

# STATE OF RHODE ISLAND

Department of Administration  
Division of Taxation



## TAX EXPENDITURES REPORT

January 2002

# 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 42 tax preference items - 20% of the list of tax preference items as of December 31, 2000. Also included is a list of the 42 items chosen for analysis in the report to be issued in 2003.

### 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 and 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 42 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 42 items in this year's report are that the revenues foregone total approximately \$352.2 million with an average reliability of 2.17 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	7 items	\$ 92,110,620.
Sales and Use Tax	11 items	220,000,000.
Business Corporation Tax	3 items	22,000.
Miscellaneous Taxes	8 items	25,220,000.
Other Preference Items	13 items	<u>14,945,000.</u>
<b>GRAND TOTAL ALL ITEMS</b>	<b>42 ITEMS</b>	<b>\$ 352,297,620.</b>

The tables following give the additional details.

**STATE OF RHODE ISLAND  
DIVISION OF TAXATION  
2002 TAX EXPENDITURES REPORT  
RESULTS SUMMARY BY TAX**

Tax and Preference Item Selected	\$	Reliability
<b><u>Personal Income</u></b>		
2. Political check off	176,620.	1
5. Credit for other states' taxes	85,907,000.	1
9. Credit for qualifying widow(er)	1,000.	1
13. Credit – lead paint removal	7,000.	1
14. Credit / refund property tax relief	6,000,000.	1
15. Credit for historical residence renovations	19,000.	1
16. Modification – Enterprise zone business owner	0.	1
TOTAL THIS TAX = 7 items	<u>\$ 92,110,620.</u>	
<b><u>Sales and Use</u></b>		
15. Newspapers	\$ 3,700,000.	4
17. Containers	14,200,000.	4
19. Gasoline	1,917,000.	2
22. Food products	93,000,000.	4
23. Medicine and drugs	17,000,000.	4
25. Coffins, caskets and burial garments	983,000.	3
33. Heating fuel for residences	16,000,000.	4
34. Electricity and gas for residences	4,700,000.	4
41. Clothing and footwear	63,800,000.	4
42. Water for residential use	4,700,000.	4
62. Boats	N/A	N/A
TOTAL THIS TAX = 11 items	<u>\$ 220,000,000.</u>	
<b><u>Business Corporations</u></b>		
15. Rapid amortization of air/water facility	\$ 0.	1
16. Accelerated depreciation for manufacturers	22,000.	1
21. Special apportionment of USFDA facilities	0.	5
TOTAL THIS TAX = 3 items	<u>\$ 22,000.</u>	
<b><u>Miscellaneous Preference Items</u></b>		
<b><u>Alcoholic Beverages</u></b>		
2. First 100,000 bbl beer		1
TOTAL THS TAX = 1 ITEM	<u>\$11,000.</u>	
<b><u>Cigarette Tax</u></b>		
2. Stamping Discount		1
TOTAL THIS TAX = 1 ITEM	<u>\$741,000.</u>	

STATE OF RHODE ISLAND  
DIVISION OF TAXATION  
2001 TAX EXPENDITURES REPORT  
RESULTS SUMMARY BY TAX

Tax and Preference Item Selected	\$	Reliability
<b><u>JaiAlai Betting and Breakage</u></b>		
1. Licensee Commission	\$ 322,000.	1
TOTAL THIS TAX = 1 ITEM		
<b><u>Pari-Mutuel Betting/Breakage</u></b>		
1. Exclusion for lubricating oils, etc.	\$ 4,251,000.	1
TOTAL THIS TAX = 1 ITEM		
<b><u>Simulcast Betting</u></b>		
1. Licensee Commission	\$ 10,235,000.	1
TOTAL THIS TAX = 1 ITEM		
<b><u>Rental Vehicle Surcharge</u></b>		
1. 50% surcharge retained	\$ 2,483,000.	1
TOTAL THIS TAX = 1 ITEM		
<b><u>Environment Protection Fee</u></b>		
1. Fees deposited into restricted account	\$ 4,559,000.	1
TOTAL THIS TAX = 1 ITEM		
<b><u>Uniform Oil Response Fee</u></b>		
1. Fees deposited into restricted account	\$ 2,618,000.	1
TOTAL THIS TAX = 1 ITEM		
TOTAL MISCELLANEOUS TAXES = 8 ITEMS		\$25,220,000.
<b><u>Other preference items for more than one tax</u></b>		
Juvenile Restitution Credit	0.	1
Enterprise Zone Donations Credit	53,000.	2
Enterprise Zone Wage Tax Credit	3,566,000.	2
Enterprise Zone Interest Credits	14,000.	2
Research and Development – Property credit	1,457,000.	2
Research and Development – Expense credit	1,809,000.	2
Educational Assistance Development credit	0.	5
Small Business Investment Modifications	0.	4
Small Business Investment Exemptions	0.	4
SBA Loan Guaranty Fee Credit	450,000.	1
Daycare Credit	32,000.	1
Jobs Development Rate Reduction	5,600,000.	2
Jobs Training Credit	1,964,000.	2
TOTAL ALL OTHER TAX ITEMS = 13 ITEMS		\$14,945,000.

