Jobs Incentive Act of 2015, an incentive program for businesses to enter into an “incentive agreement” with the Rhode Island Commerce Corporation from 2015 through 2018 to receive a base tax credit of \$2,500 per new full-time job, where a full-time job is one in which an employee works at least 35 hours per week, earns at least the median hourly wage in the state, and has wages earned subject to withholding tax. The number of new jobs to be created by the business is on a graduated scale depending on the number of existing full time employees the business possesses at the date of application of the credit. The program may provide the eligible business a tax credit not to exceed ten years.

In addition to the base credit, if the business is located in a “Hope Community”, or operates in a targeted industry, or is located in a transit oriented development area, or is an out-of-state business that relocates a business unit or creates a “significant number” of new full-time jobs, a credit of up to \$7,500 per new full-time job can be awarded if the business enters into an “incentive agreement” with the Rhode Island Commerce Corporation from 2015 through 2018.

Personal Income		
Calendar Year	Taxpayers	Amount
2017	1	\$40,187
2018*	1	96,042
2019*	14	1,870,412
2020*	17	2,689,545
2021*	22	4,609,790

* ORA Estimates

24. Property Tax Relief (RIGL 44-33-5): The purpose of the Property Tax Relief Act is to provide relief, through a system of tax credits, refunds, and appropriations from the general fund, to elderly and disabled persons who own or rent their homes. Currently, taxpayers with incomes up to 175.0 percent of the federal poverty level (FPL) are allowed a \$300 (maximum) credit under the Act. A claimant is entitled to a credit against his or her tax liability equal to the amount by which the property taxes accrued, or rent constituting property taxes accrued, upon the claimant's homestead for the taxable year exceeds a certain percentage of the claimant's total household income for that taxable year. The allowable percentage is based upon income level and household size, computed in accordance with the following table:

Income Range	2 or More	
	1 Person	Persons
Less than \$6,000	3.0%	3.0%
\$6,001 - \$9,000	4.0%	4.0%
\$9,001 - \$12,000	5.0%	5.0%
\$12,001 - \$15,000	6.0%	5.0%
\$15,001 - \$30,000	6.0%	6.0%

The 2014 General Assembly revised the rules for this program, allowing only elderly (over age 65) and disabled claimants entitlement to the PTRC. This change takes effect beginning TY2015 and aligns the program to its original purpose. *Note: The FY2015 Budget as Enacted assumes a savings of \$8.2 million. This estimate uses TY2012 data which cannot directly impact the total below as the Expenditures Report forecast is based on TY2011 data.*

The credits may be applied against the following taxes:

- Personal Income Tax (RIGL 44-30)

Personal Income		
Calendar Year	Taxpayers	Amount
2017	15,093	\$4,124,475
2018*	15,012	4,144,492
2019*	13,918	3,705,073
2020*	13,918	3,705,073
2021*	13,918	3,705,073

* ORA Estimates

25. Real or Personal Property Taxed in Another State (RIGL 44-40-3(b)): A tax is imposed upon every generation-skipping transfer in an amount equal to the amount allowable as a credit for state legacy taxes under 26 U.S.C. § 2604. If any of the property transferred is real property in another state or personal property having taxable situs in another state which requires the payment of a tax for which credit is received against the federal generation-skipping transfer tax, any tax due is reduced by its ratio of the value

of the property in the other state to the value of the gross generation-skipping transfer for federal generation-skipping transfer tax purposes. This credit is a component of the estate and transfer tax; it is separated out in the Tax Expenditures report because it falls under a separate section of law.

The credits may be applied against the following taxes:

- Generation-Skipping Transfer Tax (RIGL 44-40)

No statistics are available for this credit.

26. Rebuild Rhode Island (RIGL 42-64.20): The Rebuild RI tax credit program allows the Commerce Corporation to grant tax credits to promote development of commercial and residential real estate. Developers apply for these credits to the Commerce Corporation board, and if approved, may redeem these credits against certain state business tax liabilities.

The article allows the Secretary of Commerce to issue a tax credit based on the lesser of 30.0 percent of the project cost or the amount needed to close demonstrated financing gap up to \$15.0 million. Tax credits are issued once a certificate of occupancy has been obtained. If the amount of credit exceeds the taxpayers’ liability in a given year, the credit may be carried forward up to four years or until the full credit is used (whichever occurs first). Credits may be used against the following taxes: business corporations, financial institutions, insurance companies, public service corporations, and personal income taxes. Any use against sales and use taxes may be permitted at the discretion of the Secretary of Commerce. Prior to assignment of the credit, the State will have the right to redeem (purchase) the credits at 90.0 percent of the credit value.

A restricted receipt account is established (the Rebuild RI Fund) which will be funded annually by general revenue appropriations. On an annual basis, the Commerce Corporation will work with the Executive Office of Commerce, the Department of Administration, and the Division of Taxation to determine the availability of funds for the award of new tax credits. Each year, the Director of Revenue will request the amounts necessary to pay for the redemption of tax credits; however, the law does not limit the credit award to the amount available in the fund.

