

STATE OF RHODE ISLAND

Department of Administration
Division of Taxation



TAX EXPENDITURES REPORT

January 2001

TAX EXPENDITURES REPORT

INTRODUCTION AND SUMMARY

Overview:

This portion of the Tax Expenditures Report gives a capsule version of the presentation. Information and statistics presented here are in summary form only and the reader is invited to review items of interest in their fullest form in the various sections of the report.

The Charge:

In accordance with Title 44, Chapter 48 of the Rhode Island General Laws [as amended] the Tax Administrator has the responsibility of preparing an annual tax expenditure report of which this report is the fourth. The first was issued in January, 1997.

As mandated, this report contains the analyses of 51 tax preference items - 26% of the list of tax preference items as of December 31, 1998. Also included is a list of the 51 items chosen for analysis in the report to be issued in 2002.

Prepared By:

At the request of R. Gary Clark, Tax Administrator, this report was prepared by Virginia R. O'Shan, CPA - Chief Revenue Agent for Research and Taxpayer Assistance with the assistance of Cecilia C. Tavares, Revenue Analyst.

Report Basics:

As directed in the charge, a "tax expenditure" is any tax credit, deduction, exemption, exclusion, modification, preferential tax rate, tax abatement, and tax deferral that provides preferential treatment to selected taxpayers, whether directly through Rhode Island General Laws or Constitutional provisions or indirectly through the adoption of other tax codes.

For ease of reference, where the tax preference item chosen applies to only one tax, it is presented with that tax. Tax preference items which apply to several taxes, are grouped together in the section of the report entitled "Other Taxes and Miscellaneous Tax Preference Items".

The other items required under 44-48.1-1 R.I.G.L. [as amended] are as follows:

- "(3) to the extent allowable by law, identification of the beneficiaries of the exemption.
- (4) a comparison of the tax expenditure to the tax system of the other New England states, with emphasis on Massachusetts and Connecticut.
- (5) determination of the beneficiary's state tax burden.
- (6) to the extent allowable by law, identification of similar taxpayers or industries that do not enjoy the exemption."

Under current law, the report can not specifically identify the beneficiaries of the preference items; however, where possible, numbers and classes or beneficiaries for the preference items are presented.

Similarly, to identify those specific taxpayers which were not beneficiaries of the preference item would, in many cases, identify those taxpayers which were to an extent not allowable by law.

Without identifying individual beneficiaries, it is virtually impossible to present each beneficiary's state burden. The process is further complicated by businesses or individuals that have a number of available preference items. In taxes such as the Sales tax, the preference would reduce the burden to all consumers but the effect on each consumer would vary widely depending on income or circumstances. This request does not appear possible under current law and with the current resources.

The analyses performed on the 51 tax preference items chosen for this report include the following: (1) a legal citation to the Rhode Island General Laws [as amended]; (2) an estimate of the reliability of the revenues foregone for the preference item; (3) a description of the tax preference item; (4) the source of the information about the revenues foregone; (5) the dollar amount of revenues foregone presented rounded to the nearest thousand {\$,000}; (6) the number of taxpayers claiming the preference item; and (7) a capsule version of the comparative information for the 5 other New England states.

Report Structure:

This summary is 1 of the 7 major parts into which the report is divided. The other 6 are: the Personal Income Tax section; the Sales and Use Tax section; the Business Corporation Tax section; the Other Taxes and Miscellaneous Tax Preference Items section; the Five Year Change Summary Section and the listing of tax preference items chosen for analysis in the 2001 report.

Results Summary:

The results of the analysis of the 51 items in this year's report are that the revenues foregone total approximately \$ 480 million with an average reliability of 3.92 where 1 is the most reliable and ending with 5 for preference items for which no reliable data exists. Items listed as N/A for reliability were not included in the average. The totals for each major section of this report rounded to the nearest thousand are:

Personal Income Tax	9 items	\$ 230,214,000.
Sales and Use Tax	28 items	249,828,000.
Business Corporation Tax	7 items	0
Miscellaneous Taxes	7 items	<u>0</u>
GRAND TOTAL ALL ITEMS		\$ 480,042,000.

The tables following give the additional details.

**STATE OF RHODE ISLAND
DIVISION OF TAXATION**

**2001 TAX EXPENDITURES REPORT
RESULTS SUMMARY BY TAX**

Tax and Preference Item Selected	\$	Reliability
<u>Personal Income</u>		
4. Interest on federal obligations	\$ 0.	5
6. Credit to trust beneficiary for distribution	0.	5
11. Allocation for nonresident partnership income	0.	5
12. Credit for trust beneficiary	0.	5
20. Federal adjustment - 1/2 self employment	14,000.	4
21. Federal adjustment - self employment health insurance	1,000,000.	3
23. Federal adjustment - early withdrawal penalty	0.	N/A
26. Federal deduction - itemized	135,500,000.	2
27. Federal exemption	93,700,000.	2
TOTAL THIS TAX = 9 items	<u>\$ 230,214,000.</u>	

Sales and Use

3. Installation labor	\$ 0.	5
4. Federal Taxes	0.	5
5. Transportation charges	0.	5
7. Transfers - business dissolution/liquidation	0.	5
10. Casual Sales	0.	5
12. Sales for Resale	187,401,000.	4
18. Charitable, educational or religious organizations	0.	5
20. Purchases for manufacturing purposes	20,520,000.	3
21. State or political subdivisions	0.	5
27. Sales by the visually impaired	105,000.	3
35. Manufacturer's machinery and equipment	7,300,000.	3
45. \$20 sales of certain nonprofit	0.	5
47. Compressed air	0.	5
50. Textbooks	1,167,000.	3
51. Supplies for hazardous waste treatment	0.	5
53. Food Stamp items	23,426,000.	3
54. Transportation charges motor carriers	0.	5
56. Equipment for research and development	0.	5
59. Telecommunications carrier access service	0.	5
63. Investment companies' toll free calls	0.	5
65. Taxes paid elsewhere	0.	5
67. Sales to federal government	8,267,000.	4
68. Sales to common carriers	0.	5
70. Property purchased from federal government	0.	N/A
71. Property bought elsewhere by nonresident	0.	N/A
72. Property otherwise exempted	0.	N/A
73. Trucks, buses in interstate commerce	1,600,000.	3
74. Certain energy products	42,000.	2
TOTAL THIS TAX = 28 items	<u>\$ 249,828,000.</u>	

Business Corporations

7. Special provisions for security companies	\$ 0.	5
8. Special provisions for investment companies	0.	5
9. Exclusion for 1120S	0.	4
10. Consolidation provisions	0.	4
11. Interest on federal obligations	0.	4
12. Net operating loss deductions	0.	4
20. Apportionment of net income	0.	4
TOTAL THIS TAX = 7 items	<u>\$ 0.</u>	

**STATE OF RHODE ISLAND
DIVISION OF TAXATION**

**2001 TAX EXPENDITURES REPORT
RESULTS SUMMARY BY TAX**

Tax and Preference Item Selected	\$	Reliability
Franchise Tax		
1. Taxed under 44-11	\$ 0.	5
TOTAL THIS TAX = 1 item	<u>\$ 0.</u>	
Gasoline Tax		
1. Exclusion for lubricating oils, etc.	\$ 0.	5
TOTAL THIS TAX = 1 item	<u>\$ 0.</u>	
Insurance Premiums Tax		
1. Ocean marine insurance exclusion	\$ 0.	4
2. Fraternal benefit societies	0.	5
3. Premiums returned	0.	4
4. Retaliatory provisions	0.	4
TOTAL THIS TAX = 4 items	<u>\$ 0.</u>	
Telephone Company Property Tax		
1. Limited depreciation allowance	\$ 0.	4
TOTAL THIS TAX = 1 item	<u>\$ 0.</u>	
<u>GRAND TOTAL ALL ITEMS CHOSEN FOR 2001</u>		<u>\$ 480,042,000.</u>

STATE OF RHODE ISLAND
Division of Taxation
January 2001

TAX EXPENDITURES COMPARISON

Comparison Of Other New England States

Items below are only those reported in January 2001.

For the purpose of this chart, "S" stands for a tax preference item of the same topic. However, the item may be quite different and the reader is invited to review the comparisons in detail. "X" stand for no similar provisions found. The designations are of a general nature and applicable cites in the full text are included for reference purposes.

