



SENATE FISCAL OFFICE
REPORT

2011
REVENUE REPORT

MARCH 1, 2011

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2011 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 comparisons with Massachusetts and Connecticut. The report is designed to serve as a quick reference guide to major revenue sources to the State.

In FY2011, the State is projected to collect \$3,037.4 million in taxes and other sources, which represents a 0.7 percent increase from FY2010. Approximately 68.9 percent of all estimated FY2011 collections are generated through personal income, sales and lottery taxes. This has declined since FY2000, where these sources represented 70.3 percent of total collections. FY2011 personal income tax collections of \$936.5 million represent the largest single tax source to the State - approximately 30.8 percent of total collections. Sales tax collections, Rhode Island's second largest tax source, represent 26.5 percent of the State's collections. And the third largest source – lottery – represents approximately 11.4 percent of the State's total tax collections.

Fiscal Year	FY1990	FY2000	FY2010	FY2011 Nov REC Est.	FY2012 Nov REC Est.
TAXES					
Personal Income Tax	\$433,728,358	\$817,079,620	\$898,113,113	\$936,500,000	\$947,800,000
GENERAL BUSINESS TAXES:					
Business Corporations	64,428,973	75,741,799	143,646,515	123,300,000	131,000,000
Public Utilities Gross Earnings	66,312,767	73,011,717	95,792,717	97,000,000	99,000,000
Financial Institutions	9,683,373	7,683,012	4,058,897	250,000	500,000
Insurance Companies	37,094,985	31,324,916	95,921,454	98,200,000	100,700,000
Bank Deposits	9,974,023	947,979	1,860,271	1,900,000	1,950,000
Health Care Provider Assessments	0	24,641,523	40,254,281	40,500,000	41,800,000
Subtotal	\$187,494,121	\$213,350,946	\$381,534,135	\$361,150,000	\$374,950,000
SALES AND USE TAXES:					
Sales and Use	399,768,790	631,304,598	803,394,856	805,500,000	824,000,000
Motor Vehicle	29,443,630	42,960,129	48,285,182	51,800,000	51,900,000
Motor Fuel	74,067,260	641,041	968,870	1,100,000	1,100,000
Cigarettes	38,673,799	59,392,252	138,315,461	135,000,000	131,800,000
Alcohol	10,832,476	9,209,855	11,269,477	12,000,000	12,200,000
Marijuana Controlled Substances	1,044	165	0	0	0
Subtotal	\$552,786,999	\$743,508,040	\$1,002,233,846	\$1,005,400,000	\$1,021,000,000
OTHER TAXES:					
Inheritance and Gift	26,889,781	35,563,398	29,056,952	28,300,000	28,900,000
Racing & Athletics Tax	11,181,394	5,374,515	1,492,221	1,250,000	1,100,000
Realty Transfer	4,558,241	2,173,033	6,993,915	6,400,000	6,500,000
Subtotal	\$42,629,416	\$43,110,946	\$37,543,088	\$35,950,000	\$36,500,000
TOTAL - Taxes	\$1,216,638,894	\$1,817,049,552	\$2,319,424,182	\$2,339,000,000	\$2,380,250,000
DEPARTMENTAL REVENUE					
TOTAL - Departmental Revenues	148,167,563	204,991,741	333,128,045	334,700,000	197,300,000
TOTAL - Taxes & Departmentals	\$1,364,806,457	\$2,022,041,293	\$2,652,552,227	\$2,673,700,000	\$2,577,550,000
OTHER SOURCES					
Gas Tax Transfers	0	15,040,727	24,134	0	
Other Miscellaneous	79,415,750	83,412,911	12,528,073	10,855,000	3,790,000
Lottery	27,218,927	150,283,635	344,672,747	347,500,000	351,500,000
Unclaimed Property	4,351,835	3,520,488	5,867,150	5,300,000	5,200,000
TOTAL- Other Sources	\$110,986,512	\$252,257,761	\$363,092,104	\$363,655,000	\$360,490,000
TOTAL- GENERAL REVENUE	\$1,475,792,969	\$2,274,299,054	\$3,015,644,331	\$3,037,355,000	\$2,938,040,000

DESCRIPTION

In June 2010 legislation was enacted that reformed the State’s Personal Income Tax beginning in tax year 2011. This revised structure reduced the top marginal tax rate from 9.9 percent to 5.99 percent. Personal Income taxes are deposited as General Revenues.

Payments are due based on the following schedule:

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

The revised system:

- Bases Rhode Island’s personal income tax on federal Adjusted Gross Income (AGI);
- Permits only a standard deduction to determine Rhode Island taxable income, and thus no longer permits taxpayers to itemize their deductions. Deductions phase out between taxable adjusted gross income levels of \$175,000 and \$200,000;
- Establishes exemption amount of \$3,500 for each tax filer and dependent, and annually adjusts for inflation. Exemptions phase out between taxable adjusted gross income levels of \$175,000 and \$200,000;
- Creates three taxable income brackets with a top rate of 5.99 percent;

Income Between...	Is Taxed at...
\$0 and \$55,000	3.75%
\$55,000 and \$125,000	4.75%
\$125,000 and above	5.99%

- Eliminates the alternative flat tax and the alternative minimum tax;
- Treats capital gains as ordinary income as provided in current law; and
- Permits nine credits against the tax.

COLLECTION HISTORY

	Amount	% Change
FY2002	\$808.1	
FY2003	813.3	0.7%
FY2004	870.2	7.0%
FY2005	979.1	12.5%
FY2006	996.8	1.8%
FY2007	1,065.4	6.9%
FY2008	1,073.8	0.8%
FY2009	940.5	-12.4%
FY2010	898.1	-4.5%
FY2011 Est.	936.5	4.3%
FY2012 Est.	\$947.8	1.2%

\$ in millions

RECENT AMENDMENTS

The 2010 General Assembly enacted legislation (S-2921) that significantly amended the Personal Income Tax system in Rhode Island. The current system, as well as the optional flat tax, will expire after tax year 2010 filings. The FY2011 Budget as Enacted included estimated revenue reductions of \$141,418 based on data provided by the Office of Revenue Analysis. Impacts from the law change are incorporated into the FY2011 and FY2012 estimates noted above.

A summary of the pre-TY2011 Personal Income Tax can be found on the following page.

Personal Income Tax Comparison: New England		
	Top Rate	Applies to Taxable Income Above:
Rhode Island (old rate)	9.9% or 6.0% FT	\$372,950
Vermont	9.0%	372,950
Maine	8.5%	19,750
Connecticut	6.5%	500,000
Rhode Island (revised)	5.99%	\$125,000
Massachusetts	5.3%	-
New Hampshire		<i>None</i>

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

TAX EXEMPTIONS

- Child and Dependent Care Tax Credit
- Credit for Taxes Withheld
- Earned Income Tax Credit
- Historic Structures Tax Credit
- Income Taxes Paid to Other States
- K-12 Scholarship Contributions Credit
- Lead Paint Abatement Credit
- Motion Picture Production Credit
- Property Tax Relief Credit / Refund

Pre-TY2011 Personal Income Tax: The Old System

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

Payments were due based on the following schedule:

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

Personal Income taxes are deposited as General Revenues. Rhode Island's personal income tax system consists of five brackets and a top rate of 9.9 percent, beginning at an income level of \$373,650.

Tax Rate		Single Filers	Married- Joint Filers
3.75%	on first	\$34,000	\$56,800
7.00%	between	\$34,000 and \$82,400	\$56,800 and \$137,300
7.75%	between	\$82,400 and \$171,850	\$137,300 and \$209,250
9.00%	between	\$171,850 and \$373,650	\$209,250 and \$373,650
9.90%	over	\$373,650	\$373,650

Optional Flat Tax - The 2006 General Assembly adopted the optional flat tax provision, which allows taxpayers to pay a reduced tax rate, but without the use of exemptions, deductions or tax credits. The flat tax rate for TY2010 is 6.0 percent. Based on TY2008 data, more than 95.0 percent of flat tax filers occur in income brackets of greater than \$200,000 annually.

Flat Tax Rate Reduction

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

DESCRIPTION

Rhode Island imposes a Corporate Income tax equivalent to 9.0 percent of net income attributable to Rhode Island operations. The minimum tax is \$500 annually, increased from \$250 beginning in 2004. The State also has a franchise tax, with a similar \$500 annual minimum. Taxpayers must pay the higher of the corporation or franchise tax liability, but not both.

Payments are generally due based on the following schedule:

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

Business Corporations taxes are deposited as General Revenues.

Based on TY2008 data, of the 48,597 corporate filers, 45,063 (92.7 percent) claimed the minimum tax liability (\$500), but represented approximately 15.0 percent of total collections.