The credits 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)

Calendar Year	Business Corporations		Personal Income		Banks		Insurance		Public Service Corp.		Refund Option	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
2017	-	-	-	-	-	-	-	-	-	-	-	-
2018*	-	-	6	457,794	-	-	-	-	-	-	1	212,486
2019*	No estimate possible	158,743	No estimate possible	3,581,631	No estimate possible	-	No estimate possible	4,503,231	No estimate possible	-	No estimate possible	2,562,099
2020*	No estimate possible	196,821	No estimate possible	4,440,759	No estimate possible	-	No estimate possible	5,583,424	No estimate possible	-	No estimate possible	3,176,671
2021*	No estimate possible	329,449	No estimate possible	7,433,151	No estimate possible	-	No estimate possible	9,345,798	No estimate possible	-	No estimate possible	5,317,262

* ORA Estimates

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 percent of the first \$25,000 in additional qualified expenses, and 16.9 percent for expenses above \$25,000. The credit may not be used to reduce a company’s tax liability below 50.0 percent 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)

Calendar Year	Business Corporations		Insurance	
	Taxpayers	Amount	Taxpayers	Amount
2017	75	\$1,642,059	1	\$1,052,625
2018*	49	1,477,869	2	1,872,596
2019*	91	1,863,530	2	893,459
2020*	91	1,863,530	2	893,459
2021*	91	1,863,530	2	893,459

* ORA Estimates

28. Research & Development - Property Credit (RIGL 44-32-2): The State allows taxpayers a 10.0 percent 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)

Calendar Year	Business Corporations		Insurance	
	Taxpayers	Amount	Taxpayers	Amount
2017	2	\$60,142	-	-
2018*	-	-	-	-
2019*	2	36,980	-	-
2020*	2	36,980	-	-
2021*	2	36,980	-	-

* ORA Estimates

29. Residential Renewable Energy System Credit (RIGL 44-57): Rhode Island offers a 25.0 percent 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 caps 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 taxpayers may not reduce the tax owed below any minimum (when applicable). The credit may be applied against the following taxes:

- Business Corporations (RIGL 44-11)

No statistics are available for this credit.

30. Specialized Investment in Mill Building (RIGL 42-64.9-7): A certified mill building owner may be allowed a specialized investment tax credit for the rehabilitation and reconstruction costs of a certified building, which has been substantially rehabilitated. Once substantial rehabilitation is established by the taxpayer, the taxpayer may claim a 10.0 percent credit for all rehabilitation and reconstruction costs incurred with respect to the certified building within five (5) years from the date of final designation of the certified building by the Rhode Island Commerce Corporation.

The credits may be applied against the following taxes:

- Personal Income Tax (RIGL 44-30) *[Not allowable beginning TY2011]*

No statistics are available for this credit.

31. Stay Invested in RI Wavemaker Fellowship (RIGL 42-64.26): The Stay Invested in RI Wavemaker Fund is established to provide tax credits against the taxpayers' tax liability but shall not exceed 100.0 percent of the educational loan expenses incurred and paid by a taxpayer during a twelve month period for up to four consecutive years. The amount of the tax credit depends upon the degree earned by the taxpayer, i.e. \$1,000 for an associate degree up to \$6,000 for a graduate or post-graduate degree. Approximately 70.0 percent of the eligible candidates must be either a permanent Rhode Island resident or a graduate of a school in Rhode Island where the student loan debt occurred.

To receive a reimbursement award eligible candidates must: undergo a competitive application process which is not defined in the authorizing language; and, reside and be employed in the state with a career in the life, natural, or environmental sciences, computer technology, advanced mathematics or finance, engineering, industrial design, or other technological field, medicine or a field that promotes the state's economic strategic plan that is determined by the Commerce Corporation during the period of eligibility in receiving the loan repayment.

The credit may be applied against the following taxes:

- Personal Income (RIGL 44-30)

Calendar Year	Personal Income			
	Credit		Refund	
	Taxpayers	Amount	Taxpayers	Amount
2017	22	\$72,516	128	514,410
2018*	31	95,474	188	811,185
2019*	27	83,995	158	662,798
2020*	27	83,995	158	662,798
2021*	27	83,995	158	662,798

* ORA Estimates

32. Tax on Net Estate of Decedent (RIGL 44-22-1.1): Effective for deaths occurring on or after January 1, 2015, all estates are subject to tax beginning at the first \$1 regardless of the net taxable value of the estate. In lieu of the exemption threshold amount; however, estates are granted a non-refundable credit against estate taxes owed of \$65,370, adjusted annually by the percentage increase in the Consumer Price Index for all Urban Consumers (CPI-U). Estates with a net taxable value in excess of \$1.5 million will owe tax, but because of the credit, tax is not owed on the first \$1.5 million in estate value.

The credit may be applied against the following taxes:

- Estate and Transfer Tax (RIGL 44-22)

Calendar Year	Estate and Transfer Tax	
	Taxpayers	Amount
2017	742	\$37,000,000
2018*	747	35,200,000
2019*	696	30,966,667
2020*	696	30,966,667
2021*	696	30,966,667

* ORA Estimates

33. Taxes Paid to Other States (RIGL 44-30-18): A resident is allowed a credit, against the Rhode Island personal income tax otherwise due for the taxable year, for the aggregate of net income taxes imposed on

him or her for the taxable year by other states (including the District of Columbia) if the taxes are imposed irrespective of the residence of the taxpayer. The credit may not exceed the proportion of the taxpayer's Rhode Island personal income tax that the taxpayer's Rhode Island income derived from the other taxing states bears to his or her entire Rhode Island income for the same taxable year.