<u>PERSONAL INCOME</u>	<u>CT</u>	<u>MA</u>	<u>ME</u>	<u>NH</u>	<u>VT</u>
4. Interest on federal obligations.....	X	X	S	X	X
6. Credit to trust beneficiary for distributions..	X	S	X	X	S
11. Allocation for nonresident partnership income	S	S	S	X	S
12. Credit for trust beneficiary.....	X	S	S	X	X
20. Federal adjustment- 1/2 self employment.....	S	S	S	X	S
21. Federal adjustment - self employment health insurance.....	S	S	S	X	S
23. Federal adjustment - early withdrawal penalty....	S	S	S	X	S
26. Federal deduction - itemized	S	S	S	X	S
27. Federal exemption	S	S	X	X	S
<u>SALES AND USE</u>					
3. Installation labor.....	S	X	S	X	X
4. Federal Taxes.....	S	S	S	X	X
5. Transportation charges.....	X	S	S	X	X
7. Transfers- business dissolution/liquidation.....	X	X	X	X	S
10. Casual Sales.....	X	S	X	X	S
12. Sales for resale.....	S	S	S	X	S
18. Charitable, educational or religious organizations.....	S	S	S	X	X
20. Purchases for manufacturing purposes.....	S	S	X	X	S
21. State or political subdivisions.....	S	S	S	X	S
27. Sales by the visually impaired.....	X	X	X	X	X
35. Manufacturer's machinery and equipment.....	S	S	S	X	S

STATE OF RHODE ISLAND

Division of Taxation

January 2001

TAX EXPENDITURES COMPARISON

Comparison Of Other New England States

	<u>CT</u>	<u>MA</u>	<u>ME</u>	<u>NH</u>	<u>VT</u>
45. \$20 sales of certain nonprofit.....	S	X	X	X	X
47. Compressed air.....	X	X	X	X	X
50. Textbooks	X	S	X	X	X
51. Supplies for hazardous waste treatment.....	X	X	X	X	X
53. Food Stamp items.....	S	S	S	X	S
54. Transportation charges motor carriers.....	X	X	X	X	X
56. Equipment for research and development.....	S	S	X	X	X
59. Telecommunications carrier access service.....	X	X	X	X	S
63. Investment companies' toll free calls.....	X	X	X	X	X
65. Taxes paid elsewhere.....	S	S	S	X	S
67. Sales to federal government	S	S	S	X	S
68. Sales to common carriers	X	X	S	X	X
70. Property purchased from federal government..	S	S	S	X	S
71. Property bought elsewhere by nonresident.....	X	X	X	X	S
72. Property otherwise exempted.....	S	X	X	X	X
73. Trucks, buses, etc. in interstate commerce	S	X	X	X	X
74. Certain energy products.....	X	X	X	X	X

BUSINESS CORPORATION

7. Special provisions for security companies.....	X	X	X	X	X
8. Special provisions for investment companies.....	S	X	S	X	X
9. Exclusion for 1120S.....	S	S	X	X	S
10. Consolidation provisions.....	S	S	S	X	S
11. Interest on federal obligations.....	X	S	X	X	X
12. Net operating loss deductions.....	S	S	X	S	X
20. Apportionment of net income.....	S	S	S	S	S

STATE OF RHODE ISLAND
 Division of Taxation
 January 2001

TAX EXPENDITURES COMPARISON

Comparison Of Other New England States

	CT	MA	ME	NH	VT
<u>MISCELLANEOUS TAX PREFERENCE ITEMS</u>					
<u>Franchise Tax</u>					
1. Taxed under 44-11.....	X	X	X	X	X
<u>Gasoline Tax</u>					
1. Exclusion for lubrication oils, etc.....	X	X	X	X	X
<u>Insurance Premiums Tax</u>					
1. Ocean marine insurance exclusion.....	S	X	X	X	X
2. Fraternal benefit societies.....	X	X	X	X	X
3. Premiums returns.....	X	X	X	X	X
4. Retaliatory provisions.....	X	X	X	X	X
<u>Telephone Company Property Tax</u>					
1. Limited depreciation allowance.....	X	X	X	X	X

TOTAL SELECTED FOR 2001 = 51

TAX EXPENDITURES REPORT

PERSONAL INCOME TAX TITLE 44, CHAPTER 30, R.I.G.L. AS AMENDED

SUMMARY

The Personal Income Tax is one of the largest revenue sources for the State of Rhode Island. The 1997 Tax Expenditures Report showed that there were 17 direct tax preference items and 15 indirect tax preference items in this chapter and 7 of these items were reported on in the 1998 report; 10 were included in the 1999 report; 6 were included in the 2000 report; and 9 are included in this 2001 Tax Expenditures Report.

Additionally, the 1997 report showed tax preference items available for personal income tax as well as for other taxes and information about them is found in the part of this report entitled Other Taxes and Miscellaneous Tax Preference Items.

Of the 32 items originally listed and reported in the first 5 year reporting cycle, one has been repealed and one has been added. These changes can be found in the Five Year Change Summary portion of this report.

DESCRIPTION OF TAX

Who Is Subject to the Tax

For 1997 the personal income tax was imposed on the Rhode Island income of every individual, estate and trust at 27.5% of the taxpayer's federal income tax liability; for 1998, the personal income tax rate was 27%; for 1999 the rate was 26.5%; for 2000 the rate was 26%; and for 2001 the rate is 25.5%.

All the income of a Rhode Island resident is subject to tax, but for nonresidents only that income attributable to Rhode Island sources is subject to the tax.

TAX PREFERENCE ITEMS

DIRECT TAX PREFERENCE ITEMS

4. Interest on Federal Obligations:

Cite: 44-30-12(c)

Reliability estimate: 5

Federal law requires that stocks, bonds, Treasury Notes, and other obligations of the United States are exempt from taxation by or under state or municipal or local authority. This exemption extends to every form of taxation that would be included in the computation of the tax. [31 U.S.C. § 742]; *McCullock V Maryland* 4 Wheat. 316 (1819).

Source: N/A

Revenues foregone: \$ 0 Revenue loss not reliably estimable

Number of taxpayers: 0 no way to reliably determine the number of taxpayers

Comparisons: Although this is exempt in all states under Federal law, only Maine has similar specific provisions in its statute.

Maine: Maine provides for a subtraction from federal adjusted gross income of interest or dividends on obligations of the United States.

Maine Law Cite: Title 36, Part 8, Chapter 805, paragraph 94-876, Section 5122, 2.A.

6. Credit to Trust Beneficiary for Distribution:

Cite: 44-30-19

Reliability estimate: 5

This credit applies to a resident beneficiary whose Rhode Island income includes an accumulation distribution on which the trust had paid the Rhode Island tax.

Source: N/A

Revenues foregone: \$0 Revenue loss not reliably estimable.

Number of Taxpayers: 0 No way to reliably determine the number of taxpayers.

Comparison: Only Massachusetts and Vermont have similar provisions.

Massachusetts: Massachusetts' provisions include that no person shall be taxed for income received from any trustee or other fiduciary which income has itself been taxed under Massachusetts law.

Massachusetts Law Cite: Chapter 62, Section 10.

Vermont: Credit is available to a partner, member, shareholder, or beneficiary required to pay Vermont income tax in the same proportion as the income of the person is distributed to the shareholder, partner, member or beneficiary.

Vermont Law Cite: Title 32, Subtitle 2, Part 3, Chapter 151, Section 5930 i.

11. Allocation for Nonresident Partner Income:

Cite: 44-30-34

Reliability estimate: 5

In determining Rhode Island source income of a nonresident partner of any partnership only the portion of income derived from or connected with RI sources of the partners' share of income and deduction shall be included.

Source: N/A

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of taxpayers: 0 No way to reliably determine the number of taxpayers.

Comparison:

Connecticut: Income of a nonresident natural person derived from or connected with sources within Connecticut includes the distributive share of partnership income.

Connecticut Law Cite: Title 12, Chapter 229, Section 12-711.

Massachusetts: Taxable income of any nonresident of the Commonwealth derived from Massachusetts is determined solely with respect to items of gross income from sources within Massachusetts. The only deductions allowed are deductions attributable to or included in Massachusetts gross income.

Massachusetts Law Cite: Chapter 62, Section 5A.

Maine: In determining the adjusted gross income of partnership, only that part derived from or connected with the nonresident sources in this state is included in the partner's distributive share of items of partnership income.

Maine Law Cite: Title 36, Part 8, Section 5192.

New Hampshire: No provision found. New Hampshire has no personal income tax.

Vermont: A partner's share of the income attributable to Vermont is determined in accordance with similar requirements to those attributable to a "C" corporation.

Vermont Law Cite: Title 32, Subtitle 2, Part 3, Chapter 151, Section 5920A.

12. Credit for Trust Beneficiary:

Cite: 44-30-37

Reliability estimate: 5

A non resident beneficiary of a trust is allowed a credit against the tax otherwise due when Rhode Island income includes all or part of an accumulation distribution by the trust on which the trust has paid the Rhode Island Tax.

Source: N/A

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of taxpayers: 0 No way to reliably determine the number of taxpayers.

Comparison: Only Massachusetts and Maine have, or had, similar provisions.

Massachusetts: A trustee or other fiduciary having control of the payment to a nonresident of the Commonwealth shall reduce the amount of income taxable.

Massachusetts Law Cite: Chapter 62, Section 10.

Maine: No similar active provision found; Maine law repealed on 7/16/1986.

Maine Law Cite: Title 36, Part 8, Chapter 811, Section 5166.

INDIRECT TAX PREFERENCE ITEMS

20. Federal Adjustment - 1/2 Self Employment:

Cite: Internal Revenue Code Section 164

Reliability estimate: 4

This indirect tax preference item comes from the federal income tax basis of the Rhode Island filing. As such it comes from the federal determination of tax liability; more specifically, the preference item is allowed for an individual as a deduction found as part of the determination of the taxpayer's federal adjusted gross income.

Source: Estimated revenues foregone using Statistics of Income Bulletin, Spring 1999, Volume 18, Number 4.

Revenues foregone: \$ 14,000

Number of taxpayers: 1,332

Comparison:

Connecticut: Connecticut's income base provisions begin with federal adjusted gross income and therefore allow this item as part of the determination.

Connecticut Law Cite: Title 12, Chapter 229, Section 12-701 (19).

Massachusetts: Massachusetts' provisions include a deduction equivalent to the amount of the federal deduction for adjusted gross income. Massachusetts provides for adjustments on a stand alone basis depending on federal filing status.

Massachusetts Law Cite: Chapter 62, Section 5(b).

Maine: Maine's taxable income of a resident is equal to the individual's federal adjusted gross income as defined by federal law.

Maine Law Cite: Title 36, Part 8, Chapter 805, Section 5121.