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

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

COLLECTION HISTORY

	Amount	% Change
FY2002	\$32.8	
FY2003	62.8	91.7%
FY2004	76.0	21.0%
FY2005	116.0	52.7%
FY2006	165.1	42.3%
FY2007	148.1	-10.2%
FY2008	151.4	2.2%
FY2009	104.4	-31.0%
FY2010	143.6	37.5%
FY2011 Est.	123.3	-14.2%
FY2012 Est.	\$131.0	6.2%

\$ in millions

RECENT AMENDMENTS

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

Regional Comparison

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

MA: 8.25 percent rate on all net income. \$456 minimum. MA began a phase-down from 9.5 percent in 2010.
2010: 8.75 percent
2011: 8.25 percent
2012: 8.00 percent
 Additional tax of \$2.60 per \$1,000 on tangible personal property.

CT: 7.5 percent rate on all net income. \$250 minimum.

TAX EXEMPTIONS AND INCENTIVES

The following tax incentives may be applied against the Business Corporations Tax:

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

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

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

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

In the example, Company A benefits by applying a double-weighted sales factor when apportioning their income, as their liability allocation decreases from 70.3 percent of net income, to 55.5 percent.

DESCRIPTION

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

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

Payments are due based on the following schedule:

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

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

EXEMPTIONS

The following are exempt from the public service corporation tax: ¹

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

TAX INCENTIVES

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

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

COLLECTION HISTORY

	<u>Amount</u>	<u>% Change</u>
FY2002	\$80.8	
FY2003	76.1	-5.8%
FY2004	92.2	21.1%
FY2005	86.4	-6.3%
FY2006	96.0	11.2%
FY2007	102.1	6.3%
FY2008	99.4	-2.6%
FY2009	126.7	27.4%
FY2010	95.8	-24.4%
FY2011 Est.	97.0	1.3%
FY2012 Est.	\$99.0	2.1%

\$ in millions

RECENT AMENDMENTS

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

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

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

CT: Variable rates, based on gross earnings.

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

DESCRIPTION

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

Payments are due based on the following schedule:

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

Financial Institutions taxes are deposited as General Revenues.

EXEMPTIONS

The following are exempt from the tax:

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

TAX INCENTIVES

The following tax incentives may be applied against the Financial Institutions tax:

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

COLLECTION HISTORY

<i>\$ Millions</i>	Amount	% Change
FY2002	\$3.4	
FY2003	9.8	189.6%
FY2004	(7.3)	-174.4%
FY2005	(1.5)	-79.7%
FY2006	4.0	-369.4%
FY2007	4.4	10.9%
FY2008	1.8	-58.6%
FY2009	2.9	58.6%
FY2010	4.1	39.9%
FY2011 Est.	0.3	-93.8%
FY2012 Est.	\$0.5	100.0%

RECENT AMENDMENTS

None

Regional Comparison

RI: 9.0 percent of net income

MA: 10.5 percent on net corporate income

CT: 7.5 percent on net corporate income

DESCRIPTION

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

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

Insurance taxes are deposited as General Revenues.

EXEMPTIONS

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

- Ocean Marine Insurance
- Fraternal Benefit Society

TAX INCENTIVES

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

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

COLLECTION HISTORY

	Amount	% Change
FY2002	\$32.4	
FY2003	51.3	58.5%
FY2004	43.4	-15.3%
FY2005	53.3	22.8%
FY2006	52.9	-0.9%
FY2007	56.6	7.1%
FY2008	68.0	20.1%
FY2009	78.0	14.7%
FY2010	95.9	22.9%
FY2011 Est.	98.2	2.4%
FY2012 Est.	\$100.7	2.5%

\$ in millions

RECENT AMENDMENTS

The 2010 General Assembly increased the tax on surplus lines insurance from 3.0 percent to 4.0 percent of gross premiums, consistent with Massachusetts and Connecticut. Due to the change, an additional \$1.1 million in collections are projected beginning in FY2011.

The 2009 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.

The 2008 General Assembly included non-profit dental insurers to the defined pool of insurers subject to the tax, and increased the non-profit health insurer rates from 1.1 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.

Regional Comparison

RI: 2.0 percent of gross premiums

MA: 2.0 percent of gross premiums, less certain deductions

CT: 1.75 percent net premiums

DESCRIPTION

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

Total Deposits < \$150.0 million:

\$0.0625/\$100 in deposits

Equivalent to 0.0625 percent

Total Deposits > \$150.0 million:

\$0.0695/\$100 in deposits

Equivalent to 0.0695 percent

Payments are due based on the following schedule:

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

Bank Deposit taxes are deposited as General Revenues.

EXEMPTIONS

The following are exempt from the Bank Deposits tax:

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

TAX INCENTIVES

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

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

COLLECTION HISTORY

	Amount	% Change
FY2002	\$1.1	
FY2003	1.7	49.2%
FY2004	1.6	-6.9%
FY2005	1.5	-3.5%
FY2006	1.5	-2.0%
FY2007	1.7	12.0%
FY2008	1.7	2.2%
FY2009	1.8	5.4%
FY2010	1.9	3.2%
FY2011 Est.	1.9	2.1%
FY2012 Est.	\$2.0	2.6%

\$ in millions

RECENT AMENDMENTS

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

Regional Comparison

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

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

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

RIGL 44-50 and 44-51

Health Care Provider Taxes (Group Homes and Nursing Facilities)

DESCRIPTION

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

The tax rate for nursing facilities is 5.5 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.

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

<u>Nursing Facilities Tax</u>	<u>% of Payment</u>	<u>Estimated Tax</u>
Total Estimate FY2011	100.0%	\$41.8
Rate = 5.5% of Gross Patient Revenue		
Medicaid Eligible (Approx.)	75.0%	31.4
Medicaid Match Rate *	62.3%	19.5
Medicaid Match (Adjusted)	46.7%	19.5
State Match to Medicaid	28.3%	11.8
Payment by Facilities	25.0%	\$10.5

* The Medicaid Match rate reflects the enhanced FMAP percentage for FY2011 from the Stimulus package. For comparison purposes, the FY2009 rate was 53.8%.

As can be seen in the example above, facilities pay roughly 25.0 percent of the tax, while the Federal Government covers 46.7 percent, and the State pays 28.3 percent.

Health Care Provider taxes are deposited as General Revenues.

EXEMPTIONS

None

TAX INCENTIVES

None

COLLECTION HISTORY

	<u>Amount</u>	<u>% Change</u>
FY2002	\$27.8	
FY2003	28.1	1.1%
FY2004	40.3	43.3%
FY2005	46.8	16.1%
FY2006	47.0	0.4%
FY2007	48.0	2.1%
FY2008	53.4	11.3%
FY2009	46.0	-13.8%
FY2010	40.3	-12.5%
FY2011 Est.	40.5	0.6%
FY2012 Est.	\$41.8	3.2%

\$ in millions

RECENT AMENDMENTS

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

Regional Comparison

RI: 5.5 percent on gross patient revenues.

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

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

DESCRIPTION

Rhode Island levies a sales and use tax equivalent to 7 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.

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

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

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

EXEMPTIONS

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

TAX INCENTIVES

- EDC Project Status (see tax credits section)

COLLECTION HISTORY

	Amount	% Change
FY2002	\$745.9	
FY2003	777.4	4.2%
FY2004	822.9	5.9%
FY2005	847.7	3.0%
FY2006	869.2	2.5%
FY2007	873.2	0.5%
FY2008	845.4	-3.2%
FY2009	808.1	-4.4%
FY2010	803.4	-0.6%
FY2011 Est.	805.5	0.3%
FY2012 Est.	\$824.0	2.3%

\$ in millions

RECENT AMENDMENTS

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

Regional Comparison

RI: 7.0 percent

MA: 6.25 percent. Increased from 5.0 percent effective August 1, 2009.

CT: 6.0 percent

STREAMLINED SALES AND USE TAX AGREEMENT

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

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

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

- 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.

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

MEMBER STATES UNDER AGREEMENT

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

FULL MEMBERS

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

ASSOCIATE MEMBERS

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

Ohio
Tennessee
Wisconsin
Utah

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

DESCRIPTION

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

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

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

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

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

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

COLLECTION HISTORY

	Amount	% Change
FY2002	\$43.4	
FY2003	44.6	2.6%
FY2004	44.8	0.5%
FY2005	44.2	-1.4%
FY2006	50.0	13.2%
FY2007	43.7	-12.5%
FY2008	45.8	4.7%
FY2009	45.3	-1.0%
FY2010	45.8	1.0%
FY2011 Est.	49.0	7.0%
FY2012 Est.	\$49.0	0.0%

\$ in millions

RECENT AMENDMENTS

The 2010 General Assembly increased the bus registration fee and the identification card fee. The changes resulted in an estimated \$167,000 increase in collections for FY2011.