The credits may be applied against the following taxes:

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

Personal Income		
Calendar	Taxpayers	Amount
Year		
2017	86,781	\$193,026,414
2018*	91,239	205,685,665
2019*	91,239	205,685,665
2020*	91,239	205,685,665
2021*	91,239	205,685,665

* *ORA Estimates*

34. Wages Paid by Employers in Mill Buildings (RIGL 42-64.9-8): A taxpayer who owns and operates an eligible business within a certified mill building that has been substantially rehabilitated is allowed a credit against the Rhode Island business corporations and personal income taxes. The credit is equal to 100.0 percent of the total amount of Rhode Island salaries and wages as are paid to the same employees in excess of the prior calendar year. The maximum credit allowed per taxable year under the provision of the subsection is \$3,000 per qualified employee.

The credit may be applied against the following taxes:

- Business Corporations (RIGL 44-11)

No5 statistics are available for this credit.

Economic Development Related Tax Expenditures

The State offers incentives for individuals and businesses aimed at encouraging economic development. The following report summarizes only the major economic incentives and related expenditures.

The revenue impacts cited below are from both the Unified Economic Development Report and the 2020 Tax Expenditures Reports unless otherwise noted. The Department of Revenue, Office of Revenue Analysis annually publishes the “Unified Economic Development Report” by January 15th of each year. The report is required under RIGL 42-142-6 to provide comprehensive information regarding the tax credits or other tax benefits conferred related to several of the expenditures identified below during the preceding fiscal year. As noted in the Tax Credits report of this publication, the Department of Revenue, Office of Revenue Analysis also publishes a biennial report in even numbered years entitled the “Tax Expenditures Report,” which is designed 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 tax credits and incentives detailed in this summary are State incentives.

Summary of 2021 Tax Expenditures for Economic Development Incentive Programs

Program Title	RIGL	Type	FY2021 Cost*
Purchases Used for Manufacturing Purposes	44-18-30(7)	Exemption	\$389.4
Manufacturers' Machinery and Equipment	44-18-30(22)	Exemption	44.0
Rebuild Rhode Island - Credit	42-64.20	Credit	22.4
Motion Picture Production Tax Credit	44-31.2-5	Credit	14.6
Jobs Development	42-64.5	Rate Reduction	11.5
Historic Preservation	44-33.6-3	Credit	10.3
Historic Structures	44-33.2-3	Credit	6.0
Equipment for Research and Development	44-18-30(42)	Exemption	5.9
Rebuild Rhode Island - Sales and Use Exemption	42-64.20-5(o)	Exemption	4.6
New Qualified Jobs Incentive Act	44-48.3	Credit	4.6
Investment	44-31-1	Credit	3.1
Research and Development Expense	44-32-3	Credit	2.8
Biodiesel Portion of Blended Gallon of Diesel Fuel	31-36-1	Exemption	2.5
Contributions to Scholarship Organizations	44-62.3-6	Credit	1.2
Sales by Writers, Composers, and Artist	44-18-30.B	Exemption	1.0
Stay Invested in RI Wavemaker Fellowship	42-64.26	Credit	0.7
Musical and Theatrical Production	44-31.3-2	Credit	0.2
Research and Development Property	44-32-2	Credit	0.0
Tax Incentives for Employers	44-55-4.1	Modification	0.0
Qualified Investment in a Certified Venture Capital Partnership	44-43-2	Deduction	0.0
Project Status	42-64-20	Exemption	0.0
Jobs Growth Act	42-64.11-4	Modification	0.0
Gain from Stock Options in Qualifying Corporations	44-39.3-1	Modification	No Reliable Data
Long-Term Gain from Capital Investment in Small Business	44-43-5	Modification	No Estimate Possible
Total			\$525.0

*ORA Estimate

\$ in millions

1. Purchases Used for Manufacturing Purposes (RIGL 44-18-30(7)): Gross receipts from the sale, storage, use, or other consumption in this State of computer software, tangible personal property, and certain utilities, are exempt from sales tax under the following conditions:

- When the property or service is purchased for the purpose of being manufactured into a finished product for resale, and becomes an ingredient, component, or integral part of the manufactured, compounded, processed, assembled, or prepared product; or,
- If the property or service is consumed in the process of manufacturing for resale computer software, tangible personal property, electricity, natural gas, artificial gas, steam, refrigeration, or water.

This tax expenditure item is applied against the following tax:

- Sales and Use (RIGL 44-18)

Sales and Use Tax		
Fiscal Year	Taxpayers	Amount
2017	No Estimate Possible	\$389.4
2018*	No Estimate Possible	\$389.4
2019*	No Estimate Possible	\$389.4
2020*	No Estimate Possible	\$389.4
2021*	No Estimate Possible	\$389.4

** ORA Estimates*

\$ in millions

2. Manufacturers' Machinery and Equipment (RIGL 44-18-30(22)): The sale, storage, use or other consumption of tools, dies, and molds, and machinery and equipment used in the furnishing of power to an individual manufacturing plant is exempt from the sales and use tax. This includes replacement parts and related items to the extent used in connection with the actual manufacture, conversion, or processing of tangible personal property or computer software. Machinery and equipment used in administration or distribution operations is not exempt.

This tax expenditure item is applied against the following tax:

- Sales and Use (RIGL 44-18)

Sales and Use Tax		
Fiscal Year	Taxpayers	Amount
2017	No Estimate Possible	\$38.8
2018*	No Estimate Possible	\$39.2
2019*	No Estimate Possible	\$40.8
2020*	No Estimate Possible	\$42.5
2021*	No Estimate Possible	\$44.0

** ORA Estimates*

\$ in millions

3. Rebuild Rhode Island – Tax Credit (RIGL 42-64.20): The Rebuild RI tax credit program allows the Commerce Corporation to grant tax credits to promote development of commercial and residential real

estate. Developers apply for these credits to the Commerce Corporation board, and if approved, may redeem these credits against certain state business tax liabilities.