New Hampshire: No provision found. New Hampshire has no personal income tax.

Vermont: Vermont's tax on income is measured by a percentage of federal income tax liability of the taxpayer and as such includes federal provisions.

Vermont Law Cite: Title 32, Subtitle 2, Part 3, Chapter 151, Section 5811(1).

21. Federal adjustment- Self Employment Health Insurance:

Cite: Internal Revenue Code Section 162

Reliability estimate: 3

This indirect tax preference item comes from the federal income tax basis of the Rhode Island filing. As such, it comes from the federal determination of tax liability. The adjustment for self employment health insurance is found as part of the determination of the payor's federal adjusted gross income.

Source: Estimated using Tax Division statistics.

Revenues foregone: \$ 1,000,000

Number of taxpayers: 12,400

Comparison:

Connecticut: Connecticut's adjusted gross income or income base provisions begin with Federal adjusted gross income and therefore allow this item as part of the determination.

Connecticut Law Cite: Title 12, Chapter 229, Section 12-701 (19).

Massachusetts: Massachusetts' provisions include a deduction equivalent to the amount of the federal deduction for adjusted gross income.

Massachusetts Law Cite: Chapter 62, Section 5(b).

Maine: Maine's taxable income of a resident is equal to the individual's federal adjusted gross income.

Maine Law Cite: Title 36, Part 8, Chapter 805, Section 5121.

New Hampshire: No provision found. New Hampshire has no personal income tax.

Vermont: Vermont's tax on income is measured by a percentage of federal income tax liability of the taxpayer and, as such, includes federal provisions.

Vermont Law Cite: Title 32, Subtitle 2, Part 3, Chapter 151, Section 5811(1).

23) Federal Adjustment - Early Withdrawal Penalty:

Cite: Internal Revenue Code Section 62(a)(9)

Reliability estimate: N/A

This tax preference item has been included for completeness only. As per a court ruling, this has been determined to be a penalty and not subject to Rhode Island tax.

Source: N/A

Revenues foregone: \$ 0

Number of taxpayers: N/A

Comparison:

Connecticut: Connecticut's adjusted gross income of a natural person with respect to any taxable year is as determined for federal income tax purposes.

Connecticut Law Cite: Title 12, Chapter 229, Section 12-701(19).

Massachusetts: Massachusetts' provisions include a deduction equivalent to the amount of the federal deduction for adjusted gross income.

Massachusetts Law Cite: Chapter 62, Section 5(b), and Section 3.

Maine: Maine's taxable income of a resident is equal to the individual's federal adjusted gross income as defined by federal law.

Maine Law Cite: Title 36, Part 8, Chapter 805, Section 5121.

New Hampshire: No similar provision found. New Hampshire has no personal income tax.

Vermont: Vermont's tax on income is measured by a percentage of federal income tax liability of the taxpayer.

Vermont Law Cite: Title 32, Subtitle 2, Part 3, Chapter 151, Section 5811(1).

26) Federal Deduction - Itemized:

Cite: Internal Revenue Code Section 63

Reliability estimate: 2

This indirect tax preference item comes from the federal income tax basis of the Rhode Island filing. As such it comes from the federal determination of tax liability.

Source: Estimated using Tax Division Statistics.

Revenues foregone: \$ 135,500,000

Number of taxpayers: 179,200

Comparison:

Connecticut: Connecticut's adjusted gross income is determined as the adjusted gross income for federal income tax purposes.

Connecticut Law Cite: Title 12, Chapter 229, Section 12-701 (19).

Massachusetts: Massachusetts' provisions include a deduction equivalent to the amount of federal deduction for adjusted gross income.

Massachusetts Law Cite: Chapter 62, Section 2.

Maine: Maine's taxable income of a resident is equal to the individual's federal adjusted gross income.

Maine Law Cite: Title 36, Part 8, Chapter 805, Section 5125.

New Hampshire: No similar provision. New Hampshire has no personal income tax.

Vermont: Vermont's tax on income is measured by a tax percentage of federal income tax liability of the taxpayer and, as such, includes federal provisions.

Vermont Law Cite: Title 32, Subtitle 2, Part 3, Chapter 151,
Section 5822.

27) Federal Exemption:

Cite: Internal Revenue Code Section 151

Reliability estimate: 2

This indirect tax preference item comes from the federal income tax basis of the Rhode Island filing. As such, it comes from the federal determination of tax liability. This preference item is allowed for federal exemptions as defined in the Internal Revenue Code Section 151.

Source: Developed using Tax Division statistics

Revenues foregone: \$ 93,700,000

Number of taxpayers: 360,400

Comparison:

Connecticut: Any person other than a trust or estate, subject to Connecticut tax is entitled to a personal exemption depending on the federal filing status.

Connecticut Law Cite: Title 12, Chapter 229, Section 12-702.

Massachusetts: Massachusetts' provision include personal exemptions as a modification to adjusted gross income.

Massachusetts Law Cite: Chapter 62, Section 3.

Maine: No similar provision found.

New Hampshire: No similar provision. New Hampshire has no personal income tax.

Vermont: Vermont's tax on income is measured to the extent that such income is exempted from federal taxation.

Vermont Law Cite: Title 32, Subtitle 2, Part 3, Chapter 151,
Section 5811.

OTHER TAX PREFERENCE ITEMS

Other tax preference items available for this tax as well as for other taxes are covered in the part of this report entitled Other Taxes and Miscellaneous Tax Preference Items.

TAX EXPENDITURES REPORT

SALES AND USE TAX TITLE 44, CHAPTERS 18 AND 19, R.I.G.L. AS AMENDED

SUMMARY

The Sales and Use Tax is one of the largest revenue sources for the State of Rhode Island. The 1997 Tax Expenditures report showed that there were 76 available items of various types for this chapter. Included in these 76 are 2 items noted as not considered to be preference items for purposes of reporting - items bought by nonresidents before July 1, 1947 and items excluded if subject to the use tax. Of the remaining 74 items, 13 were reported on in the 1998 report; 13 items were reported on in the 1999 report; 20 items were reported on in the 2000 report and 28 items are included in this 2001 Tax Expenditures Report.

Of the 74 items originally listed and reported in the first 5-year reporting "cycle", one has been repealed and five have been added. These changes can be found in Five Year Change Summary portion of this report.

DESCRIPTION

The tax applies to retail sales of all tangible personalty and public utility services unless otherwise exempted. Any sale is a retail sale if the property sold is not to be resold in the regular course of business; thus, a manufacturer or wholesaler is making retail sales when he, she or it sells items which will be used, rather than resold, by the purchaser.

Imposition and Collection of the Sales Tax

The sales tax is imposed on the retailer (seller) at 7% of the gross receipts from taxable sales and the retailer collects from his, her or its customers all or a part of the tax paid by the retailer to the state.

Use Tax

Complementing the sales tax, a use tax is imposed at 7% on the storage, use or other consumption in this state of all tangible personalty (unless exempted), including a motor vehicle, airplane or trailer purchased from any retailer.

TAX PREFERENCE ITEMS

DIRECT PREFERENCE ITEMS

3. Installation Labor:
Cite 44-18-12 (b) (3)
Reliability estimate: 5

This exclusion applies to the amount for labor or services separately stated for installing or applying the property sold or for altering wearing apparel.

Source: Excise Tax Section

Revenues foregone: \$0 Revenue loss not reliably estimable.

Number of taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison: Only Connecticut and Maine have similar provisions.

Connecticut: Gross receipts do not include the amount charged for labor rendered in installing or applying the property sold provided that such charge is separately stated.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-407 (9)(A).

Maine: Sales price does not include the price received for labor or services used in installing or applying or repairing the property sold or fabricated if separately charged or stated.

Maine Law Cite: Title 36, Part 3, Chapter 211, Section 1752.

4. Federal Taxes:

Cite: 44-18-12 (b) (4)

Reliability estimate: 5

This tax preference item excludes from the sales price the taxes imposed by the U.S. Government (but not manufacturer's or employer's excise taxes).

Source: Excise Tax Section

Revenues foregone: \$ 0. Revenue loss not reliably estimable.

Number of Taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison:

Connecticut: Sales price does not include the amount of any tax not including any manufacturer's or importer's excise tax imposed by the United States upon or with respect to retail sales.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-407(8)(A).

Massachusetts: Massachusetts law excludes from the sales price the amount of manufacturer's excise tax levied on motor vehicles under Section 4061 A of the Internal Revenue Code [the luxury auto tax].

Massachusetts Law Cite: Chapter 64H, Section 1.

Maine: The sale price does not include the amount of any tax imposed by the United States on or with respect to retail sales.

Maine Law Cite: Title 36, Part 3, Chapter 211, Section 1752.

New Hampshire: No similar provision found.

Vermont: No similar provision found.

5. Transportation Charges:

Cite 44-18-12 (b) (5)

Reliability estimate: 5

This tax preference item excludes transportation charges if stated separately and if the transportation happens after the property is purchased.

Source: Excise Tax Section

Revenues foregone: \$0 Revenue loss not reliably estimable.

Number of Taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison: Only Massachusetts and Maine have similar provisions.

Massachusetts: In determining the sales price... transportation charges are exempt if separately stated and the transportation occurs after sale of the property.

Massachusetts Law Cite: Chapter 64H, Section 1.

Maine: Sales price does not include the cost of transportation from the retailer's place of business or other point from which shipment is made directly to the purchaser provided that those charges are separately stated.

Maine Law Cite: Title 36, Part 3, Chapter 211, Section 1752.