**GRAND TOTAL ALL ITEMS FOR 2002**

**\$ 352,297,620.**

STATE OF RHODE ISLAND  
Division of Taxation  
January 2002

**TAX EXPENDITURES COMPARISON**

Comparison Of Other New England States

Items below are only those reported in January 2002.

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. New Hampshire does not impose a Personal Income Tax or Sales and Use Tax. The designations are of a general nature and applicable cites in the full text are included for reference purposes.

<b><u>PERSONAL INCOME</u></b>	<u>CT</u>	<u>MA</u>	<u>ME</u>	<u>NH</u>	<u>VT</u>
2. Political check off.....	X	S	X	X	X
5. Credit for other states' taxes.....	S	S	S	X	S
9. Credit for qualifying widow(er).....	X	X	X	X	X
13. Credit – lead paint removal.....	X	S	X	X	X
14. Credit / refund property tax relief.....	S	S	S	X	S
15. Credit for historical residence renovations ...	X	X	X	X	S
16. Modifications – Enterprise Zone business owner..	X	X	X	X	X
<b><u>SALES AND USE</u></b>					
15. Newspapers.....	S	S	S	X	S
17. Containers.....	S	S	S	X	S
19. Gasoline.....	S	X	S	X	S
22. Food products.....	S	S	S	X	S
23. Medicine and drugs.....	S	S	S	X	S
25. Coffins, caskets and burial garments.....	S	S	S	X	S
33. Heating fuel for residents .....	S	S	S	X	S
34. Electricity and gas for residents.....	S	S	S	X	S
41. Clothing and footwear.....	S	S	X	X	S
42. Water for residential use.....	S	S	S	X	S
62. Boats.....	S	S	X	X	S

STATE OF RHODE ISLAND  
 Division of Taxation  
 January 2002

TAX EXPENDITURES COMPARISON  
 Comparison Of Other New England States

	<u>CT</u>	<u>MA</u>	<u>ME</u>	<u>NH</u>	<u>VT</u>
<b><u>BUSINESS CORPORATION</u></b>					
15. Rapid amortization of air/water facility.....	X	S	X	X	X
16. Acceleration depreciation for manufacturers...	X	X	X	X	X
21. Special apportionment of USFDA facilities.....	X	X	X	X	X
<b><u>MISCELLANEOUS TAX PREFERENCE ITEMS</u></b>					
<u>Alcoholic Beverages</u>					
2. First 100,000 bbl beer.....	X	X	X	X	X
<u>Cigarette Tax</u>					
2. Stamping Discount.....	S	S	S	S	S
<u>Jai Alai Betting and Breakage</u>					
1. Licensee Commission.....	S	X	X	X	X
<u>Pari-Mutuel Betting/Breakage</u>					
1. Licensee Commission .....	S	X	X	X	X
<u>Simulcast Betting</u>					
1. Licensee Commission .....	X	X	X	X	X
<u>Rental Vehicle Surcharge</u>					
1. 50% surcharge retained .....	S	X	X	X	X
<u>Environment Protection Fee</u>					
1. Fees deposited into restricted account.....	X	X	X	X	S
<u>Uniform Oil Response Fee</u>					
1. Fees deposited into restricted account.....	X	X	X	S	X
<u>Other Preference Items for more than one Tax</u>					
1. Juvenile Restriction Credit .....	X	X	X	X	X
2. Enterprise Zone Donations Credit.....	X	X	X	X	X
3. Enterprise Zone Wage Tax Credit .....	S	S	X	X	S
4. Enterprise Zone Interest Credit .....	X	X	X	X	X



STATE OF RHODE ISLAND  
 Division of Taxation  
 January 2002

TAX EXPENDITURES COMPARISON  
 Comparison Of Other New England States

	<u>CT</u>	<u>MA</u>	<u>ME</u>	<u>NH</u>	<u>VT</u>
5. Research and Development – Property Credit...	X	X	X	X	X
6. Research and Development – Expense Credit...	S	S	S	X	S
7. Education Assistance Development credit.....	S	X	X	X	X
8. Small Business Investment Modifications.....	X	X	X	X	S
9. Small Business Investment Exemptions.....	X	X	X	X	X
10. SBA Loan Guarantee Fee Credit .....	S	X	X	X	X
11. Daycare Credit.....	S	X	S	X	X
12. Jobs Development Rate Reduction.....	X	X	X	X	X
13. Jobs Training Credit.....	X	X	S	X	X

**TOTAL SELECTED FOR 2002 = 42**

# 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 18 direct tax preference items and 14 indirect tax preference items in this chapter, 7 items are included in this 2002 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.