The article allows the Secretary of Commerce to issue a tax credit based on the lesser of 30.0 percent of the project cost or the amount needed to close demonstrated financing gap up to \$15.0 million. Tax credits are issued once a certificate of occupancy has been obtained. If the amount of credit exceeds the taxpayers' liability in a given year, the credit may be carried forward up to four years or until the full credit is used (whichever occurs first). Credits may be used against the following taxes: business corporations, financial institutions, insurance companies, public service corporations, and personal income taxes. Any use against sales and use taxes may be permitted at the discretion of the Secretary of Commerce. Prior to assignment of the credit, the State will have the right to redeem (purchase) the credits at 90.0 percent of the credit value.

A restricted receipt account is established (the Rebuild RI Fund) which will be funded annually by general revenue appropriations. On an annual basis, the Commerce Corporation will work with the Executive Office of Commerce, the Department of Administration, and the Division of Taxation to determine the availability of funds for the award of new tax credits. Each year, the Director of Revenue will request the amounts necessary to pay for the redemption of tax credits; however, the law does not limit the credit award to the amount available in the fund.

Originally there was no limit (per project or in the aggregate) on the amount of sales tax exemptions that CommerceRI may approve. The FY2019 Budget as Enacted established both a per-project and an aggregate limit by folding the total amount of sales tax exemptions under the same program caps that the Rebuild RI tax credits are subjected to. The combined value of tax credits and sales tax exemptions is calculated retroactively to the beginning of the program for purposes of the overall program cap. Qualified projects awarded combined tax credits and sales tax exemptions in excess of the \$15.0 million per project threshold prior to the enactment of Article 12 are not subject to the new limit.

- **New Cap:** The Budget increased the maximum number of aggregate Rebuild RI tax credits and sales tax exemptions allowed to be issued to \$210.0 million. The original limit was \$150.0 million and pertained only to the tax credits. CommerceRI has approved \$109.5 million in tax credits and \$40.9 million in sales tax exemptions across 34 projects, for a total of \$150.4 million, or 71.6 percent of the total cap authorized by the article.
- **Per-Project Tax Credit and Sales Tax Exemption Limit:** The Budget also provided a special exemption to the \$15.0 million per-project cap on the combined amount of tax credits and sales tax exemptions that may be issued. This special exemption is applicable only to the project that the I-195 Redevelopment District has been authorized to enter into a purchase and sale agreement for parcels 42 and P4 (Fane Tower). The exemption allows combined credits and exemptions up to \$25.0 million. This project also does not count towards the overall program cap of \$210.0 million.

The credits 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)

Calendar Year	Business Corporations		Personal Income		Banks		Insurance		Public Service Corp.		Refund Option	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
2017	-	-	-	-	-	-	-	-	-	-	-	-
2018*	-	-	6	457,794	-	-	-	-	-	-	1	212,486
2019*	No estimate possible	158,743	No estimate possible	3,581,631	No estimate possible	-	No estimate possible	4,503,231	No estimate possible	-	No estimate possible	2,562,099
2020*	No estimate possible	196,821	No estimate possible	4,440,759	No estimate possible	-	No estimate possible	5,583,424	No estimate possible	-	No estimate possible	3,176,671
2021*	No estimate possible	329,449	No estimate possible	7,433,151	No estimate possible	-	No estimate possible	9,345,798	No estimate possible	-	No estimate possible	5,317,262

* ORA Estimates

4. Motion Picture Production Credit (44-31.2): The State offers a tax credit for motion picture production companies equivalent to 25.0 percent of qualified production costs attributable to expenditures from to activity within the State. The credits are transferable, and unused portions may be carried forward for up to three years. The 2012 General Assembly capped the total credit issuance for a given production at \$5.0 million in a given year, and productions must meet a minimum \$100,000 production budget threshold to qualify. The Tax Administrator may waive the tax credit cap for any feature length film or television series to use up any unused amounts in the motion picture tax credit program up to the \$15.0 million annual threshold. Several other modifications were made regarding the credit, including clarification of definitions in the statute and expanding the eligibility to documentary, musical, and theatrical productions. Under a sunset provision enacted in 2012, no film tax credits can be issued on or after July 1, 2019, unless a production has received initial certification prior to July 1, 2019.

This tax expenditure item 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)

Calendar Year	Business Corporations		Personal Income		Banks		Insurance	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
2017	3	1,124,973	24	\$800,187	-	-	5	\$209,001
2018*	1	1,322,213	6	382,210	-	-	4	348,285
2019*	Unknown	1,311,618	Unknown	2,501,695	Unknown	-	Unknown	452,195
2020*	Unknown	3,387,547	Unknown	5,410,847	Unknown	589,618	Unknown	755,312
2021*	Unknown	4,338,683	Unknown	7,473,523	Unknown	1,327,489	Unknown	1,471,726

* ORA Estimates

5. Jobs Development Act (RIGL 42-64.5): The Jobs Development Act (JDA) allows for an incremental reduction in the corporate income tax rate (currently 7.0 percent) 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 percent) 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 percent), 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 150.0 percent 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 percent of the State minimum wage rate.