Regional Comparison

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

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

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

EXEMPTIONS

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

TAX INCENTIVES

None

RIGL 31-34.1

Rental Vehicle Surcharge

DESCRIPTION

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

Rental vehicle companies are required to submit 50.0 percent of collected surcharge revenues quarterly, and may retain 50.0 percent to pay for motor vehicle licensing, title, transfer, and registration fees and excise taxes. Any surcharge amounts remaining after payment of aforementioned fees must be annually remitted to the State not later than February 15.

Rental vehicle surcharge receipts are deposited as General Revenues.

EXEMPTIONS

None

TAX INCENTIVES

None

Customer Facility Charge – RIGL 1-2-17.1

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

The CFC rate is set by the Board of the Corporation, and currently equates to \$5.00 per rental day per vehicle.

Payment to Warwick: Per RIGL 1-2-17.1, all sales taxes and rental vehicle surcharges collected from the application to the CFC shall be deposited into a restricted receipt account for the City of Warwick. In FY2010, these payments totaled \$631,132.

COLLECTION HISTORY

	Amount	% Change
FY2002	\$2.7	
FY2003	2.7	0.7%
FY2004	2.6	-4.7%
FY2005	3.0	16.3%
FY2006	2.6	-11.2%
FY2007	3.1	18.7%
FY2008	2.8	-10.3%
FY2009	2.6	-8.1%
FY2010	2.5	-4.3%
FY2011 Est.	2.8	13.2%
FY2012 Est.	\$2.9	3.6%

\$ in millions

RECENT AMENDMENTS

Regional Comparison

RI: 6.0 percent surcharge on rental vehicle contracts

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

CT: 3.0 percent surcharge for private passenger vehicle rentals, plus \$1 daily Tourism Account Surcharge.

DESCRIPTION

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

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

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

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

Motor fuel tax receipts are deposited as General Revenues.

EXEMPTIONS

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

TAX INCENTIVES

None

COLLECTION HISTORY

	Amount	% Change
FY2002	\$0.8	
FY2003	1.0	25.8%
FY2004	0.9	-15.9%
FY2005	2.0	128.2%
FY2006	0.0	-98.4%
FY2007	1.3	4118.0%
FY2008	1.0	-24.4%
FY2009	1.3	33.6%
FY2010	1.0	-26.9%
FY2011 Est.	1.1	13.5%
FY2012 Est.	\$1.1	0.0%

\$ in millions

RECENT AMENDMENTS

None

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

DESCRIPTION

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

Cigarette Tax History

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

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

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

Other Tobacco Products: The State assesses a tax equivalent to 80 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.

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

COLLECTION HISTORY

	<u>Amount</u>	<u>% Change</u>
FY2002	\$85.5	
FY2003	94.4	10.4%
FY2004	117.3	24.2%
FY2005	136.3	16.3%
FY2006	126.3	-7.3%
FY2007	120.5	-4.6%
FY2008	114.7	-4.8%
FY2009	130.5	13.8%
FY2010	138.3	6.0%
FY2011 Est.	135.0	-2.4%
FY2012 Est.	\$131.8	-2.4%

\$ in millions

RECENT AMENDMENTS

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

Additionally, the General Assembly increased the tax on other tobacco products from 40 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 in additional revenue in FY2009 and \$1.0 million in FY2010.

Regional Comparison

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

MA: \$2.51/pack

CT: \$3.00/pack

EXEMPTIONS

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

TAX INCENTIVES

RIGL 44-20-19 provides a 1.25 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.

Cigarette Cost Comparison- December 2010

	RI Current			MA Current			CT Current		
Base Price per Pack in \$			\$4.20			\$4.20			\$4.20
Excise Tax in \$			3.46			2.51			3.00
<i>Subtotal base price + excise</i>			<i>7.66</i>			<i>6.71</i>			<i>7.20</i>
Wholesale Markup	2.00%	\$0.15	7.81	2.00%	\$0.13	6.84	6.50%	\$0.47	7.67
Wholesale Cartage	0.75%	0.06	7.87	0.75%	0.05	6.90	0.00%	0.00	7.67
Retail Markup	6.00%	0.47	8.34	25.00%	1.72	8.62	8.00%	0.61	8.28
Markup subtotal		0.68			1.91			1.08	
<i>Cigarette base cost</i>			<i>8.34</i>			<i>8.62</i>			<i>8.28</i>
Sales Tax	7.00%	0.58		6.25%	0.54		6.00%	0.50	
Total Price per Pack in \$			\$8.93			\$9.16			\$8.78

DESCRIPTION

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

Alcohol Tax Rates

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

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

EXEMPTIONS

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

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

TAX INCENTIVES

None

COLLECTION HISTORY

	Amount	% Change
FY2002	\$10.0	
FY2003	10.1	0.2%
FY2004	10.3	2.8%
FY2005	10.5	1.9%
FY2006	10.9	3.2%
FY2007	10.7	-1.5%
FY2008	11.1	4.1%
FY2009	10.8	-3.0%
FY2010	11.3	4.2%
FY2011 Est.	12.0	6.5%
FY2012 Est.	\$12.2	1.7%

\$ in millions

RECENT AMENDMENTS

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

DESCRIPTION

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

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

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

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

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

EXEMPTIONS

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

TAX INCENTIVES

None

COLLECTION HISTORY

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

RECENT AMENDMENTS

None

Regional Comparison

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

DESCRIPTION

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

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

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

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

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

Rhode Island exempts estates valued at less than \$859,350 from taxation, and this amount is annually adjusted based on changes in the Consumer Price Index – All Urban Consumers (CPI-U) inflation index. Estate taxes are deposited as General Revenues.

EXEMPTIONS

None

TAX INCENTIVES

None

COLLECTION HISTORY

	Amount	% Change
FY2002	\$22.2	
FY2003	24.4	9.5%
FY2004	23.9	-1.8%
FY2005	33.0	38.0%
FY2006	39.2	18.9%
FY2007	34.7	-11.5%
FY2008	35.3	1.9%
FY2009	28.1	-20.5%
FY2010	29.1	3.4%
FY2011 Est.	28.3	-2.6%
FY2012 Est.	\$28.9	2.1%

\$ in millions

RECENT AMENDMENTS

The 2009 General Assembly amended the Estate Tax exemption amount from \$675,000 to \$850,000 effective for TY2010, and indexed the exemption amount 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.

Regional Comparison

Estate taxes are generally compared by the allowable exemption amount:

RI: \$859,350 exemption, indexed to CPI-U

MA: \$1.0 million exemption

CT: \$3.5 million exemption

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

Rhode Island Estate Tax Computation Schedule

Column A	Column B	Column C	Column D
Taxable Amount Over	Taxable Amount Not Over	Tax on amount in Column A	Tax Rate on Amount over Column A (%)
-	10,000	0	18
10,000	20,000	1,800	20
20,000	40,000	3,800	22
40,000	60,000	8,200	24
60,000	80,000	13,000	26
80,000	100,000	18,200	28
100,000	150,000	23,800	30
150,000	250,000	38,800	32
250,000	500,000	70,800	34
500,000	750,000	155,800	37
750,000	1,000,000	248,300	39
1,000,000	1,250,000	345,800	41
1,250,000	1,500,000	448,300	43
1,500,000	2,000,000	555,800	45
2,000,000	2,500,000	780,800	49
2,500,000	3,000,000	1,025,800	53
3,000,000	---	1,290,800	55

(1)	(2)	(3)	(4)
Adjusted taxable estate equal to or more than	Adjusted taxable estate less than	Credit on amount in Column 1 (\$)	Rate of Credit on excess over amount in Column 1 (%)
-	40,000	-	0.0
40,000	90,000	-	0.8
90,000	140,000	400	1.6
140,000	240,000	1,200	2.4
240,000	440,000	3,600	3.2
440,000	640,000	10,000	4.0
640,000	840,000	18,000	4.8
840,000	1,040,000	27,600	5.6
1,040,000	1,540,000	38,800	6.4
1,540,000	2,040,000	70,800	7.2
2,040,000	2,540,000	106,800	8.0
2,540,000	3,040,000	146,800	8.8
3,040,000	3,540,000	190,800	9.6
3,540,000	4,040,000	238,800	10.4
4,040,000	5,040,000	290,800	11.2
5,040,000	6,040,000	402,800	12.0
6,040,000	7,040,000	522,800	12.8
7,040,000	8,040,000	650,800	13.6
8,040,000	9,040,000	786,800	14.4
9,040,000	1,040,000	930,800	15.2
1,040,000	---	1,082,800	16.0

Computation of Tax

Use Table A

1) Gross taxable estate	1) \$1,000,000
2) Tax on amount on line 1 (Table A)	2) 345,800
3) Less (State exemption based on \$859,350 exclusion) [\$248,300 plus (\$109,350 x 39%)]	3) 290,947
4) Subtract line 3 from line 2	4) 54,854

Use Table B

5) Gross taxable estate	5) 1,000,000
6) Less (Federal exemption)	6) 60,000
7) Subtract line 6 from line 5	7) 940,000
8) Credit for state death taxes on amount on line 7 (Table B) [\$27,600 plus (\$100,000 x 5.6%)]	8) 33,200

9) Rhode Island Tax - the smaller of line 4 and line 8	9) \$33,200
---	--------------------

Lines 1 – 4: Used to calculate what the federal tax liability would have been prior to 2001, assuming an \$859,350 federal exemption.