### 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%. Due to Income Tax changes at the Federal level, RI tax is no longer calculated as a percentage of the federal tax. RI tax is now calculated using the Federal taxable income as a base.

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

### INTRODUCTION:

The details of the Personal Income tax direct preference items included in this 2001 report are presented by showing the following: (1) a legal citation to the Rhode Island General Laws [as amended], (2) an estimate of reliability of the revenues forgone for the preference item, (3) a description of the tax preference item, (4) the source of the information about revenues foregone, (5) the amount of revenues foregone presented rounded to the nearest thousand and (6) the number of taxpayers claiming the tax preference.

In cases where the tax preference items come from other chapters and are also available to other taxes, reference is given to the separate part of this report dealing with Other Taxes and Miscellaneous Tax Preference items where each preference item is covered individually.

## DIRECT TAX PREFERENCE ITEMS

### 2. Check-off for political contributions:

Cite: 44-30-2(3)(d):

Reliability estimate: 1

This tax preference item allows the taxpayer to designate as a contribution to the political part of his or her choice (or to a nonpartisan general account) \$2.00 or \$4.00 if a joint return as filed out of the Personal Income Tax paid.

Since this check-off removes Personal Income tax revenue from the general fund, it is a tax preference item included in this report.

Source: The information for political contributions was derived from statistics compiled by the Tax Division from actual 2000 tax returns. The following is a breakdown by political party, which includes the total dollars contributed to each party and the number of contributing taxpayers. For this display, actual contributions are shown without rounding

POLITICAL PARTY		CONTRIBUTORS
Democratic	\$ 6,766.00	2,435
Republican	3,980.00	1,301
Cool Moose	210.00	75
Political Reform	96.00	37

Non Partisan	39,640.00	14,108
Electoral Contributions	<u>125,928.00</u>	<u>25,166</u>
Total revenues foregone	\$176,620.00	
Total Contributors		43,122

Comparisons:

Massachusetts: This is the only New England state which provides a provision similar to the Rhode Island political checkoff. The Massachusetts provision is for \$1.00 [\$2.00 if a joint return] contrasted with the Rhode Island provision for \$2.00 [\$4.00 if a joint return].

Massachusetts Law Cite: Chapter 62, Section 6C

3. Credit for income tax of other states:

Cite: 44-30-18

Reliability estimate: 1

This credit against the Rhode Island tax occurs when the income of a Rhode Island resident has been reported to another state and a personal income tax has been paid to that state.

Source: Tax Division statistics from 2000 tax returns

Revenues foregone: \$ 85,907,000.

Number of Taxpayers: 65,123

Comparisons:

Connecticut: Connecticut's provisions also include any resident or part year resident a credit against the Connecticut adjusted gross income taxes in allowable "states".

Connecticut Law Cite: Title 12, Chapter 229, Section 12-704

Massachusetts: Massachusetts' provisions also include the income taxes of all territories or possessions of the United States [e.g. Guam, Puerto Rico, the US Virgin Islands] as well as of the Canadian provinces.

Massachusetts Law Cite: Chapter 62, Section 6(a).

Maine: Maine's provisions also include the income taxes of any state, political subdivision thereof, the District of Columbia, or any political subdivision of a foreign country which is analogous to a state of the United States; however, the other taxing jurisdiction must allow a reciprocal reduction of its tax.

Maine Law Cite: Title 36, Chapter 822, Section 5217-A

New Hampshire: No Personal Income Tax.

Vermont: Vermont's provisions also include credit for the income taxes of all territories or possessions of the United States [e.g. Guam, Puerto Rico, the US Virgin Islands], the District of Columbia and a limited credit for the income taxes of the Canadian provinces.

Vermont Law Cite: Title 32, Subtitle 2, Part 3, Chapter 151, Section 5825.

9. Qualifying Widow(er) Credit:

Cite: 44-30-26

Reliability estimate: 1

A Rhode Island resident may qualify for a credit based on 2% of his/her adjusted gross income up to a maximum of \$500. To qualify, individuals must be residents for the entire year, be 65 years of age or older, and both qualify and file his/her Federal income tax return as a qualifying widow(er) with a dependent child for that tax year.

Source: Tax Division statistics from 2000 tax returns

Revenues foregone: \$ 1,000.

Number of taxpayers: 3

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

13. Residential Lead Paint Credit:

Cite: 44-30-97

Reliability estimate: 1

An individual is entitled to a credit against his/her Rhode Island Personal Income tax for residential lead removal if he/she (1) obtains written certification of the hazard; (2) has the hazard removed by a licensed

contractor; (3) pays for the hazard's removal; and (4) obtains written certification that the dwelling is acceptable for occupancy. The credit is equal to the amount paid for the lead removal or reduction to a maximum of \$1,000 per dwelling unit. Amounts of unused credit may be carried forward for 5 years. The credit may not be applied until all other credits available to the taxpayer have been used.