The JDA could be impacted by the corporate tax reform legislation passed in the FY2015 Budget as Enacted. This legislation instituted combined reporting and reduced the corporate tax rate from 9.0 percent to 7.0 percent. Tax rate reductions authorized under RIGL 42-64.5 are allowed against the net income of the combined group.

Any company eligible for this incentive program and required to file and pay taxes under Rhode Island business corporations tax statutes (RIGL 44-11) will determine the rate reduction by multiplying the aggregate amount of new employment of the eligible company and its eligible subsidiaries for each taxable year by 0.20 percent. The amount of each rate reduction shall in no event be greater than 4.0 percentage points for tax years beginning on or after January 1, 2015.

This tax expenditure item 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)

Calendar Year	Business Corps.		Public Service Corps.		Banks		Insurance	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
2017*	4	1,877,840	-	-	1	7,074,323	-	-
2018*	4	1,414,740	-	-	1	6,448,475	-	-
2019*	4	1,570,000	-	-	1	9,956,752	-	-
2020*	4	1,620,860	-	-	1	7,826,517	-	-
2021*	4	1,620,860	-	-	1	7,826,517	-	-

* ORA Estimates

6. Historic Preservation: A taxpayer that incurs qualified rehabilitation expenditures (QREs) for the substantial rehabilitation of a certified historic structure, provided the taxpayer is not a social club, is entitled to a credit is equal to 20.0 percent of the QREs for any certified historic structure or 25.0 percent of the QREs, provided that either:

- At least 25.0 percent of the total rentable area of the certified historic structure will be made available for trade or business; or,
- The entire rentable area located on the first floor of the certified historic structure will be made available for a trade or business.

Tax credits are allowed for the tax year in which the structure or an identifiable portion of the structure is placed into service. The maximum credit cannot exceed \$5.0 million for all phases of any certified rehabilitation project and the total credits authorized cannot exceed the sum of the estimated credits available in the historic preservation tax credit trust fund. *[Note: Beginning in 2013, the Historic Structures Tax Credit (RIGL 44-33.2) effectively became a “new” credit (RIGL 44-33.6). While the credit essentially works the same way, the Office of Revenue Analysis reports each program separately since some credits that were initially claimed under the old program are being used.]*

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)

Calendar Year	Business Corporations		Personal Income		Banks		Insurance		Public Service Corp.		Non-Profit Refund	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
2017	-	-	32	\$2,344,431	-	-	1	\$302,613	-	-	2	3,135,658
2018*	Unknown	-	Unknown	-	Unknown	-	5	8,283,862	Unknown	-	2	2,500,000
2019*	Unknown	174,667	Unknown	4,213,823	Unknown	-	Unknown	3,703,277	Unknown	-	Unknown	5,273,212
2020*	Unknown	138,066	Unknown	3,382,048	Unknown	-	Unknown	4,879,950	Unknown	-	Unknown	4,029,750
2021*	Unknown	110,507	Unknown	2,639,527	Unknown	-	Unknown	3,662,518	Unknown	-	Unknown	3,921,279

* ORA Estimates

7. Historic Structures (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 30.0 percent 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 percent, 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.

However, in 2012, a new law was enacted that reopened the program under a new and separate chapter of the law. Certain projects were grandfathered into the program and continued, however, other projects were “abandoned” – leaving approximately \$34.5 million in credits unclaimed and available as of May 15, 2013. The new provisions re-titled the credits as “historic preservation tax credits” and vary from the former program in the following ways:

- Allows for the reissuance of tax credits previously issued but subsequently abandoned or forfeited by developers.
- Creates two tiers of tax credits. Approved projects qualify for tax credits of 25.0 percent of qualified expenditures if the first floor or at least 25.0 percent of the structure will be rentable by a trade or business; all other approved projects qualify for tax credits of 20.0 percent.
- Requires projects over \$10.0 million in hard construction cost utilize contractors and sub-contractors with approved apprenticeship programs.
- Includes a three-year sunset, with no new credits to be issued after June 30, 2016.
- Limits credits to \$5.0 million per project.

- Allows for the forfeiture of credits if substantial construction (defined as expenditure of 10 percent of qualified rehabilitation expenditures) have not commenced within 12 months of project approval or if the project remains idle for more than six months.
- Makes application fees nonrefundable.

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)

Calendar Year	Business Corporations		Personal Income		Banks		Insurance		Public Service Corp.	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
2017	1	16,357	71	\$2,203,050	-	-	28	\$19,807,679	-	-
2018*	-	-	-	-	-	-	99	3,978,983	-	-
2019*	Unknown	63,031	Unknown	1,260,922	Unknown	-	Unknown	4,498,390	Unknown	-
2020*	Unknown	110,054	Unknown	2,228,672	Unknown	-	Unknown	2,203,971	Unknown	-
2021*	Unknown	119,032	Unknown	2,647,514	Unknown	-	Unknown	3,239,103	Unknown	-

* ORA Estimates

8. Equipment for Research and Development (RIGL 44-18-30(42)): The sale, storage, use, or other consumption of scientific equipment, computers, software, and related items to the extent used for research and development purposes by a business for which the use of research and development equipment is an integral part of its operation is exempt from the sales and use tax.