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

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

DESCRIPTION

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 State also receives 50 percent of breakage.

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

EXEMPTIONS

None

TAX INCENTIVES

None

COLLECTION HISTORY

	Amount	% Change
FY2002	\$5.5	
FY2003	4.9	-9.7%
FY2004	4.6	-7.1%
FY2005	4.0	-13.0%
FY2006	3.5	-12.6%
FY2007	2.9	-16.3%
FY2008	2.8	-3.7%
FY2009	2.5	-12.9%
FY2010	1.5	-39.1%
FY2011 Est.	1.3	-16.2%
FY2012 Est.	\$1.1	-12.0%

\$ in millions

RECENT AMENDMENTS

The 2010 General Assembly enacted legislation (2010-H-8070 Sub A) that prohibits 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.

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

DESCRIPTION

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

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

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

Real Estate Conveyance Tax Distribution

	Per \$500	Effective Rate
State	\$0.90	0.18%
General Revenue	0.60	0.12%
Distressed Communities	0.30	0.06%
Local Government	1.10	0.22%
Total	\$2.00	0.40%

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

In FY2010, local government collections ranged from a low of \$25,486 (Foster) to a high of \$1.1 million (Providence).

**Real Estate Conveyance Tax Collections
Top Five Municipalities - FY2010**

	FY2010	Rank
Providence	\$1,090,641	1
Warwick	679,977	2
Cranston	578,524	3
Newport	426,024	4
Pawtucket	411,304	5

EXEMPTIONS

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

TAX INCENTIVES

None

COLLECTION HISTORY

	State Amount	Local Amount	Total	% Change
FY2001	\$2.6	\$3.1	\$5.7	
FY2002	2.7	3.3	6.0	5.3%
FY2003	9.8	12.0	21.7	263.5%
FY2004	13.0	15.9	29.0	33.3%
FY2005	14.4	17.6	32.1	10.6%
FY2006	14.6	17.8	32.4	1.2%
FY2007	12.7	15.6	28.3	-12.7%
FY2008	10.2	12.5	22.7	-19.7%
FY2009	6.8	8.5	15.3	-32.6%
FY2010	6.5	8.7	15.2	-0.7%
FY2011 Est.	6.5	8.7	15.2	0.0%
FY2012 Est.	\$7.5	\$9.2	\$16.7	9.6%

\$ in Millions

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

RECENT AMENDMENTS

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

Regional Comparison

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

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

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

Real Estate Conveyance Tax Collections- Municipal Portion

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2010 Rank	% Change FY2006 - FY2010
Barrington	\$349,765	\$314,885	\$291,283	\$191,976	\$204,424	15	-41.6%
Bristol	484,046	329,224	227,956	139,122	187,700	18	-61.2%
Burrillville	184,810	128,364	130,755	97,557	88,772	28	-52.0%
Central Falls	147,326	124,220	98,814	100,409	54,500	37	-63.0%
Charlestown	223,524	244,499	182,098	139,878	121,207	26	-45.8%
Coventry	500,251	431,960	378,864	290,121	279,399	11	-44.1%
Cranston	1,180,144	1,014,176	699,864	536,735	578,524	3	-51.0%
Cumberland	688,650	457,162	347,205	261,274	285,230	10	-58.6%
East Greenwich	379,649	374,439	400,077	185,812	256,470	13	-32.4%
East Providence	566,739	445,844	374,100	252,455	314,533	8	-44.5%
Exeter	89,964	93,662	66,815	89,313	67,384	33	-25.1%
Foster	52,103	60,486	30,850	32,624	25,486	39	-51.1%
Glocester	120,094	102,333	84,781	65,676	77,101	29	-35.8%
Hopkinton	134,464	98,199	118,683	56,406	68,195	32	-49.3%
Jamestown	235,787	185,490	239,352	112,388	160,319	23	-32.0%
Johnston	413,912	321,159	225,377	255,457	187,492	19	-54.7%
Lincoln	451,618	392,852	253,658	169,219	187,073	20	-58.6%
Little Compton	111,180	72,181	164,855	93,594	76,666	30	-31.0%
Middletown	311,571	316,188	315,502	146,777	190,257	17	-38.9%
Narragansett	389,699	331,755	325,471	258,317	261,426	12	-32.9%
Newport	681,284	680,716	434,064	373,814	426,024	4	-37.5%
New Shoreham	157,537	106,428	104,217	40,588	75,076	31	-52.3%
North Kingstown	568,912	434,200	419,796	274,365	341,072	7	-40.0%
North Providence	431,129	355,716	277,033	215,570	219,098	14	-49.2%
North Smithfield	183,134	154,874	117,019	78,069	101,845	27	-44.4%
Pawtucket	751,675	568,512	488,283	416,843	411,304	5	-45.3%
Portsmouth	451,331	496,523	352,028	149,043	174,909	22	-61.2%
Providence	3,008,929	2,940,522	2,088,792	1,345,569	1,090,641	1	-63.8%
Richmond	139,798	87,156	82,075	49,751	64,789	34	-53.7%
Scituate	114,587	96,708	71,053	59,088	55,646	36	-51.4%
Smithfield	308,139	275,576	176,057	154,678	143,266	25	-53.5%
South Kingstown	561,449	466,520	469,778	286,902	290,955	9	-48.2%
Tiverton	288,874	237,715	169,254	138,310	145,714	24	-49.6%
Warren	134,076	140,709	83,497	71,900	58,580	35	-56.3%
Warwick	1,470,808	1,217,460	951,626	622,523	679,977	2	-53.8%
Westerly	581,517	506,382	545,445	317,961	357,264	6	-38.6%
West Greenwich	94,420	215,505	63,171	32,160	33,837	38	-64.2%
West Warwick	404,078	387,556	336,027	218,867	184,151	21	-54.4%
Woonsocket	468,201	347,949	284,189	215,471	196,037	16	-58.1%
Total	\$17,815,176	\$15,555,804	\$12,469,767	\$8,536,581	\$8,722,340		-51.0%

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

Departmental Revenues

DESCRIPTION

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

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

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

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

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

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

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

EXEMPTIONS

None

TAX INCENTIVES

None

COLLECTION HISTORY (GENERAL FUND)

	Amount	% Change
FY2002	\$243.4	
FY2003	290.3	19.3%
FY2004	285.0	-1.8%
FY2005	268.0	-6.0%
FY2006	287.3	7.2%
FY2007	277.8	-3.3%
FY2008	352.1	26.8%
FY2009	319.4	-9.3%
FY2010	333.1	4.3%
FY2011 Est.	334.7	0.5%
FY2012 Est.	\$197.3	-41.1%

\$ in millions

Note: The FY2012 estimate does not contain the Hospital License Fee revenues, which are included in the annual budget bill. For FY2011, this amounted to \$141.8 million.

RECENT AMENDMENTS

The 2010 General Assembly enacted a number of changes affecting departmental revenues. These include:

- **Hospital Licensing Fee** – The hospital licensing fee expires at the end of each fiscal year and must be reinstated in the following year. For FY2011, the General Assembly set the rate at 5.465 percent of 2009 net patient revenues. The fee is estimated to yield \$141.8 million in FY2011.
- **Motor Vehicle Fees** – The General Assembly enacted fee increases for six services offered by the Division of Motor Vehicles, and increased the accident report fee collected by the Department of Public Safety. The motor vehicle fee increases totaled \$986,900 in additional collections while the accident report fee is estimated to raise \$26,910 in FY2011.