7. Transfers - Business dissolution/liquidation:

Cite: 44-18-20 (d) (2)

Reliability estimate: 5

This tax preference item allows transfers or sales to be made without the tax if they are in conjunction with the organization, reorganization, dissolution or partial liquidation of a business with provisions but only if other separate criteria exist.

Source: Excise Tax Section

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of Taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison: Only Vermont has a similar provision.

Vermont: The transfer of tangible personal property to a corporation in organization, a merger or consolidation; the distribution of property by a corporation in liquidation, the distribution of property by a partnership in liquidation is exempt from tax.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 233, Section 9742.

10. Casual Sales:

Cite: 44-18-20 (g)

Reliability estimate: 5

This exemption covers the sale of tangible personal property not held or used by the seller in the course of the activities for which the seller is required to hold a seller's permit and no more than 5 in any 12 month period.

Source: Excise Tax Section

Revenues foregone: \$0 Revenue loss not reliably estimable.

Number of Taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison: Only Massachusetts and Vermont have similar provisions.

Massachusetts: Casual and isolated sales by a vendor not regularly engaged in the business of making sales at retail are exempt.

Massachusetts Law Cite: Chapter 64H, Section 6(c).

Vermont: Sale of tangible personalty as a casual sale is exempt.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 233, Section 9701.

12. Sales for Resale:

Cite: 44-18-25

Reliability estimate: 4

This exclusion applies when items are sold to a person or company which will resell them rather than consume them and requires that the purchaser give the seller a resale certificate.

Source: Excise Tax Section/ Information Processing statistical data

Revenues foregone: \$187,401,000.

Number of Taxpayers: Not available

Comparison:

Connecticut: Retail sale definition does not include a sale for resale.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-407.

Massachusetts: Sale defined includes sale for any purposes other than for resale in the regular course of business.

Massachusetts Law Cite: Chapter 64H, Section 1.

Maine: Sale defined includes any sale in the ordinary course of business for any purpose other than for resale.

Maine Law Cite: Title 36, Part 3, Chapter 211, Section 1760.

New Hampshire: No similar provision found.

Vermont: Retail sale defined as the sale of tangible personal property to any person for purpose other than for resale.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 233, Section 9701.

18. Charitable, Education or Religious Organization:

Cite: 44-18-30 (5)

Reliability estimate: 5

This exemption includes nonprofit hospitals, educational institutions, churches, orphanages and other listed institutions.

Source: Excise Tax Section

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of Taxpayers: There are currently 5,765 such organizations to which the Division has awarded tax exempt numbers.

Comparison:

Connecticut: The exemption extends to any organization which is exempt from Federal Income Tax under various IRS Code 501 provisions.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412 (8).

Massachusetts: The exemption includes sales to any corporation, foundation, organization or institution exempt from tax under IRC 501 c (3).

Massachusetts Law Cite: Chapter 64H, Section 6 (e).

Maine: The exemption includes hospitals, research centers, churches and schools, and also to incorporated, private, non-profit, residential child-caring institutions.

Maine Law Cite: Title 36, Part 3, Chapter 211, Section 1760.

New Hampshire: No similar provision found.

Vermont: No similar provision found.

20. Purchases for Manufacturing Purposes:

Cite: 44-18-30 (7)

Reliability estimate: 3

This exemption includes purchases for manufacturing purposes of computer software, tangible personalty, electricity, natural/artificial gas, steam, refrigeration, and water when the property or service is purchased to be manufactured into a finished product for resale.

Source: Sales Tax Model

Revenues foregone: \$ 20,520,000.

Number of Taxpayers: Statistics unavailable.

Comparison:

Connecticut: Partial exemption [based on a formulary percentage] for materials, tools, fuels, machinery and equipment used in manufacturing.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412i.

Massachusetts: Sales of machinery or replacement parts thereof used directly and exclusively in an industrial plant in the actual manufacture of tangible personal property to be sold are exempt.

Massachusetts Law Cite: Chapter 64H, Section 6(s).

Maine: No similar provision found.

New Hampshire: No similar provision found.

Vermont: Tangible personalty which becomes an ingredient or component part of, or is consumed or destroyed or loses its identity in the manufacture of tangible personal property for sale is exempt.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 233, Section 9741.

21. State or Political Subdivisions:

Cite: 44-18-30 (8)

Reliability estimate: 5

This exemption excludes both sales and use tax for items sold to and used by the State of Rhode Island, or any city, town, district or political subdivision of Rhode Island. Additionally, redevelopment agencies created under the Rhode Island General Laws are deemed to be subdivisions of the municipalities in which they are created.

Source: Excise Tax Section

Revenues foregone: \$0 Revenue loss not reliably estimable.

Number of Taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison:

Connecticut: The sale of tangible personal property or services to the United States, the state of Connecticut or any of the political subdivisions thereof or their respective agencies shall be exempt.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412.

Massachusetts: Sales to the United States, the Commonwealth or any political subdivision thereof or their respective agencies shall be exempt.

Massachusetts Law Cite: Chapter 64H, Section 6(d).

Maine: Sales to the state or any political subdivision or to the federal government or to any unincorporated agency or instrumentality of either of them or to any incorporated agency or instrumentality of them wholly owned by them shall be exempt.

Maine Law Cite: Title 36, Part 3, Chapter 211, Section 1760.

New Hampshire: No similar provision found.

Vermont: Sales to the State of Vermont or any of its agencies, instrumentalities, public authorities, public corporations, or political subdivisions when it is the purchaser, user, or consumer are exempt.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 233.

27. Sales in Public Buildings by Blind People:

Cite: 44-18-30 (14)

Reliability estimate: 3

This exemption applies to the sale in public buildings of any products by a person licensed under Title 40, Chapter 9, Section 11.1 of the RIGL.

Source: Office of Services for the Blind

Revenues foregone: \$ 105,000.

Number of Taxpayers: 22 licensed vendors

Comparison: No similar provisions found in any other New England state.

35. Manufacturer's Machinery and Equipment:

Cite: 44-18-30 (22)

Reliability estimate: 3

This exemption applies to tools, dies and molds and machinery and equipment (including replacement parts thereof) if used directly and exclusively in an industrial plant in the manufacture of tangible personalty to be sold or to furnish power to the manufacturing plant.

Source: Sales/Use Tax Model statistics

Revenues foregone: \$ 7,300,000.

Number of Taxpayers: Statistical information unavailable.

Comparison:

Connecticut: Machinery used directly in a manufacturing production process is exempt.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412.

Massachusetts: Machinery or replacement parts thereof used directly and exclusively in an industrial plant in the actual manufacture of tangible personal property to be sold is exempt.

Massachusetts Law Cite: Chapter 64H, Section 6(s).

Maine: Machinery and equipment for use by the purchaser directly and primarily in either the production of tangible personal property intended to be sold or leased ultimately for final use or consumption or in the production of tangible personal property is exempt.

Maine Law Cite: Title 36, Part 3, Chapter 211, Section 1760.

New Hampshire: No similar provisions found.

Vermont: Machinery and equipment for use or consumption directly and exclusively except for isolated or occasional uses in the manufacture of tangible personal property for sale or in the manufacture of other machinery or equipment, part or supplies for use in the manufacturing process is exempt.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 233, Section 9741.

45. \$20 Sales of Certain Nonprofits [for youth activities equipment] :
Cite: 44-18-30 (32)
Reliability estimate: 5

This exemption applies to the sale of items of not more than \$20. each by nonprofit Rhode Island organizations for youth activities and sales by accredited elementary and secondary schools for school purposes or for organized student activities.

Source: Excise Tax Section

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of Taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison: Only Connecticut has a similar provision.

Connecticut: Items not costing more than \$20.00 each by certain nonprofit organizations and schools for purposes of youth activities which such organization is formed to sponsor and support are exempt.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412.

47. Compressed Air:
Cite: 44-18-30 (34)
Reliability estimate: 5

This exemption applies to compressed air.

Source: Excise Tax Section

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of Taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison: No similar provisions found in any other New England state.

50. Textbooks:
Cite: 44-18-30 (37)
Reliability estimate: 3

This exemption applies to the sale or use of textbooks by an "educational institution " defined in subsection 18 of 44-18-30 RIGL and of used textbooks by any purveyor.

Source: Rhode Island Office of Higher Education

Revenues foregone: \$ 1,167,000.

Number of Taxpayers: 75,000.

Comparisons: Only Massachusetts has a similar provision.

Massachusetts: Sales of books required for instructional purposes in educational institutions are exempt.

Massachusetts Law Cite: Chapter 64H, Section 6(m).

51. Supplies for Hazardous Waste Treatment:
Cite: 44-18-30 (38)
Reliability estimate: 5

This exemption is for tangible personal property or supplies used or consumed in the operation of equipment if the exclusive function of that equipment is recycling, reuse, or recovery of materials (other than precious metals) from hazardous waste treatment.

Source: Excise Tax Section

Revenues Foregone: \$0 Revenue loss not reliably estimable.

Number of Taxpayers: 0 No way to reliably determine number of taxpayers.

Comparisons: No similar provisions found in any other New England state.

53. Food Stamp Items:

Cite: 44-18-30 (40)

Reliability estimate: 3

This exemption applies if payment for eligible food items is properly made in the form of U.S. Government Food Stamps (issued in accordance with the Food Stamp Act of 1977 as amended).

Source: Rhode Island Department of Human Services.

Revenues foregone: \$ 23,426,000.

Number of Taxpayers: 927,000 people participate in the federal Food Stamp Program in Rhode Island .