This tax expenditure may be applied against the following taxes:

- Sales and Use (RIGL 44-30)

Fiscal Year	Sales and Use Tax	
	Taxpayers	Amount
2017	No Estimate Possible	\$5,035,780
2018*	No Estimate Possible	\$5,278,597
2019*	No Estimate Possible	\$5,487,458
2020*	No Estimate Possible	\$5,726,568
2021*	No Estimate Possible	\$5,926,592

* ORA Estimates

9. Rebuild Rhode Island – Sales and Use Tax Exemption (RIGL 42-64.20): The Rebuild RI tax credit program allows the Commerce Corporation to grant tax credits to promote development of commercial and residential real estate. Developers apply for these credits to the Commerce Corporation board, and if approved, may redeem these credits against certain state business tax liabilities.

The article allows the Secretary of Commerce to issue a tax credit based on the lesser of 30.0 percent of the project cost or the amount needed to close demonstrated financing gap up to \$15.0 million. Tax credits are issued once a certificate of occupancy has been obtained. If the amount of credit exceeds the taxpayers’

liability in a given year, the credit may be carried forward up to four years or until the full credit is used (whichever occurs first). Credits may be used against the following taxes: business corporations, financial institutions, insurance companies, public service corporations, and personal income taxes. Any use against sales and use taxes may be permitted at the discretion of the Secretary of Commerce. Prior to assignment of the credit, the State will have the right to redeem (purchase) the credits at 90.0 percent of the credit value.

A restricted receipt account is established (the Rebuild RI Fund) which will be funded annually by general revenue appropriations. On an annual basis, the Commerce Corporation will work with the Executive Office of Commerce, the Department of Administration, and the Division of Taxation to determine the availability of funds for the award of new tax credits. Each year, the Director of Revenue will request the amounts necessary to pay for the redemption of tax credits; however, the law does not limit the credit award to the amount available in the fund.

Originally there was no limit (per project or in the aggregate) on the amount of sales tax exemptions that CommerceRI may approve. The FY2019 Budget as Enacted established both a per-project and an aggregate limit by folding the total amount of sales tax exemptions under the same program caps that the Rebuild RI tax credits are subjected to. The combined value of tax credits and sales tax exemptions is calculated retroactively to the beginning of the program for purposes of the overall program cap. Qualified projects awarded combined tax credits and sales tax exemptions in excess of the \$15.0 million per project threshold prior to the enactment of Article 12 are not subject to the new limit.

- **New Cap:** The Budget increased the maximum number of aggregate Rebuild RI tax credits and sales tax exemptions allowed to be issued to \$210.0 million. The original limit was \$150.0 million and pertained only to the tax credits. CommerceRI has approved \$109.5 million in tax credits and \$40.9 million in sales tax exemptions across 34 projects, for a total of \$150.4 million, or 71.6 percent of the total cap authorized by the article.
- **Per-Project Tax Credit and Sales Tax Exemption Limit:** The Budget also provided a special exemption to the \$15.0 million per-project cap on the combined amount of tax credits and sales tax exemptions that may be issued. This special exemption is applicable only to the project that the I-195 Redevelopment District has been authorized to enter into a purchase and sale agreement for parcels 42 and P4 (Fane Tower). The exemption allows combined credits and exemptions up to \$25.0 million. This project also does not count towards the overall program cap of \$210.0 million.

This tax expenditure may be applied against the following taxes:

- Sales and Use (RIGL 44-30)

Sales and Use Tax		
Fiscal Year	Taxpayers	Amount
2017		-
2018*		-
2019*	1	\$531,513
2020*	No Estimate Possible	7,685,385
2021*	No Estimate Possible	4,613,000

* ORA Estimates

10. New Qualified Jobs Incentive Act (RIGL 44-48.3): The Act authorizes the creation of the Rhode Island New Qualified Jobs Incentive Act of 2015, an incentive program for businesses to enter into an “incentive agreement” with the Rhode Island Commerce Corporation from 2015 through 2018 to receive a base tax credit of \$2,500 per new full-time job, where a full-time job is one in which an employee works at least 35

hours per week, earns at least the median hourly wage in the state, and has wages earned subject to withholding tax. The number of new jobs to be created by the business is on a graduated scale depending on the number of existing full time employees the business possesses at the date of application of the credit. The program may provide the eligible business a tax credit not to exceed ten years.

In addition to the base credit, if the business is located in a “Hope Community”, or operates in a targeted industry, or is located in a transit oriented development area, or is an out-of-state business that relocates a business unit or creates a “significant number” of new full-time jobs, a credit of up to \$7,500 per new full-time job can be awarded if the business enters into an “incentive agreement” with the Rhode Island Commerce Corporation from 2015 through 2018.

The tax expenditure may be applied against:

- Personal Income Tax (RIGL 44-30)

Personal Income		
Calendar Year	Taxpayers	Amount
2017	1	\$40,187
2018*	1	96,042
2019*	14	1,870,412
2020*	17	2,689,545
2021*	22	4,609,790

* ORA Estimates

11. Investment Tax Credit (RIGL 44-31): A 4.0 percent 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 10.0 percent 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 125.0 percent of the average annual wage paid by all employers in the State (125.0 percent of the average annual wage paid to all covered workers in 2012 was equal to \$55,726), 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 2.0 percent of total payroll costs in worker training or retraining programs.