- **Board and Support Hospital Revenues** – The General Assembly converted board and support revenues received at the Eleanor Slater and Zambarano Hospitals to Restricted Receipts. This is essentially an accounting shift, as \$3.2 million in related hospital expenses shift from General Revenues to Restricted Receipts. The account is exempt from the indirect cost recovery charge.
- **Statewide Student Transportation** – The General Assembly established a Restricted Receipt account to record the transactions related to the Statewide Student Transportation initiative. The program provides coordinated transportation services throughout the State, and receives funding from school districts to support the administration and costs of the program. The action shifts \$15.6 million in funds and related expenditures from General Revenue to a Restricted Receipt account in FY2011.
- **E-911 Prepaid Telephone Fees** – The General Assembly enacted a per-transaction charge equivalent to 2.5 percent of each retail transaction for the purchase of prepaid wireless telecommunications services. The amounts would be collected by the retailer, and remitted to the Division of Taxation (similar to the Sales Tax). The General Assembly includes \$350,000 in additional General Revenue collections from the charge.
- **Motor Vehicle Fees** - The General Assembly increased a number of fees at the Division of Motor Vehicles, including reinstatement fees for titles, registrations and licenses. Fees for initial title issuances were also increased. The changes are estimated to yield \$6.2 million in additional General Revenue collections in FY2010.
- **Small Claims Mediation Fee** – The fee for small claims mediation was increased by \$20, to \$50, generating an estimated \$198,901 in additional General Revenue collections in FY2010.
- **Expungement Fee** – The General Assembly instituted a fee for the expungement of misdemeanor and felony criminal convictions. An estimated \$1.2 million in General Revenue collections are included for FY2010.
- **Business Regulation Fees** – The 2009 General Assembly increased Department of Business Regulation fees by 20 percent, yielding an estimated \$1.6 million in additional General Revenue collections in FY2010.
- **CRMC Fees** – The Coastal Resources Management Council recommended fee increases for recreational vehicle permits, residential dock applications, and structural shoreline protection applications. The 2009 General Assembly adopted the recommendations, yielding \$185,000 in additional General Revenues for FY2010.

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

- **Hospital Licensing Fee** – The hospital licensing fee expires at the end of each fiscal year and must be reinstated in the following year. For FY2010, the General Assembly set the rate at 5.237 percent of FY2008 net patient revenues. The fee is estimated to yield \$128.8 million in FY2010, an increase of \$1.3 million from FY2009.

DESCRIPTION

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

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

**Gas Tax Distribution
Changes- FY2009 to FY2010/11**

	FY2009	FY2010/11
DOT	20.75	21.75
RIPTA	7.25	9.25
DEA (Ride)	1.00	0.00
DHS (Ride)	0.00	1.00
General Fund	1.00	0.00
Total Cents/Gallon	30.00	32.00

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

TAX DUE

Distributors are responsible to remit tax receipts for the previous month by the 20th day of the subsequent month.

EXEMPTIONS

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

TAX INCENTIVES

None

COLLECTION HISTORY (GENERAL FUND)

	Amount	% Change
FY2002	\$0.6	
FY2003	25.5	4507.9%
FY2004	7.8	-69.6%
FY2005	9.0	16.3%
FY2006	4.3	-52.1%
FY2007	4.7	8.8%
FY2008	4.5	-4.1%
FY2009	4.3	-4.1%
FY2010	0.0	-100.0%
FY2011 Est.	0.0	
FY2012 Est.	\$0.0	

\$ in millions

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

RECENT AMENDMENTS

The FY2010 Budget increased the Motor Fuel Tax by \$0.02 per gallon, from \$0.30 to \$0.32 per gallon and dedicates the additional \$0.02 to the Rhode Island Public Transit Authority (RIPTA) in FY2010. Additionally, the Budget includes the transfer of the final \$0.01 of the Motor Fuel Tax not already allocated for transportation purposes from the General Fund to the Department of Transportation (DOT) in FY2010.

Regional Comparison
RI: \$0.32 per gallon
MA: \$0.235 per gallon
CT: \$0.37 per gallon

Motor Fuel Tax Distribution: Cents/Gallon

	General Revenue	DOT / Highway	RIPTA / Transit	UST Fund	Total
FY2002	0.25	20.50	7.25	1.00	29.00
FY2003	2.25	20.50	7.25	1.00	31.00
FY2004 ¹	1.40	20.75	7.85	1.00	31.00
FY2005	2.00	20.75	7.25	1.00	31.00
FY2006	1.00	20.75	8.25	1.00	31.00
FY2007	1.00	20.75	8.25	1.00	31.00
FY2008	1.00	20.75	8.25	1.00	31.00
FY2009 ²	1.00	20.75	8.75	0.50	31.00
FY2010	0.00	21.75	10.75	0.50	33.00
FY2011 Est.	0.00	21.75	10.75	0.50	33.00
FY2012 Est.	0.00	21.75	10.75	0.50	33.00

¹ Distribution for May and June included 3.2 cents/gallon for General Revenue; 6.25 cents/gallon for Transit

² One-half cent/gallon of the UST fee is deducted to RIPTA

Motor Fuel Tax Distribution: \$ millions

	General Revenue	DOT / Highway	RIPTA / Transit ³	UST Fund	Total ³
FY2002	\$1.2	\$95.3	\$33.7	\$4.6	\$134.8
FY2003	10.4	94.8	33.5	4.6	143.4
FY2004 ¹	6.6	98.3	37.2	4.7	146.8
FY2005	9.5	98.4	34.4	4.7	147.0
FY2006	4.8	98.7	39.2	4.8	147.5
FY2007	4.7	97.6	38.8	4.7	145.8
FY2008	4.5	93.9	37.3	4.5	140.3
FY2009 ²	4.4	91.0	38.4	2.2	136.0
FY2010 ⁴	0.3	92.6	45.5	2.1	140.6
FY2011 Est. ⁵	0.0	93.3	46.1	2.1	141.6
FY2012 Est. ⁵	0.0	93.3	46.1	2.1	141.6

¹ Distribution for May and June included 3.2 cents/gallon for General Revenue;

² One-half cent/gallon of the UST fee is deducted to RIPTA

³ Total includes UST fees

⁴ Includes General Revenue residual payments from prior years

⁵ Estimate from the Department of Revenue

Other Miscellaneous Revenues

DESCRIPTION

The State collects revenues from various sources that are non-recurring. These can include revenue from land sales, legal settlements, rental and lease payments, payments from restricted funds, audit adjustments, and other sources. The single largest source of these funds in recent years was attributable to the Tobacco Securitization under the Master Settlement Agreement. For FY2011 and FY2012, the following miscellaneous revenues are anticipated to be received:

FY2011 Estimated Miscellaneous Revenues

Airport Lease Payments	\$1,886,544
DEPCO Settlements	30,000
DHS Settlements	597,236
GO Bond Closeouts and Interest	100,000
Inter-year Adjustments	401,236
Judiciary CSE Recovery	5,503,569
Property Sales	1,000,000
PUC Rent	173,040
Purchase Card Rebates	73,000
RIHEBC	1,000,000
Tobacco Securitization Debt Service	
Savings - RIAC	15,375
UST Recovery	75,000
Total FY2011 Estimate	\$10,855,000

FY2012 Estimated Miscellaneous Revenues

Airport Lease Payments	\$1,910,875
DEPCO Settlements	30,000
GO Bond Closeouts and Interest	150,000
Inter-year Adjustments	403,085
Property Sales	1,000,000
PUC Rent	173,040
Purchase Card Rebates	73,000
UST Recovery	50,000
Total FY2012 Estimate	\$3,790,000

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

EXEMPTIONS AND INCENTIVES

None

COLLECTION HISTORY (GENERAL FUND)

	Base Amount	Tobacco Settlement	Total Amount	% Change
FY2002	\$44.7	\$187.6	\$232.3	139.5%
FY2003	17.8	166.2	184.1	-20.8%
FY2004	17.8	1.9	19.7	-89.3%
FY2005	28.2	-	28.2	43.1%
FY2006	31.2	-	31.2	10.5%
FY2007	25.0	42.5	67.5	116.5%
FY2008	58.9	124.0	182.9	171.1%
FY2009	17.7	-	17.7	-90.3%
FY2010	12.5	-	12.5	-29.4%
FY2011 Est.	10.9	-	10.9	-13.4%
FY2012 Est.	\$3.8	-	\$3.8	-65.1%

\$ in millions

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 \$12.5 million to \$232.3 million. Years showing substantial revenue collections reflect Tobacco Securitization bond proceeds.

RECENT AMENDMENTS

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.