Comparison:

Connecticut: Items purchased with Federal Food Stamp coupons [subject to the provisions of Section 12-412e] are exempt.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412(57).

Massachusetts: Tangible personal property purchased with Federal Food Stamps and not otherwise exempt under this Chapter is exempt.

Massachusetts Law Cite: Chapter 64H, Section 6(kk).

Maine: Sales of items purchased with Federal Food Stamps distributed by the Department of Human Services are exempt.

Maine Law Cite: Title 36, Part 3, Chapter 211, Section 1760.

New Hampshire: No similar provision found.

Vermont: Sales of food, food stamps, and purchases made with Food Stamps are exempt.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 233, Section 9741.

54. Transportation Charges - Motor Carriers:

Cite: 44-18-30 (41)

Reliability estimate: 5

This tax exemption applies to the sale or hiring of motor carriers (as defined in 39-12-2(1) RIGL) to haul goods, if the contract or hiring cost is charged by a motor freight tariff filed with the Rhode Island Public Utilities Commission based on the number of miles driven or by the number of hours spent on the job.

Source: Excise Tax Section

Revenues foregone: \$0 Revenue loss not reliably estimable.

Number of Taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison: No similar provisions in any other New England state.

56. Equipment for Research and Development:

Cite: 44-18-30 (43)

Reliability estimate: 5

This exemption applies to equipment used predominantly for research and development purposes by a qualifying firm. A "qualifying firm" means a business for which the use of "research and development" equipment is an integral part of its operation, and "equipment" means scientific equipment, software and related items.

Source: Excise Tax Section

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of Taxpayers: 0 No way to reliably determine number of taxpayers.

Comparisons: Only Connecticut and Massachusetts have similar provisions.

Connecticut: The machinery or equipment used for research and development measuring or testing with respect to or in furtherance of manufacturing, processing, or fabricating of tangible personal property is partially exempted based on a formulary method.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412i.

Massachusetts: Sales of machinery or replacement parts thereof used in research and development by a manufacturing corporation or a research and development corporation is exempt.

Massachusetts Law Cite: Chapter 64H, Section 6(s).

59. Telecommunications Carrier Access Services:

Cite: 44-18-30 (46)

Reliability estimate: 5

This exemption applies to carrier access service or telecommunications service when purchased by a telecommunications company from another telecommunications company to facilitate the provision of telecommunications service.

Source: Excise Tax Section

Revenues Foregone: \$ 0 Revenue loss not reliably estimable.

Number of Taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison: Only Vermont has a similar provision .

Vermont: Charges for wholesale transactions between telecommunications service providers do not include network access charges and interconnection charges paid to a local exchange carrier.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 233, Section 9741.

63. Investment Companies' Toll Free Calls:

Cite: 44-18-30 (50)

Reliability estimate: 5

This exemption applies to the furnishing of interstate and international, toll-free terminating telecommunication service that is used directly and exclusively by or for the benefit of an eligible company which employs no less than 500 full time employees and is a "regulated investment company" as defined by the Internal Revenue Code.

Source: Excise Tax Section

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of Taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison: No similar provisions in any other New England state.

- 65) Taxes Paid Elsewhere:
Cite: 44-18-30A (a)
Reliability estimate: 5

This use tax preference item exempts property on which the purchaser has already lawfully paid a sales or use tax to another state if the rate of tax was greater than or equal to the Rhode Island rate. If the rate was less than the Rhode Island rate, the amount of tax due Rhode Island is reduced by the amount of out of state tax paid.

Source: Excise Tax Section

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of Taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison:

Connecticut: The use tax shall not apply to the purchase of any articles of tangible personal property which have been brought into the state on the person of a resident of this state when the purchase price of the same does not exceed \$25.00 provided such purchase shall be for personal use or consumption in the state.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-413.

Massachusetts: Sales upon which the purchaser has paid a tax or made reimbursement to a vendor or retailer under the laws of any state or territory of the United states shall be exempt provided that such tax was legally due and shall apply to the extent of the difference in rates.

Massachusetts Law Cite: Chapter 64I, Section 7.

Maine: The use tax provisions shall not apply to the use storage or consumption of purchases outside the state where the purchaser has paid a sales or use tax equal to or greater than the amount imposed by Chapters 211 to Chapter 225 in another taxing jurisdiction.

Maine Law Cite: Title 36, Part 3, Chapter 215, Section 1862.

New Hampshire: No similar provision found.

Vermont: Motor vehicles on which a state sales or use has been paid by the person applying for registration in Vermont or paid by the person at the time of the tax payment to another state was the spouse of the person now applying for registration.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 219, Section 8911.

67) Sales of Federal Government:

Cite: 44-18-31

Reliability estimate: 4

This tax preference item excludes gross sales of tangible personalty to the United States Government, its agencies and instrumentalities.

Source: Excise Tax Section

Revenues foregone: \$ 8,267,000.

Number of Taxpayers: Statistics not available.

Comparison:

Connecticut: Sales of tangible personal property or services to the United States or respective agencies are exempt.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412.

Massachusetts: Sales which the Commonwealth is prohibited from taxing under the Constitution or laws of the United States.

Massachusetts Law Cite: Chapter 64H, Section 6.

Maine: Sales to the Federal Government or any unincorporated agency or instrumentality are exempt.

Maine Law Cite: Title 36, Part 3, Chapter 211, Section 1760 - 2.

New Hampshire: No similar provision found.

Vermont: Sales not within the taxing power of this state or under the Constitution of the United States.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 233, Section 9741.

68) Sales to Common Carriers for use outside the state:

Cite: 44-18-33

Reliability estimate: 5

This sales tax exclusion applies to sales of items to a common carrier if actually shipped by the seller (via the carrier) to a point outside Rhode Island for use by the common carrier as part of its business.

Source: Excise Tax Section

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of Taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison: Only Maine has a similar provisions.

Maine: Sales of property delivered outside the state or to the United States Postal Service, a common carrier or a contract carrier hired by the seller for delivery to a location outside the state are exempt.

Maine Law Cite: Title 36, Part 3, Chapter 211, Section 1760.

70) Property Purchased from Federal Government:

Cite: 44-18-35

Reliability estimate: N/A

This exemption applies to property bought from the United States Government but only to the extent that the taxation would violate the U.S. Constitution.

Source: Excise Tax Section

Revenues foregone: \$0 Revenue loss not reliably estimable.

Number of Taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison:

Connecticut: [General Constitutional exemption provisions] Sales of tangible personal property or services which the state is prohibited from taxing under the Constitution or laws of the United States are exempt.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412.

Massachusetts: [General Constitutional exemption provisions] Sales which the Commonwealth is prohibited from taxing under the Constitution or laws of the United States.

Massachusetts Law Cite: Chapter 64H, Section 6.

Maine: [General Constitutional exemption provisions] Sales which the state is prohibited from taxing under the Constitution or laws of the United States or of this state.

Maine Law Cite: Title 36, Part 3, Chapter 211, Section 1760.

New Hampshire: No similar provision found.

Vermont: [General Constitutional exemption provisions] Sales not within the taxing power of this state under the Constitution of the United States.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 233, Section 9741.

71) Property Bought Elsewhere by Nonresident:

Cite: 44-18-36 (2)

Reliability estimate: N/A

This exemption applies to property bought and used outside Rhode Island by a nonresident and then brought by the nonresident into Rhode Island for his or her own use.

Source: Excise Tax Section

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of Taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison: Only Vermont has a similar provision.

Vermont: Property used by a purchaser in this state prior to June 1, 1969 and property purchased by the user while a nonresident of this state shall be exempt from use tax.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 233, Subchapter 2, Section 9744.

72) Property Otherwise Exempted:

Cite: 44-18-36 (3)

Reliability estimate: N/A

This use tax exemption applies to purchases of property for which the purchaser would have been expressly exempt if the sale was taxable.

Source: Excise Tax Section

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of Taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison: Only Connecticut has a similar provision.

Connecticut: Items exempt from use tax are those which are exempt if the storage, acceptance, consumption or other use is not otherwise taxable.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-411.

73) Trucks, Busses and Trailers in Interstate Commerce:

Cite: 44-18-40

Reliability estimate: 3

The purchase, rental, or lease of a bus, truck, or trailer by a bus or trucking company is not subject to the provisions of the sales and use tax imposed by this Chapter on the condition that the bus, truck and/or trailer is utilized exclusively in interstate commerce.

Source: Excise Tax Section based on Registry of Motor Vehicle records.

Revenues foregone: \$ 1,600,000.

Number of Taxpayers: There were 464 taxpayers involved in the exemption trucks and trailers; other statistics are not available.

Comparison: Only Connecticut has similar provisions.

Connecticut: Each purchaser of a commercial truck, truck, tractor, truck tractor, or semi-trailer or vehicle used in combination therewith is exempt from tax upon presentation of a certificate/permit issued by the Interstate Commerce Commission.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412.

74) Certain Energy Products:

Cite: 44-18-40.1

Reliability estimate: 2

The gross receipts from the sale, storage, use or other consumption of electricity, steam, and thermal energy which is produced, transmitted and/or sold by the Rhode Island Economic Development Corporation are exempt from sales and use taxes.

Source: Rhode Island Economic Development Corporation

Revenues foregone: \$ 42,000

Number of Taxpayers: 1 taxpayer

Comparison: No similar provisions found in any other New England state.