This tax expenditure item may be applied against the following taxes:

- Business Corporations (RIGL 44-11)

- Banks (RIGL 44-14)
- Insurance Companies (RIGL 44-17)

Calendar Year	Business Corporations		Banks		Insurance	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
2017	38	1,157,085	1	2,489,188	2	\$361,335
2018*	16	253,723	-	-	1	346,899
2019*	32	865,028	1	2,050,629	2	222,666
2020*	32	865,028	1	2,050,629	2	222,666
2021*	32	865,028	1	2,050,629	2	222,666

* ORA Estimates

12. Research and Development Expense: Rhode Island offers a tax credit for qualified research and development expenses incurred after a defined base period. The credit equals 22.5 percent of the first \$25,000 in additional qualified expenses, and 16.9 percent for expenses above \$25,000. The credit may not be used to reduce a company's tax liability below 50.0 percent 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)

Calendar Year	Business Corporations		Insurance	
	Taxpayers	Amount	Taxpayers	Amount
2017	75	\$1,642,059	1	\$1,052,625
2018*	49	1,477,869	2	1,872,596
2019*	91	1,863,530	2	893,459
2020*	91	1,863,530	2	893,459
2021*	91	1,863,530	2	893,459

* ORA Estimates

13. Biodiesel Portion of Blended Gallon of Diesel Fuel (RIGL 31-36-1): An excise tax exemption is provided for manufactured biodiesel fuel, mono-alkyl esters of long chain fatty acids derived from vegetable oils or animal fats which conform to certain specifications for use in diesel engines. Manufacture of the fuel must result in employment with a manufacturer at a fixed location and it must be sold in Rhode Island. Any volume of biodiesel fuel that is subsequently blended with other fuels and is used for heating purposes or for operating or propelling motor vehicles notwithstanding the portion of biodiesel blended into any fuel is also exempt from taxation.

This tax expenditure may be applied against the following taxes:

- Motor Fuel Tax (RIGL 31-36-1)

Fiscal Year	Motor Fuel	
	Taxpayers	Amount
2017	1	\$1,485,727
2018*	1	\$2,120,414
2019*	1	\$2,491,881
2020*	1	\$2,491,881
2021*	1	\$2,491,881

* ORA Estimates

14. Contributions to Scholarship Organizations: 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 75.0 percent credit for donations for a one-year contribution, and up to 90.0 percent 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 \$1.5 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 90.0 percent 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 250.0 percent 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)

Calendar Year	Business Corporations		Personal Income		Banks		Insurance		Public Service Corp.	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
2017	-	-	73	\$1,244,055	-	-	1	\$45,000	-	-
2018*	-	-	52	1,027,707	-	-	-	-	-	-
2019*	-	-	74	1,185,730	-	-	1	30,000	-	-
2020*	-	-	74	1,185,730	-	-	1	30,000	-	-
2021*	-	-	74	1,185,730	-	-	1	30,000	-	-

* ORA Estimates

15. Sales by Writers, Composers, and Artists (RIGL 44-18-30(B)): The State exempts sales of artistic works by: (a) an individual who is a resident of and has a principal place of business situated in this state; (b) a writer, composer or artist conducting their business as a legal entity organized and registered under the laws of this state and that has its principal place of business situated in this state; or (c) any art gallery located in the state of Rhode Island are exempt from the State sales and use tax. Prior to December 1, 2013, qualifying zones were defined in the statute and included portions of Providence, Pawtucket, Westerly, Newport, Little

Compton, Tiverton, Warren, Warwick, Woonsocket and West Warwick. The FY2014 Budget as Enacted expanded the art districts program statewide, exempting all original, one-of-a-kind limited production creative works from sales and use taxes in order to increase tourism and economic activity and to strengthen the Rhode Island’s marketability as the “state of the arts”. The statute requires the tax administrator, along with the Rhode Island Council on the Arts, to report annually on the impact of the statewide tax exemption on employment, tourism, sales and spending within the arts sector. There is no sunset to the exemption. The credit may be applied against taxes in the tax year in which the expenses are incurred.

This tax expenditure may be applied against the following tax:

- Sales and Use (RIGL 44-18)

Sales and Use Tax		
Fiscal Year	Taxpayers	Amount
2017	652	\$962,478
2018*	785	\$918,019
2019*	785	\$990,136
2020*	785	\$990,136
2021*	785	\$990,136

* ORA Estimates

16. Stay Invested in RI Wavemaker Fellowship (RIGL 42-64.26): The Stay Invested in RI Wavemaker Fund is established to provide tax credits against the taxpayers’ tax liability but shall not exceed 100.0 percent of the educational loan expenses incurred and paid by a taxpayer during a twelve month period for up to four consecutive years. The amount of the tax credit depends upon the degree earned by the taxpayer, i.e. \$1,000 for an associate degree up to \$6,000 for a graduate or post-graduate degree. Approximately 70.0 percent of the eligible candidates must be either a permanent Rhode Island resident or a graduate of a school in Rhode Island where the student loan debt occurred.

To receive a reimbursement award eligible candidates must: undergo a competitive application process which is not defined in the authorizing language; and, reside and be employed in the state with a career in the life, natural, or environmental sciences, computer technology, advanced mathematics or finance, engineering, industrial design, or other technological field, medicine or a field that promotes the state’s economic strategic plan that is determined by the Commerce Corporation during the period of eligibility in receiving the loan repayment.