DESCRIPTION

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

Payments are due based on the following schedule:

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

Video Lottery Terminals (VLTs) – The State receives a portion of net terminal income from VLTs at the State’s two slot parlors- Newport Grand and Twin River. Net terminal income represents the net amount after prizes are paid out, and the State receives greater than 60 percent of the net terminal income. The payout scale varies by facility, and is illustrated (FY2011) below:

Distribution	Twin River	Newport Grand
State General Revenues	61.08%	61.69%
Licensed Retailer (Facility)	27.80%	27.80%
Technology Provider	7.00%	7.00%
Central Communications Provider	2.50%	2.50%
Host Municipality *	1.45%	1.01%
Narragansett Indian Tribe	0.17%	0.00%
Total	100.00%	100.00%

* Host payment to Lincoln includes enhanced rate for 24/7

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

EXEMPTIONS

None

TAX INCENTIVES

None

COLLECTION HISTORY

	Games	VLT	Total	% Change
FY2002	\$66.0	\$149.9	\$215.9	18.9%
FY2003	67.0	169.3	236.4	9.5%
FY2004	63.5	217.5	280.9	18.9%
FY2005	61.8	245.7	307.5	9.5%
FY2006	67.3	256.4	323.7	5.3%
FY2007	63.2	257.1	320.3	-1.1%
FY2008	59.4	295.8	355.3	10.9%
FY2009	59.3	284.8	344.1	-3.2%
FY2010	55.6	289.1	344.7	0.2%
FY2011 Est.	54.0	293.5	347.5	0.8%
FY2012 Est.	\$54.0	\$297.5	\$351.5	1.2%

\$ in millions

RECENT AMENDMENTS

The 2010 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 is \$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.

Regional Comparison

MA: Under State law, the State Lottery Commission must use at least 45.0 percent of lottery proceeds to pay prizes, and up to 15.0 percent can be used for operating expenses. The remainder is used to fund local governmental services.

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

DESCRIPTION

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

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

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

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

Total Revenues from Sale, Less

- *Personnel Costs of Unclaimed Property Program;*
- *Administrative Costs of Program;*
- *Claims Paid in Current Year;*
- *Liability Holdback¹;*

Equals Transfer to State General Fund

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.

COLLECTION HISTORY

	Amount	% Change
FY2002	\$7.4	
FY2003	8.5	14.0%
FY2004	17.0	101.5%
FY2005	15.6	-8.4%
FY2006	14.2	-8.8%
FY2007	11.5	-19.6%
FY2008	15.4	34.3%
FY2009	8.0	-47.7%
FY2010	5.9	-27.1%
FY2011 Est.	5.3	-9.7%
FY2012 Est.	\$5.2	-1.9%

\$ in millions

RECENT AMENDMENTS

None

Regional Comparison

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

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

EXEMPTIONS

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

TAX INCENTIVES

None

DESCRIPTION

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

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

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

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

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

EXEMPTIONS

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

TAX INCENTIVES

None

COLLECTION HISTORY

	Amount	% Change
FY2002	\$11.6	-13.2%
FY2003	11.5	-0.7%
FY2004	11.9	3.5%
FY2005	12.7	7.1%
FY2006	14.9	17.0%
FY2007	15.8	6.0%
FY2008	16.2	2.7%
FY2009	15.5	-4.8%
FY2010	\$14.2	-8.1%

\$ in millions

Total Hotel Tax collections

RECENT AMENDMENTS

None

Regional Comparison

RI: 6 percent; additional to sales taxes

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

CT: 6 percent; additional to sales taxes

¹ Regional Tourism Districts (RIGL 42-63.1-5):

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

Providence District: Providence

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

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

Warwick District: Warwick

Block Island District: New Shoreham

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

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

Hotel Tax Local Distributions

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2010 Rank	% Change FY2006 - FY2010
Barrington	\$-	\$-	\$-	\$-	\$-	32	
Bristol	34,135	36,375	39,260	31,842	27,888	17	-18.3%
Burrillville	-	-	-	-	-	32	
Central Falls	-	-	-	-	-	32	
Charlestown	23,598	39,169	20,081	21,624	14,900	19	-36.9%
Coventry	53,687	72,142	76,936	66,941	65,392	13	21.8%
Cranston	27,713	27,058	24,282	20,143	22,783	18	-17.8%
Cumberland	-	-	-	-	-	32	
East Greenwich	631	613	382	365	299	30	-52.6%
East Providence	45,040	41,273	32,859	27,656	28,224	16	-37.3%
Exeter	-	-	-	-	-	32	
Foster	611	450	542	481	305	29	-50.1%
Glocester	1,871	2,329	2,344	1,804	1,575	28	-15.8%
Hopkinton	-	-	-	-	14	31	
Jamestown	10,596	9,485	6,923	8,315	8,179	22	-22.8%
Johnston	12,122	10,244	10,158	5,939	7,811	23	-35.6%
Lincoln	83,816	89,276	87,154	77,001	75,279	10	-10.2%
Little Compton	3,951	5,265	2,980	291	10,152	21	157.0%
Middletown	485,521	497,810	556,290	514,352	524,477	4	8.0%
Narragansett	81,679	56,959	73,251	69,695	68,719	12	-15.9%
Newport	1,509,437	1,648,943	1,756,034	1,764,474	1,410,360	1	-86.2%
New Shoreham	229,927	282,621	236,551	217,440	208,092	5	513.4%
North Kingstown	17,333	18,341	18,578	14,987	12,940	20	-25.3%
North Providence	-	-	353	-	-	32	
North Smithfield	1,863	1,911	2,492	5,997	1,900	27	2.0%
Pawtucket	48,958	60,225	55,461	50,951	45,340	14	-7.4%
Portsmouth	10,569	9,546	8,049	8,917	6,233	24	-41.0%
Providence	1,164,135	1,250,847	1,368,073	1,289,164	1,219,142	2	4.7%
Richmond	8,416	4,123	5,547	3,311	3,237	26	-61.5%
Scituate	3,320	3,911	15,573	3,924	3,647	25	9.9%
Smithfield	65,621	70,073	62,147	84,990	87,816	9	33.8%
South Kingstown	65,318	62,899	78,832	108,667	102,001	7	56.2%
Tiverton	-	-	-	-	-	32	
Warren	-	-	-	-	-	32	
Warwick	983,248	970,699	916,875	819,024	792,815	3	-19.4%
Westerly	196,601	193,838	176,723	154,356	70,142	11	-64.3%
West Greenwich	35,597	39,074	42,094	58,492	91,916	8	158.2%
West Warwick	119,693	145,032	103,028	92,669	160,114	6	33.8%
Woonsocket	46,528	51,032	50,551	38,963	37,806	15	-18.7%
Total	\$5,371,537	\$5,701,563	\$5,830,404	\$5,562,775	\$5,109,498		3.6%

DESCRIPTION

Beginning August 1, 2003, the State effectuated 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, at least quarterly, to the city or town in which the meals and beverages are delivered.

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

In FY2010, collections ranged from a low of \$17,376 (Foster) to a high of \$4.0 million (Providence).

**Meal and Beverage Tax Collections
Top Five Municipalities - FY2010**

	FY2010	Rank
Providence	\$3,961,890	1
Warwick	2,151,135	2
Newport	1,526,834	3
Cranston	1,321,908	4
E. Providence	\$729,001	5

EXEMPTIONS

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

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

TAX INCENTIVES

None

COLLECTION HISTORY

	Amount	% Change
FY2004	\$13.5	
FY2005	17.2	27.3%
FY2006	17.6	2.5%
FY2007	18.8	6.9%
FY2008	18.7	-0.4%
FY2009	18.8	0.3%
FY2010	\$19.0	0.9%
FY2011 Est.*	\$18.8	-1.0%

\$ in millions

** Estimated data from State Aid to Cities and Towns Report*

RECENT AMENDMENTS

None

Regional Comparison

RI: 1.0 percent in addition to the sales tax.