TAX EXPENDITURES REPORT
BUSINESS CORPORATION TAX
TITLE 44, CHAPTER 11, R.I.G.L. AS AMENDED

SUMMARY

The Business Corporation Tax is one of the largest revenue sources for the State of Rhode Island. The 1997 Tax Expenditures report showed that there were 22 available direct tax preference items of various types in this chapter and 3 of these items were reported on in the 1998 report; 6 items were reported in the 1999 report; 6 items were reported on in the 2000 report and the 2001 Tax Expenditures Report focuses on 7 items.

Additionally, the 1997 report showed tax preference items available for Business Corporation tax as well as for other taxes and information about them is found in the part of this report entitled Other Taxes and Miscellaneous Tax Preference Items.

Of the 22 items originally listed and reported in the first 5-year reporting "cycle", none have been repealed and two have been added. These changes can be found in Five Year Change Summary portion of this report.

DESCRIPTION OF TAX

Corporate Tax Basics

Corporations deriving income from sources in Rhode Island or engaging in activities for the purpose of profit or gain are required to pay 9% of net income as reported to the Federal Government and apportioned to Rhode Island. The minimum Business Corporation Tax is \$250.00.

TAX PREFERENCE ITEMS

7) Special Provisions for Security Companies:

Cite: 44-11-2 (b)

Reliability estimate: 5

This tax preference items gives a different basis of tax for companies which are dealing in securities on their own behalf and derive 90% of their gross receipts from these securities' activities. They must pay the net income tax but are taxed at only 50% of the excess of capital gains over capital losses for the taxable year. Security companies file an 1120S return with an attached schedule 1120F.

Source: Business Corporation Tax Section

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison: No similar provisions found in any other New England state.

8. Special Provisions for Investment Companies:

Cite: 44-11-2 (c)

Reliability estimate: 5

This tax preference item creates a special measure of tax if the company is a personal holding company, a regulated investment company or a real estate investment trust. The tax is based on the normal tax base minus 50% of the excess of capital gains over capital losses.

Source: Business Corporation Tax Section

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison: Only Connecticut and Maine have similar provisions.

Connecticut: Passive investment companies are exempt.

Connecticut Law Cite: Title 12, Chapter 208, Part I, Section 12-213.

Maine: Small business investment companies licensed under US Small Business Investment Act of 1958 [as amended] are exempted.

Maine Law Cite: Chapter 817, Section 5202A.

9. Exclusion for 1120S Corporations:

Cite: 44-11-2 (d) (1)

Reliability estimate: 4

This tax preference item allows Small Business Corporations which have valid Subchapter S elections with the Internal Revenue Service to be excluded from the business corporation tax providing that their nonresident shareholders properly report and pay their taxes.

Source: Business Corporation Tax Section

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of taxpayers: 16,013 corporations file on this basis.

Comparison:

Connecticut: Corporations having valid Subchapter S elections are exempted from the tax.

Connecticut Law Cite: Title 12, Chapter 208, Part I, Section 12-214.

Massachusetts: Corporations are taxed only to the extent that the income is taxed for federal corporate income tax purposes.

Massachusetts Law Cite: Chapter 63, Section 32D.

Maine: No similar provision found.

New Hampshire: No similar provision found.

Vermont: An S corporation shall not be subject to the tax imposed except to the extent of income taxable to the corporation under the provision of the Internal Revenue Code.

Vermont Law Cite: Title 32, Subtitle 2, Part 3, Section 5911.

10) Consolidation Provisions:

Cite: 44-11-4

Reliability estimate: 4

This tax preference item allows an affiliated group of corporations to file a Rhode Island consolidated return providing that certain technical criteria are met.

Source: Business Corporation Tax Section

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of taxpayers: 343 corporations file on a consolidated basis.

Comparison:

Connecticut: Any taxpayer included in a consolidated return with one or more other corporations for federal income tax purposes may elect to file a combined return under this chapter together with such other companies subject to the tax imposed as are include in the federal consolidated corporation income tax return.

Connecticut Law Cite: Title 12, Chapter 208, Part I, Section 12-223a.

Massachusetts: If two or more domestic business corporations or foreign corporations participated in the filing of a consolidated return of income to the federal government, the net income measure of their excises imposed under Section 32 or Section 39 may, at their option, be assessed upon their combined net income.

Massachusetts Law Cite: Chapter 63, Section 32B.

Maine: Consolidate reporting is allowed under specific conditions.

Maine Law Cite: Title 36, Part 8, Chapter 819, Section 5206-G.

New Hampshire: No such provision found.

Vermont: Taxable corporations may file a consolidated return if such corporations qualify and elect to file a consolidated federal income tax return.

Vermont Law Cite: Title 32, Subtitle 2, Part 3, Chapter 151, Section 5862.

11) Interest on Federal Obligations:

Cite: 44-11-11 (a)(1)(iv)

Reliability estimate: 4

This exclusion removes interest from obligations of the United States and its possessions and other interest exempt under Rhode Island law from the calculation of the business corporation tax.

Source: Business Corporation Tax Section

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of taxpayers: 703 corporations use this exclusion.

Comparisons: Although it is exempt in all states under federal law, only Massachusetts has a similar provision.

Massachusetts: Interest on obligations of the United States exempt from state income taxation to the extent included in federal gross income is deducted from Massachusetts gross income as provided.

Massachusetts Law Cite: Chapter 62, Section 2.

12. Net Operating Loss Deductions:

Cite: 44-11-11 (b)

Reliability estimate: 4

The net operating loss deduction for Rhode Island purposes generally follows the net operating loss deduction allowed under Section 172 of the Internal Revenue Code with some specific determinative criteria which must be met. This section also allows the taxpayer to carry the net operating loss forward [but not backward] for 5 succeeding tax years.

Source: Business Corporation Tax Section

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of taxpayers: 2,706 corporations take this deduction.

Comparison:

Connecticut: Net operating loss carryovers and carrybacks are allowed as deductions from net income.

Connecticut Law Cite: Title 12, Chapter 208, Part I, Section 12-213.

Massachusetts: Net income excludes net operating losses incurred in other taxable years subject to certain restrictions.

Massachusetts Law Cite: Chapter 63, Section 30.

Maine: No similar provision found.

New Hampshire: A deduction from business profits tax is allowed for the amount of the net operating loss carryover determined under the Internal Revenue Code.

New Hampshire Law Cite: Title V, Chapter 77-A, Section 77A:4.

Vermont: No similar provision found.

20) Apportionment of Net Income:

Cite: 44-11-14

Reliability estimate: 4

This tax preference item allows a corporation with a regular place of business outside Rhode Island to apportion its net income by averaging: (1) the ratio of real and tangible property held or owned in Rhode Island to such property everywhere; (2) the ratio of salaries and wages paid in Rhode Island to salaries and wages everywhere; and (3) the ratio of gross receipts in Rhode Island to gross receipts everywhere. In computing the gross receipts factor, the point of destination is used to determine the receipts from sales of tangible and personal property. 100% of the receipts from these sales is attributed to Rhode Island if the property is located here and is shipped to points here or when the property is located outside Rhode Island and the shipment is made to points within Rhode Island.

Source: Business Corporation Tax Section

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of taxpayers: 4,312 taxpayers use apportionment.

Comparison:

Connecticut: Any taxpayer subject to tax both within and without the state shall apportion its net income.

Connecticut Law Cite: Title 12, Chapter 208, Part I, Section 12-218.

Massachusetts: If a corporation has income from business activity which is taxable both within and without the Commonwealth, its taxable net income shall be apportioned to the Commonwealth.

Massachusetts Law Cite: Chapter 63, Section 38.

Maine: Corporations having income from business activity that is taxable both within and without the state must apportion the adjusted federal tax.

Maine Law Cite: Title 36, part 8, Section 5203-A.

New Hampshire: A business which derives gross business profits from business activities both within and without the state shall apportion its gross business profits so as to allocate to the state a fair and equitable proportion of such business profits.

New Hampshire Law Cite: Title V, Chapter 77-A, Section 77A:3.

Vermont: If the income of a taxable corporation is derived from any trade, business or activity conducted both within and without the state, the amount of the corporation's Vermont net income shall be apportioned.

Vermont Law Cite: Title 32, Subtitle 2, Part 3, Chapter 151, Section 5833.

OTHER TAX PREFERENCE ITEMS

Other tax preference items available for this tax as well as for other taxes are covered in the part of this report entitled Other Taxes and Miscellaneous Tax Preference Items.

TAX EXPENDITURES REPORT

OTHER TAXES AND MISCELLANEOUS TAX PREFERENCE ITEMS

INTRODUCTION:

This section of the 2001 Tax Expenditures Report contains the 4 taxes [other than Personal Income tax, Sales and Use tax and Business Corporation tax reported in the other 3 sections] from which 7 tax preference items were selected for analysis. All 19 tax preference items available to more than one tax were covered in prior Tax Expenditures Reports.

Of the 23 taxes reported in this Miscellaneous section two taxes have been deleted, the Bank Deposits Tax and the Retail Tire Fee and two new tax preference items have been added. These deletions and additions can be found in the Five Year Change Summary portion of this report. Of the 19 items originally listed and reported in the tax preference items impacting more than one tax, there were no deletions and eight additions. These changes can be found in the Five Year Change Summary portion of this report.

MISCELLANEOUS TAXES AND THEIR PREFERENCE ITEMS

Franchise Tax - Corporations Taxed under 44-11:

Cite: 44-12-1(b)

Reliability estimate: 5

This tax preference item excludes a corporation from franchise tax if the tax computed under the business corporation tax [44-11] exceeds the franchise tax.

Source: Business Corporation Tax Section

Revenues foregone: \$0 Revenue loss not reliably estimable.