The credit may be applied against the following taxes:

- Personal Income (RIGL 44-30)

Calendar Year	Personal Income			
	Credit		Refund	
	Taxpayers	Amount	Taxpayers	Amount
2017	22	\$72,516	128	514,410
2018*	31	95,474	188	811,185
2019*	27	83,995	158	662,798
2020*	27	83,995	158	662,798
2021*	27	83,995	158	662,798

* ORA Estimates

17. Musical and Theatrical Production (RIGL 44-31.3-2): Any person, firm, partnership, trust, estate or other entity that receives an accredited theater production certificate shall be allowed a tax credit equal to 25.0 percent of the total production and performance expenditures and transportation expenditures for the accredited theater production. The credit may not exceed \$5.0 million and is limited to certified production costs directly attributable to activities in the State and transportation expenditures. The total production budget must be a minimum of \$100,000. No more than \$15,000,000 may be issued for any tax year for motion picture tax credits and/or musical and theatrical production tax credits. These credits are equally available to motion picture productions and musical and theatrical productions. No specific amount is set aside for either type of production.

This tax expenditure 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)

Calendar Year	Business Corporations		Personal Income		Banks		Insurance		Public Service Corp.	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
2017	-	-	28	\$520,959	-	-	-	-	-	-
2018*	-	-	5	58,211	-	-	-	-	-	-
2019*	Unknown	-	Unknown	692,905	Unknown	-	Unknown	-	Unknown	-
2020*	Unknown	-	Unknown	442,020	Unknown	-	Unknown	-	Unknown	-
2021*	Unknown	-	Unknown	236,007	Unknown	-	Unknown	-	Unknown	-

* ORA Estimates

18. Research and Development Property: The State allows taxpayers a 10.0 percent 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)

Calendar Year	Business Corporations		Insurance	
	Taxpayers	Amount	Taxpayers	Amount
2017	2	\$60,142	-	-
2018*	-	-	-	-
2019*	2	36,980	-	-
2020*	2	36,980	-	-
2021*	2	36,980	-	-

* ORA Estimates

19. Tax Incentives for Employers (RIGL 44-55-4.1): The State allows for a deduction or modification equal to 40.0 percent 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.

This tax expenditure 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)

No statistics are available for this credit.

20. Project Status (CommerceRI) (RIGL 42-64-20): The Rhode Island Commerce Corporation (CommerceRI) 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 5.0 percent 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. In 2011, the project status law was amended to no longer allow the sales tax exemptions applicable to firms that use bond financing programs offered through CommerceRI or which are given project status by CommerceRI for projects after June 30, 2011.

Prior to 2009, the General Assembly had to approve project status through passage of a joint resolution; however, the General Assembly amended this law in 2009 allowing CommerceRI 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 below outlines the number of projects and sales tax reimbursements granted since Project Status began. 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.

This expenditure item may be applied against the following tax:

- Sales and Use (RIGL 44-18)

Sales and Use Tax		
Fiscal Year	Taxpayers	Amount
2017	-	-
2018*	-	-
2019*	-	-
2020*	-	-
2021*	-	-

* ORA Estimates

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 50.0 percent of their performance-based compensation from their Rhode Island gross income. In exchange, the participating company pays a 5.0 percent tax each year on the performance based income paid that year.

The incentive is offered to businesses that hire at least 100 new employees with at least \$10.0 million in new employment payroll. The new employees must earn at least 125.0 percent 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 Commerce 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 percent tax on performance-based compensation exceeds 50.0 percent of the top marginal tax rate of 9.9 percent. *[Effectively eliminated due to the personal income tax reforms of 2010.]*

This tax expenditure may be applied against the following tax:

- Personal Income Tax (RIGL 44-30)

No modifications have been taken against these taxes since TY2010. That year, a total of \$4.1 million from 1,247 taxpayers was credited against the personal income tax.

22. Long-Term Gain from Capital Investment in Small Business (RIGL 44-43-5): 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). *[Effectively eliminated due to the personal income tax reforms of 2010.]*

This tax expenditure may be applied against the following taxes:

- Personal Income (RIGL 44-30)

No statistics are available for this credit.

23. Jobs Growth Act (RIGL 42-64.11): The Jobs Growth Act, passed in 2005, allows certain companies to offer their employees an exclusion of 50.0 percent of their performance-based compensation from their Rhode Island gross income. In exchange, the participating company pays a 5.0 percent tax each year on the performance based income paid that year.

The incentive is offered to businesses that hire at least 100 new employees with at least \$10.0 million in new employment payroll. The new employees must earn at least 125.0 percent 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 Commerce 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 percent tax on performance-based compensation exceeds 50.0 percent of the top marginal tax rate of 9.9 percent. The exclusion may be applied against the following taxes:

- Personal Income Tax (RIGL 44-30)

No statistics are available for this credit.

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Commission on Disabilities
Convention Center Authority
Ethics Commission
General Treasurer
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Human Rights Commission
I-195 Redevelopment Commission
Lieutenant Governor
Military Staff
Public Defender
Public Utilities Commission
Quonset Development Corporation
RI Emergency Management Agency
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Arts Council
Atomic Energy Commission
Coastal Resources Management Council
Elementary and Secondary Education
Environmental Management
Health & Educational Building Corporation
Higher Education
Judiciary
Narragansett Bay Commission
Resource Recovery Corporation
RI Infrastructure Bank
Student Loan Authority
Revenue
RI Commerce Corporation
RIHMFC (RI Housing)

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Behavioral Healthcare, Developmental
Disabilities, and Hospitals
Business Regulation
Commission on Deaf and Hard of Hearing
Health
HealthSource RI
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Legislature
Public Safety
Revenue
RI Commerce Corporation
RIHMFC (RI Housing)

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Executive Office of Health and Human Services
Children, Youth, and Families
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Corrections
Historic Preservation and Heritage Commission
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RI Airport Corporation
RI Public Transit Authority
RI Turnpike & Bridge Authority
Transportation