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

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

Meal and Beverage Tax Collections

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2010 Rank	% Change FY2006 - FY2010
Barrington	\$95,312	\$98,239	\$120,946	\$119,179	\$135,553	28	42.2%
Bristol	282,931	317,467	326,980	318,548	303,168	21	7.2%
Burrillville	149,728	164,519	166,000	166,966	172,887	24	15.5%
Central Falls	88,214	85,985	88,041	82,663	88,173	32	0.0%
Charlestown	102,848	114,399	104,650	98,886	97,087	30	-5.6%
Coventry	287,949	314,523	329,394	332,829	333,263	19	15.7%
Cranston	1,247,979	1,341,782	1,326,355	1,317,327	1,321,908	4	5.9%
Cumberland	293,785	338,770	335,042	346,547	350,310	17	19.2%
East Greenwich	374,357	377,559	407,431	389,810	428,133	15	14.4%
East Providence	697,351	701,393	696,324	710,794	729,001	5	4.5%
Exeter	50,577	49,935	69,053	63,081	71,128	34	40.6%
Foster	17,619	16,697	17,951	17,846	17,376	39	-1.4%
Glocester	58,500	55,379	55,278	57,561	54,010	35	-7.7%
Hopkinton	39,249	47,563	44,218	39,880	43,754	37	11.5%
Jamestown	90,423	101,472	39,650	65,241	80,395	33	-11.1%
Johnston	418,955	446,385	414,290	406,973	429,028	14	2.4%
Lincoln	449,887	575,953	661,664	585,041	609,715	7	35.5%
Little Compton	29,287	28,748	27,347	27,577	39,576	38	35.1%
Middletown	465,466	542,101	540,447	566,748	561,285	9	20.6%
Narragansett	382,235	369,441	414,678	473,967	460,758	13	20.5%
Newport	1,461,560	1,616,630	1,627,568	1,552,832	1,526,834	3	4.5%
New Shoreham	209,516	240,249	247,449	208,610	225,939	22	7.8%
North Kingstown	379,141	442,199	414,128	430,806	419,321	16	10.6%
North Providence	364,116	390,616	372,595	365,348	344,523	18	-5.4%
North Smithfield	165,785	150,356	141,091	155,376	160,440	26	-3.2%
Pawtucket	609,567	621,741	627,568	640,642	633,198	6	3.9%
Portsmouth	153,159	152,304	149,324	159,493	166,628	25	8.8%
Providence	3,626,046	3,913,788	3,962,837	3,912,275	3,961,890	1	9.3%
Richmond	98,706	101,876	105,128	101,458	102,635	29	4.0%
Scituate	35,354	45,629	55,494	55,036	52,460	36	48.4%
Smithfield	442,296	488,580	495,297	480,155	513,546	11	16.1%
South Kingstown	485,652	476,951	514,694	516,680	536,657	10	10.5%
Tiverton	139,341	149,415	157,507	146,356	151,924	27	9.0%
Warren	220,603	231,982	231,596	205,217	202,368	23	-8.3%
Warwick	2,134,685	2,200,480	2,165,813	2,199,207	2,151,135	2	0.8%
Westerly	594,258	617,927	378,006	589,951	593,704	8	-0.1%
West Greenwich	68,069	77,232	75,038	79,531	95,914	31	40.9%
West Warwick	354,866	346,372	354,150	330,731	322,737	20	-9.1%
Woonsocket	455,234	477,662	488,266	491,063	494,686	12	8.7%
Total	\$17,620,608	\$18,830,298	\$18,749,285	\$18,808,231	\$18,983,046		7.7%

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Tax Credits and Incentives

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

The Department of Revenue, Division of Taxation publishes a biennial report in even numbered years entitled the “Tax Expenditures Report”. Tax expenditures are credits, deductions, exemptions, exclusions, modifications, preferential rates, tax abatements, or tax deferrals to individual or business tax filers. The report is required under RIGL 44-48.1-1 to report (or estimate) the amount of revenue foregone due to the tax expenditure, and also to compare the expenditure item to determine if similar allowances exist in other New England states. The revenue impacts cited below are from the 2008 and 2010 Tax Expenditures Reports unless otherwise noted.

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

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

1. **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)
- Personal Income Tax (RIGL 44-30) *[Not allowable beginning TY2011]*

	Personal Income		Business Corporations		Totals	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
TY2007	15	\$27,000	1	\$17,000	16	\$44,000
TY2008	19	17,818	2	23,787	21	41,605
Total	34	\$44,818	3	\$40,787	37	\$85,605

2. **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)
- Personal Income Tax (RIGL 44-30) *[Not allowable beginning TY2011]*

	Personal Income		Business Corporations		Totals	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
TY2007	13	\$4,000	*	*	13	\$4,000
TY2008	5	1,536	1	820	6	2,356
Total	18	\$5,536	1	\$820	19	\$6,356

* No statistics available

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

	Business Corporations		Public Service Corporations	
	Taxpayers	Amount	Taxpayers	Amount
TY2007	*	*	*	*
TY2008	*	*	0	\$0

** No statistics available*

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)

	Business Corporations	
	Taxpayers	Amount
TY2007	*	*
TY2008	0	\$0

** No statistics available*

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

- Personal Income Tax (RIGL 44-30)

	Personal Income	
	Taxpayers	Amount
TY2007	54	*
TY2008	53	\$16,250
Total	107	\$16,250

** No statistics available*

6. **Artwork Exhibition (RIGL 44-30-24):** Allows individual income tax credits equal to 10.0 percent of the purchase price of art, with a maximum credit value of \$1,000. Any amount of unused credit may not be carried forward into subsequent tax years. Of note, the Board of Curators (RIGL 42-97) is required to certify credit eligibility, however the Board is no longer in existence, so in effect the credit cannot be issued.

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

	Personal Income	
	Taxpayers	Amount
TY2007	*	*
TY2008	1	\$200
Total	1	\$200

* No statistics available

7. **Biotechnology Investment Tax Credit (RIGL 44-31-1.1):** Companies engaged in “commercial biological research and development or manufacturing and sale of biotechnology products or active pharmaceutical ingredients” may be eligible for an investment tax credit worth 10.0 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)
- Personal Income (RIGL 44-30) *[Not allowable beginning TY2011]*

	Personal Income		Business Corporations	
	Taxpayers	Amount	Taxpayers	Amount
TY2007	*	*	*	*
TY2008	*	*	*	*

* No statistics available

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

- Personal Income (RIGL 44-30)

Personal Income		
	Taxpayers	Amount
TY2007	*	*
TY2008	*	*

* No statistics available

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

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

	Personal Income		Corporate Taxes		Totals	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
TY2007	*	*	*	*	*	*
TY2008	98	55,106	*	*	98	55,106
Total	98	\$55,106	*	*	98	\$55,106

* No statistics available

10. Deduction or Modification for Hiring Unemployed or Welfare Recipients (RIGL 44-55): 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.

The modification may be applied against the following taxes:

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

	Personal Income		Corporate Taxes		Totals	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
TY2007	*	*	*	*	*	*
TY2008	9	2,932	*	*	9	2,932
Total	*	*	0	\$0	9	\$2,932

* No statistics available

11. Education Assistance and Development Tax Credit (RIGL 44-42-2): The State allows a business tax credit for contributions in excess of \$10,000 to Rhode Island institutions of higher education for the establishment or maintenance of a faculty chair, department, or program for scientific research or education or a work fellowship program that provides training for scientific research or education. Businesses may claim up to 8.0 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)
- Personal Income Tax (*filing of business taxes*) (RIGL 44-30) [*Not allowable beginning TY2011*]

	Personal Income		Corporate Taxes	
	Taxpayers	Amount	Taxpayers	Amount
TY2007	2	\$475	*	*
TY2008	0	0	0	0

* No statistics available

12. Employment Tax Credit (RIGL 44-39.1-2): The State allows business that participate in the welfare bonus program to apply for a tax credit of \$250 per eligible participant that is redeemable after an eligible employee works for 24 consecutive months for a company. The credit is non-refundable, and has no carry-forward provisions. The credit is limited to the first 100 individuals who are determined to be eligible to participate in the program. The credit may be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Public Service (Utilities) Corporations (RIGL 44-13)
- Banks (RIGL 44-14)
- Credit Unions (RIGL 44-15)
- Insurance Companies (RIGL 44-17)
- Personal Income Tax (*filing of business taxes*) (RIGL 44-30) [*Not allowable beginning TY2011*]

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.

	Personal Income		Business Corporations	
	Taxpayers	Amount	Taxpayers	Amount
TY2007	*	*	*	*
TY2008	0	0	*	*

* No statistics available

13. Enterprise Zones (RIGL 42-64.3-6): Business that are certified by the Enterprise Zone Council are allowed a credit equal to 50.0 percent of wages paid to newly-hired workers, capped at \$2,500 per worker (\$5,000 if worker resides in the designated Enterprise Zone). Based on TY2009 data, 37.3 percent of new hires by certified businesses were Enterprise Zone residents. To be eligible, companies must hire at least 5.0 percent more employees than the previous year. For companies with less than 20 employees, they must hire at least 1 new employee. The credits may be carried forward for up to 3 years, and may be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Public Service (Utilities) Corporations (RIGL 44-13)
- Banks (RIGL 44-14)
- Insurance Companies (RIGL 44-17)
- Personal Income Tax (RIGL 44-30) [*Not allowable beginning TY2011*]

	Personal Income		Corporate Taxes		Totals	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
TY2007	138	\$1,384,000	10	\$941,000	148	\$2,325,000
TY2008	150	893,068	14	319,934	164	1,213,002
Total	288	\$2,277,068	24	\$1,260,934	312	\$3,538,002

14. Historic Structures Credit (RIGL 44-33.2-3): The General Assembly enacted the State Historic Investment Tax Credit Act with an effective date of January 1, 2002. The Act provides 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.