Number of Taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison: No similar provisions found in any other New England state.

Gasoline Tax -- Exclusion for Lubricating Oils, Etc.:

Cite: 31-36-1(d)

Reliability estimate: 5

This definition of "fuels" excludes lubricating oils, diesel fuel for the propulsion of marine craft, fuels for the propulsion of airplanes and oils used for heating purposes as well as benzol, naphtha and other alternative fuels.

Source: Excise Tax Section

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison: No similar provisions found in any other New England state.

Insurance Premiums Tax:

Cite: 44-17

This tax is applied to each domestic insurance company doing business in Rhode Island at the rate of 2% of its gross premiums based on a report required to be filed each March 1st for contracts written during the preceding calendar year. The same tax applies to an out of state insurance company but the tax cannot be less than that which would be levied by the state or organization on a similar Rhode Island insurance company or its agents doing business to the same extent there.

Captive insurance companies [Title 27, Chapter 43, Section 9 RIGL] file a return on March 1st and pay taxes based on direct premiums of .002 on the first \$20 million; .0015 on the next \$20 million; .001 on the next \$20 million; and .000375 on each dollar thereafter. Additionally, captive insurance companies pay a tax on assumed re-insurance premiums of .001125 of the first \$20 million; .00075 of the next \$20 million; .00025 of the next \$20 million; and .000125 of each dollar thereafter.

Tax Preferences:

1. Ocean Marine Insurance Exclusion:

Cite: 44-17-1

Reliability estimate: 4

This tax preference items excludes contracts for ocean marine insurance [44-17-6 RIGL] from the gross premiums tax.

Source: Business Corporation Tax Section

Revenues foregone: A negligible amount annually.

Number of taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison: Only Connecticut has a similar provision.

Connecticut: Ocean marine insurance companies are excluded from the tax on net direct insurance premiums.

Connecticut Law Cite: Title 12, Chapter 207, Section 12-210.

2. Fraternal Benefit Societies:

Cite: 44-17-1

Reliability estimate: 5

This tax preference item excludes premiums on insurance written by fraternal benefit societies defined under 27-25-1 RIGL from the gross premiums tax.

Source: Business Corporation Tax Section

Revenues foregone: \$0 Revenue loss not reliably estimable.

Number of taxpayers: 0 No way to reliably determine number of taxpayers.

Comparison: No similar provisions found in any other New England state.

3. Premiums Unabsorbed or Returned:

Cite: 44-17-2

Reliability estimate: 4

This tax preference item allows a deduction from the gross premiums tax for the so-called dividends or unused or unabsorbed portion of the premiums or premium deposits applied or premium deposits or assessments returned to policyholders in cash or credit.

Source: Business Corporation Tax Section

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of taxpayers: Approximately 1250 insurance companies.

Comparison: No similar provisions found in any other New England state.

4. Retaliatory Provisions:

Cite: 44-17-1

Reliability estimate: 4

This tax provision allows a foreign or alien insurance company to be taxed in an amount not less than the amount imposed by the laws of the state or

country under which the company is organized if the company were doing business to the same extent in that state or country.

Source: Business Corporation Tax Section

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of taxpayers: 1250 filers

Comparison: No similar provisions found in any other New England state.

Telephone Company Property Tax:

This tax is in lieu of local taxation and is applied to the lines, cables, conduits, ducts, pipes, machines and machinery, equipment, and other tangible personal property in this state for telegraph, cable, telecommunications and express companies. The tax is based on a statewide average assessment ratio and a statewide average property tax rate. A notice of tax is mailed to each company by April 15th and the tax is due within 60 days of that notice.

1. Limited Depreciation Allowance:

Cite: 44-13-13 (1)(vii)

Reliability estimate: 4

This tax preference item limits the amount of depreciation on the covered property to no more than 75% of its original cost.

Source: Department of Administration, Office of Municipal Affairs

Revenues foregone: \$ 0 Revenue loss not reliably estimable.

Number of taxpayers: 28 taxpayers file this special tax.

Comparison: No similar provisions found in any other New England state.

State of Rhode Island
Division of Taxation
2001 Tax Expenditures Report

Five Year Change Summary

Tax preference items reported below were added, deleted or materially changed since the original listing in 1997 and these items will be reflected in the next 5 year cycle.

Personal Income Tax

- Credit for Property Tax Relief extended to low income taxpayers (not 65 years old or disabled).
- Modifications added for gain from stock options in qualifying computer companies.
- Changes credit for historical residence renovations to allow the first user of the property.
- The Federal adjustment- early withdrawal penalty has been determined by court ruling to be a penalty and not a tax subject to RI tax.

Sales and Use Tax

- Exemption added for the incremental costs of converting motor vehicles to alternative fuels.
- Machinery and equipment exemption changed to allow such to be exempt to the extent used in the manufacturing process.
- Exemption added for building materials to reconstruct a manufacturing business after a disaster.
- Change in exemption for paraplegic's motor vehicles to specially adapted vehicles or component parts.
- Change in exemption for medicines and drugs to allow devices and supplies used to dispense or administer prescription drugs.
- Change in exemption for investment companies' toll free calls to allow such calls for state chartered banks.
- Exemption added for florists' supplies.
- Refund for renewable energy systems now allowed.
- Extends farming exemption to boarding 5 horses or more.
- Exempts horse food products.
- Exemption for Bibles has effectively been nullified by the RI District Court decision [A.A. No. 94-314]

Business Corporation Tax

- Exclusion added for income derived directly or indirectly from sale of international investment services.
- Credit added for ISO certification
- Changes rapid amortization to include hazardous waste pollution equipment.
- Extends subchapter S treatment to banks.

State of Rhode Island
Division of Taxation
2001 Tax Expenditures Report

Five Year Change Summary

Bank Deposits Tax

- Repealed Tax

Beverage Container Tax

- Refillable and reusable containers exempted

Gasoline Tax

- "Alternative fuels" exemption

Retail Tire Fee

- Fee abolished - 1997

Other Preference items for more than one tax:

- Credit added to construct alternative fuel fueling stations.
- Change in investment credit to allow 10% for specifically qualified businesses.
- Credit added for businesses' expenses to provide access to persons with disabilities.
- Deductions/modifications added for business to hire the unemployed or welfare recipients.
- Specialized mill building investment credit added for qualified building owners.
- Enterprise Zone wage credit increased to 75% (\$15,000) for employment of zone residents.
- Interest credit added for loans to qualified companies in eligible mill buildings.
- Wage differential credit added for employers in eligible mill buildings.
- Expansion of Enterprise Zone wage credit to businesses in federal enterprise communities.
- Credit added for qualified film production companies.
- Credit added for qualified renewable energy system.

STATE OF RHODE ISLAND
DIVISION OF TAXATION

Tax Expenditures Report
Details by Tax and Reliability Estimate

Items for reporting in January, 2002 are X'd and in bold.

Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
Personal Income		
1. Artists' Modifications	4	
X 2. Political check-off	1	
3. Amortization air/water pollution control	4	
4. Interest on federal obligations	5	
X 5. Credit for other states' taxes	1	
6. Credit to trust beneficiary for distribution	5	
7. Credit for artwork exhibition	2	
8. Modification for family education accounts	4	
X 9. Credit for qualifying widow(er)	1	
10. Exclusion for nonresident military pay	5	
11. Allocation for nonresident partnership income	5	
12. Credit for trust beneficiary	5	
X 13. Credit - lead paint removal	1	
X 14. Credit/refund property tax relief	1	
X 15. Credit for historical residence renovations	1	
X 16. Modification - Enterprise zone business owner	1	
17. Exclusion for income and preference items for qualifying employee's ownership in qualifying corporation	4	
18. Exclusion for gain from stock options in computer companies.	4	
19. Federal adjustment - IRA deduction		3
20. Federal adjustment - moving expenses		3
21. Federal adjustment - 1/2 self employment		4
22. Federal adjustment - self employment health insurance		3
23. Federal adjustment - Keogh plan and SEP		3
24. Federal adjustment - alimony paid		3
25. Federal deduction - standard		2
26. Federal deduction - itemized		2
27. Federal exemption		2
28. Federal credit - child/dependent care		3
29. Federal credit - elderly or disabled		3
30. Federal credit - foreign taxes		3
31. Federal credit - general business		3
32. Federal credit - earned income		3

TOTAL THIS TAX = 32 items

STATE OF RHODE ISLAND
DIVISION OF TAXATION

Tax Expenditures Report
Details by Tax and Reliability Estimate

Items for reporting in January, 2002 are X'd and in bold.

Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
Sales and Use		
1. Cash discounts	5	
2. Refund in 120 days	5	
3. Installation labor	5	
4. Federal taxes	5	
5. Transportation charges	5	
6. Transfers to family members	5	
7. Transfers - business dissolution/liquidation	5	
8. Sales of residential trailers	5	
9. Transferee is exempt	5	
10. Casual sales	5	
11. 120 days total loss or destruction	5	
12. Sales for resale	4	
13. Demonstration boats	N/A	
14. Sales beyond state constitutional power	5	
X 15. Newspapers	3	
16. School meals	5	
X 17. Containers	3	
18. Charitable, educational or religious organizations	5	
X 19. Gasoline	2	
20. Purchases for manufacturing purposes	3	
21. State or political subdivisions	5	
X 22. Food products	3	
X 23. Medicines and drugs	3	
24. Prosthetic and orthopedic appliances	5	
X 25. Coffins, caskets and burial garments	3	
26. Motor vehicles to nonresidents	4	
27. Sales by the visually impaired	3	
28. Air/water pollution control facilities	4	
29. Camps	5	
30. Nursing homes/hospitals rental charges	3	
31. Educational institutions rental charges	5	
32. Motor vehicles for paraplegics	2	
X 33. Heating fuel for residences	3	
X 34. Electricity and gas for residences	3	
35. Manufacturer's machinery and equipment	3	
36. Motor vehicle trade-in	3	
37. Precious metal bullion	5	

STATE OF RHODE ISLAND
DIVISION OF TAXATION

Tax Expenditures Report
Details by Tax and Reliability Estimate

Items for reporting in January, 2002 are X'd and in bold.

Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
X 38. Sales by Bicentennial Commission	1	
39. Commercial vessels 50T	N/A	
40. Commercial fishing vessels	N/A	
X 41. Clothing and footwear	3	
X 42. Water for residential use	3	
43. Boats to nonresidents	N/A	
44. \$20. sales of certain nonprofit	5	
45. Farm equipment	5	
46. Compressed air	5	
47. Flags	5	
48. Amputee veterans' motor vehicles and equipment	2	
49. Textbooks	3	
50. Supplies for hazardous waste treatment	5	
51. Literature for boat manufacturers	5	
52. Food stamp items	3	
53. Transportation charges motor carriers	5	
54. Trade-in on boats	N/A	
55. Equipment for research and development	5	
56. Coins	5	
57. Farm structure construction materials	5	
58. Telecommunications carrier access service	5	
59. Boats for storage and repair	N/A	
60. Tangible personalty for jewelry display	5	
X 61. Boats	N/A	
62. Investment companies' toll free calls	5	
63. Mobile and manufactured homes	2	
64. Taxes paid elsewhere	5	
65. Vehicles of nonresident armed forces personnel	3	
66. Sales to federal government	4	
67. Sales to common carriers	5	
68. Sales by artists	5	
69. Property purchased from federal government	N/A	
70. Property bought elsewhere by nonresident	N/A	
71. Property otherwise exempted	N/A	
72. Trucks, buses in interstate commerce	3	
73. Certain energy products	2	
74. Alternative fueled vehicles	4	
75. Building materials to rebuild after disaster	4	
76. Florist supplies	4	
77. Renewable energy systems	3	
78. Horse food	4	

* above list excludes items bought by nonresidents before 7/1/47 and items excluded if subject to sales tax - not considered preference items.

TOTAL THIS TAX = 78 ITEMS

STATE OF RHODE ISLAND
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Tax Expenditures Report
Details by Tax and Reliability Estimate

Items for reporting in January, 2002 are X'd and in bold.

Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
Business Corporation		
1. Exclusion for financial institution	3	
2. Exclusion for public service company	5	
3. Exclusion for insurance companies	5	
4. Exclusion for nonprofit	5	
5. Exclusion for fraternal benefit societies	5	
6. Exclusion for special chartered corporations	5	
7. Special provisions for security companies	3	
8. Special provisions for investment companies	5	
9. Exclusion for 1120S	4	
10. Consolidation provisions	4	
11. Interest on federal obligations	4	
12. Net operating loss deductions	4	
13. Treatment as DISC	5	
14. Treatment as FSC	5	
X 15. Rapid amortization of air/water facility	1	
X 16. Accelerated depreciation for manufacturers	1	
17. Exclusion - dividends of local banks	5	
18. Exclusion - dividends of local corporations	5	
19. Exclusion - interest from local utilities	5	
20. Apportionment of net income	4	
X 21. Special apportionment of USFDA facilities	1	
22. Allocation/apportionment of brokerage services	3	
23. Exclusion for international investment services	5	
24. Credit for ISO certification	4	

TOTAL THIS TAX = 24 ITEMS

Alcoholic Beverages

1. Sacramental wine by clergy	4	
X 2. First 100,000 bbl beer	1	
3. RI Manufacturer ships out of state	4	

TOTAL THIS TAX = 3 ITEMS

STATE OF RHODE ISLAND
DIVISION OF TAXATION

Tax Expenditures Report
Details by Tax and Reliability Estimate

Items for reporting in January, 2002 are X'd and in bold.

Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
Bank Excise Tax		
1. Gain/loss on sale property not securities	3	
2. Gain/loss on sale of securities	3	
3. Securities loss writedown	5	
4. Dividend exclusion	5	
TOTAL THIS TAX = 4 ITEMS		
Beverage Containers		
1. Constitutional exemption	3	
2. Refillable and reuseable containers exempted	5	
TOTAL THIS TAX = 2 ITEMS		
Cigarette Tax		
1. 10 pack out of state cigarettes	5	
X 2. Stamping discount	1	
3. Holding period for unstamped items	5	
TOTAL THIS TAX = 3 ITEMS		
Franchise Tax		
1. Taxed under 44-11	4	
2. Corporations specifically exempted	5	
TOTAL THIS TAX = 2 ITEMS		
Gasoline Tax		
1. Exclusion for lubricating oils, etc.	3	
X 2. Federal and State taxes excluded	1	
3. Sales to US Government	2	
4. Railroad transportation equipment/refund	3	
5. Alternative fuels exempted	5	
TOTAL THIS TAX = 5 ITEMS		
Generation Skipping Transfer Tax		
1. Realty or personalty in another state	5	
TOTAL THIS TAX = 1 ITEM		
Insurance Premiums Tax		
1. Ocean marine insurance exclusion	4	
2. Fraternal benefit societies	5	
3. Premiums returned	4	
4. Retaliatory provisions	4	
TOTAL THIS TAX = 4 ITEMS		

STATE OF RHODE ISLAND
DIVISION OF TAXATION

Tax Expenditures Report
Details by Tax and Reliability Estimate

Items for reporting in January, 2002 are X'd and in bold.

Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
JaiAlai Betting and Breakage		
X 1. Licensee Commission	1	
TOTAL THIS TAX = 1 ITEM		
Litter Fee		
1. New business Class A permit	5	
2. Constitutional exemption	4	
TOTAL THIS TAX = 2 ITEMS		
Motor Carrier Fuel Use		
1. Refunds of taxes paid to RI	2	
TOTAL THIS TAX = 1 ITEM		
Pari-Mutual Betting/Breakage		
X 1. Licensee's commission	1	
TOTAL THIS TAX = 1 ITEM		
Public Utilities		
1. Narragansett Pier RR	1	
2. Company subject to Business Corp. Tax	5	
3. Carrier Access fees	5	
4. Electricity for resale	5	
5. Telecommunications nonvoice service	5	
6. Merchandise sold	4	
7. Apportionment	5	
8. Sale of alternative fuels exempted	5	
TOTAL THIS TAX = 8 ITEMS		
Real Estate Conveyance Tax		
1. Consideration of \$100 or less	3	
2. Statement in lieu of consideration	5	
3. Grantor - US government or subdivision	5	
4. Capitol Center project	N/A	
TOTAL THIS TAX = 4 ITEMS		
Telephone Company Property Tax		
1. Limited depreciation allowance	4	
TOTAL THIS TAX = 1 ITEM		
Hard to Dispose Tax		
1. Constitutional exemption	3	
TOTAL THIS TAX = 1 ITEM		

STATE OF RHODE ISLAND
DIVISION OF TAXATION

Tax Expenditures Report
Details by Tax and Reliability Estimate

Items for reporting in January, 2002 are X'd and in bold.

Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
Simulcast Betting		
X 1. License Commission	1	
TOTAL THIS TAX = 1 ITEM		
Rental Vehicle Surcharge		
X 1. 50% surcharge retained	1	
TOTAL THIS TAX = 1 ITEM		
Environmental Protection Fee		
X 1. Fees deposited into restricted account	1	
TOTAL THIS TAX = 1 ITEM		
Uniform Oil Response Fee		
X 1. Fees deposited into restricted account	1	
Mobile or Manufactured Homes Conveyance Tax		
1. Consideration of \$100 or less	3	
2. Statement in lieu of consideration	5	
TOTAL THIS TAX = 2 ITEMS		
Other preference items for more than one tax		
X 1. Juvenile Restitution Credit	2	
X 2. Enterprise Zone Donations Credit	2	
X 3. Enterprise Zone Wage Credit	2	
X 4. Enterprise Zone Interest Credits	2	
5. Apprenticeship Credit	2	
6. Hydroelectric Power Credit	1	
7. Investment Credit	2	
X 8. Research and Development Property Credit	2	
X 9. Research and Development Expense Credit	2	
X 10. Educational Assistance and Development Credit	2	
X 11. Small Business Investment Modification	4	
X 12. Small Business Investment Exemption	4	
X 13. SBA Loan Guaranty Fee Credit	2	
14. Adult Education Credit	4	
X 15. Daycare Credit	2	
16. Elective Deduction for Research and Development	4	

STATE OF RHODE ISLAND
DIVISION OF TAXATION

Tax Expenditures Report
Details by Tax and Reliability Estimate

Items for reporting in January, 2002 are X'd and in bold.

Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
17. Welfare Bonus Program	4	
18. Jobs Development Rate Reduction	2	
19. Jobs Training Credit	2	
20. Credit for construction of alternative fuel filling stations	3	
21. Credit for accomidations under ADA	3	
22. Deduction/modification for hiring the unemployed or welfare receipients	4	
23. Specialized mill building investment credit	3	
24. Interest credit for loans to mill building owners	3	
25. Wage credit for employers in mill buildings	3	
26. Credit for qualified film production companies	3	
27. Credit for renewable energy systems	3	

TOTAL THESE ITEMS = 27

TOTAL CHOSEN FOR JANUARY, 2002 REPORT = 42