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)

	Personal Income		Business Corporations		Insurance		Banks		Totals	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
TY2007	1,145	\$48,869,737	11	\$3,578,918	15	\$2,895,675	0	\$0	1,171	\$55,344,330
TY2008	525	18,738,984	5	371,912	17	15,408,634	2	2,960,988	549	37,480,518
Total	1,670	\$67,608,721	16	\$3,950,830	32	\$18,304,309	2	\$2,960,988	1,720	\$92,824,848

15. Historical Residence Renovations Credit (RIGL 44-33.1): Rhode Island taxpayers who own and reside in a designated historical residence may apply for a tax credit for up to 20.0 percent of the certified costs of renovations to and/or rehabilitation of historical properties. The credit is capped at \$2,000, and unused portions may be carried forward to subsequent tax years. The RI Historical Preservation and Heritage Commission is charged with certifying eligible projects.

Historic credits may be applied against the following taxes:

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

	Personal Income	
	Taxpayers	Amount
TY2007	167	\$254,000
TY2008	177	\$893,320
Total	344	\$1,147,320

16. 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)
- Personal Income (RIGL 44-30) [*Not allowable beginning TY2011*]

	Personal Income		Business Corporations	
	Taxpayers	Amount	Taxpayers	Amount
TY2007	*	*	*	*
TY2008	0	0	0	0

* No statistics available

17. 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 2004 was equal to \$46,351), or
 - *For manufacturing employers only - the average annual wage paid to the employer’s full-time equivalent employees classified as production workers (as defined by the Department of Labor and Training) is greater than the average annual wage paid to all production workers in the State in the same two-digit SIC Code.*
- The firm invests at least 2.0 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)
- Personal Income Tax (RIGL 44-30) [*Not allowable beginning TY2011*]

	Personal Income		Business Corporations		Insurance		Totals	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
TY2007	753	\$4,585,000	89	\$7,022,000	2	\$121,000	844	\$11,728,000
TY2008	602	2,825,847	151	13,265,936	3	853,683	756	16,945,466
Total	1,355	\$7,410,847	240	\$20,287,936	5	\$974,683	1,600	\$28,673,466

18. Innovation and Growth Tax Credit (RIGL 44-63): The State offers a tax credit aimed at promoting high-wage, high-growth innovation industries. The credit allows eligible investors up to a 50.0 percent tax credit on investments, capped at \$100,000 per investment. Qualifying investors must invest in publicly traded Rhode Island based companies with annual gross revenues less than \$1.0 million in the prior two calendar years. Companies must fall into one of the following categories:

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

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

The credits may be applied against the following taxes:

- Business Corporations (RIGL 44-11)
- Franchise Tax (RIGL 44-12)
- Personal Income Tax (RIGL 44-30) *[Not allowable beginning TY2011]*

RI Economic Development Corporation Innovation Tax Credits	Preliminary Approved Credit
Bionica Corporation	\$ 100,000
Lighthouse Security Group	100,000
Ocean State Solutions LLC	100,000
Providence Health Solutions	100,000
Public Display, Inc	100,000
Tizra, Inc.	100,000
Total EDC 2007 Board Action	\$ 600,000
Isis Biopolymer, Inc	\$ 100,000
EvoCare Infusion Services	100,000
ER Card	100,000
Creative Circle Advertising Solutions	100,000
Total EDC 2008 Board Action	\$ 400,000
Albion Second Facility LLC	\$ 100,000
Phoenix Medical Technologies	100,000
ChartWise	100,000
Total EDC 2009 Board Action	\$ 300,000
Phoenix Medical Technologies	\$ 100,000
Mofuse	100,000
Total EDC 2010 Board Action	\$ 200,000
Total Credits	\$ 1,500,000

Source: RI Economic Development Corporation

19. Jobs Development Act Rate Reduction (RIGL 42-64.5): The Jobs Development Act allows for an incremental reduction in the corporate income tax rate (currently 9.0 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 rate reduction may be applied against the following taxes:

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

	Business Corporations		Banks		Totals	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
TY2007	10	\$14,506,000	1	\$1,743,000	11	\$16,249,000
TY2008	10	16,806,989	2	3,936,309	12	20,743,298
Total	20	\$31,312,989	20	\$5,679,309	23	\$36,992,298

20. 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 Economic Development Corporation certification, the participating company would be eligible to offer the incentive to all employees working within the State.

The Jobs Growth Act is intended to be revenue-neutral to the State. The 5.0 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)

	Personal Income		Corporate Taxes		Totals	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
TY2007	769	\$2,022,770	3	\$4,813,336	772	\$6,836,106
TY2008	804	988,950	0	0	804	988,950
Total	1,573	\$3,011,720	3	\$4,813,336	1,576	\$7,825,056

21. 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)
- Personal Income Tax (RIGL 44-30) *[Not allowable beginning TY2011]*

	Personal Income		Corporate Taxes		Totals	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
TY2007	52	\$2,869,000	18	\$515,000	70	\$3,384,000
TY2008	86	265,448	4	216,857	90	482,305
Total	138	\$3,134,448	22	\$731,857	160	\$3,866,305

22. 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:

- Personal Income (RIGL 44-30) *[Not allowable beginning TY2011]*
- Business Corporations (RIGL 44-11)

	Personal Income		Business Corporations	
	Taxpayers	Amount	Taxpayers	Amount
TY2007	0	\$0	0	\$0
TY2008	0	0	0	0

23. K-12 Scholarship Contributions Credit (RIGL 44-62): The State offers a tax credit for businesses that contribute to scholarship organizations for non-public K-12 schools in Rhode Island. Contributors may claim a 75.0 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 \$1.0 million statewide in any given fiscal year. The Division of Taxation issues tax credit certificates to qualifying companies.

An eligible scholarship organization in this State must be exempt from federal taxation under § 501(c)(3) of the internal revenue code, and allocate at least 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)

	Personal Income		Corporate Taxes		Totals	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
TY2007	*	*	*	*	*	*
TY2008	64	718,327	12	718,275	76	1,436,602
Total	64	\$718,327	12	\$718,275	76	\$1,436,602

* Note: The \$1.4 million in redeemed credits in tax year 2008 exceeds the \$1.0 million cap because the credits are capped on a fiscal year basis versus a tax year basis.

24. 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 2008 General Assembly capped the total annual credit issuance allocation at \$15.0 million in a given year, and productions must meet a minimum \$300,000 production budget threshold to qualify. The credits are transferable, and unused portions may be carried forward for up to three years.

The credits may be applied against the following taxes:

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

	Personal Income		Business Corporations		Insurance		Totals	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
TY2007	585	\$12,308,000	7	\$0	0	\$0	592	\$12,308,000
TY2008	264	9,066,318	5	608,208	6	1,426,506	275	11,101,032
Total	849	\$21,374,318	12	\$608,208	6	\$1,426,506	867	\$23,409,032

25. Project Status (EDC) (RIGL 42-64-20): The Rhode Island Economic Development Corporation (EDC) is authorized to convey sales tax exemptions for certain materials by designating a development “project status”. To qualify, a firm’s wages must exceed the State median annual wage by at least 5.0 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.

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

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

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.

Fiscal Year	# Projects	Sales Tax Reimbursements
FY2005	8	\$3,847,667
FY2006	6	806,435
FY2007	8	3,053,414
FY2008	10	6,515,878
FY2009	7	2,310,465
FY2010	4	6,347,720
FY2011 to date	2	533,723
Totals	45	\$23,415,302

Source: RI Division of Taxation

26. 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 \$111,111 in additional qualified expenses, and 16.9 percent for expenses above \$111,111. 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)
- Personal Income Tax (RIGL 44-30) *[Not allowable beginning TY2011]*

	Personal Income		Corporate Taxes		Totals	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
TY2007	70	\$679,000	12	\$1,114,000	82	\$1,793,000
TY2008	152	1,400,749	36	3,493,681	188	4,894,430
Total	222	\$2,079,749	48	\$4,607,681	270	\$6,687,430

27. 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)
- Personal Income Tax (RIGL 44-30) *[Not allowable beginning TY2011]*

	Personal Income		Corporate Taxes		Totals	
	Taxpayers	Amount	Taxpayers	Amount	Taxpayers	Amount
TY2007	13	\$113,000	2	\$22,000	15	\$135,000
TY2008	19	24,123	3	204,166	22	228,289
Total	32	\$137,123	5	\$226,166	37	\$363,289

28. 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)
- Personal Income Tax (RIGL 44-30) *[Not allowable beginning TY2011]*

	Personal Income		Corporate Taxes	
	Taxpayers	Amount	Taxpayers	Amount
TY2007	29	\$62,000	0	\$0
TY2008	77	116,325	0	0
Total	106	\$178,325	0	\$0

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