Source: Tax Division statistics from 2000 tax returns

Revenues foregone: \$ 7,000.

Number of taxpayers: 12

Comparison:

Massachusetts: This is the only New England state which has a provision similar to Rhode Island's. Massachusetts' credit is not allowed to renters; does not require that the hazard be removed by certified contractors; has a maximum amount of \$1,500 per dwelling unit and a 7 year carry-forward.

Massachusetts Law Cite: Chapter 62, Section 6(e).

14. Property tax relief credit:

Cite: 44-33

Reliability estimate: 1

Rhode Island residents: (1) 65 years of age or older or who are disabled (receiving social security disability payments); whose total household income is \$30,000 or less; and who meet certain eligibility requirements may be entitled to relief against property taxes accrued or rents paid which constitute property taxes accrued. This relief is provided by appropriations through the general fund in the form of tax credits against the resident's personal income tax or by filing the appropriate form (RI 1040H) in the case of a person who is not required to file an income tax return. The maximum credit allowed is \$250.00 per year.

Source: Tax Division statistics from 2000 tax returns

Revenues foregone: \$6,000,000. (limited by application)

Number of taxpayers: 36,445

Comparison:

Massachusetts: Massachusetts' provisions include a credit available only if the taxpayer's total income does not exceed \$40,000 for a single individual who is not the head of household. \$50,000 for a head of household, and \$60,000 for a husband and wife filing a joint return and the assessed valuation of the residence does not exceed \$400,000.

Massachusetts Law Cite: Chapter 62, Section 6

Connecticut: No similar provisions found.

Maine: Maine's provisions include renters and owners and are limited to residents who are 62 years of age or older or age 55 if the resident is receiving federal disability payments. For an "elderly household" [resident claimant 62 or older] the rent constituting property tax paid is 25% and for nonelderly households, 18%. The maximum benefits are based on household income and number of persons in the household and range from \$400 for lower income households [\$0 to \$8,100 income] to \$100 [maximum of \$9,200 income].

Maine Law Cite: Title 36, Chapter 907, Section 6201

New Hampshire: No Personal Income Tax.

Vermont: Vermont's provisions include renters or owners and are limited only to residents who are 62 years of age or older and whose household income is \$47,000 or less. The benefits are based on a percentage by which the household income exceeds the property taxes or rent constituting property taxes paid. The maximum benefit is \$1,500 but no credit is given or benefits paid if household income exceeds \$45,000.

Vermont Law Cite: Title 32, Subtitle 2, Part 3, Chapter 153, Section 5967.

15. Historical Residence Credit:

Cite: 44-33.1

Reliability estimate: 1

A taxpayer who owns and lives in a Rhode Island historical residence may claim a credit against his/her personal income tax for up to 20% of the certified costs of renovation in the year in which the work is completed. The

maximum credit per year is \$1,000 and amounts of unused credits may be carried forward by the owner. Beginning in the year 2001 and thereafter, the maximum credit increased to \$2,000. This credit is administered by the RI Historical Preservation Commission.

Source: Tax Division statistics from 2000 tax returns.

Revenues foregone: \$19,000.

Number of taxpayers: 29

Comparison:

Vermont: Vermont's provisions are similar to Rhode Island but allow a credit in an amount equal to 25% of an amount not exceeding \$100,000 of qualified expenditures. Vermont also includes a credit for "older buildings" or buildings which have been constructed prior to January 1, 1983.

16. **Enterprise Zone Resident Business Owner Modification:**

Cite: 42-64.3-7

Reliability estimate: 1

A domiciliary of an enterprise zone who owns and operates a qualified business facility in that zone may deduct \$50,000 per year as a modification reducing federal adjusted gross income during the first 3 years' operations in the zone and \$25,000 per year in the 4<sup>th</sup> and 5<sup>th</sup> years. A resident business owner may elect to claim this modification or the business tax credit from the same certified business but not both.

Source: Tax Division statistics from 2000 tax returns.

Revenue Foregone: \$ 0

Numbers of taxpayers: 0

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



### Other Tax Preferences 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. As a result of new legislation, since 1997, there are currently 77 Sales and Use tax preference items. Included in these 77 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 77 items, 11 were chosen for the 2002 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

### INTRODUCTION:

The details of the Sales and Use Tax direct preference items included in this 2002 report are presented by showing: (1) a legal citation to the Rhode Island General Laws [as amended], (2) an estimate of the reliability of the revenue foregone for the tax preference item, (3) a description of the tax preference item, (4) the source of the information about revenues foregone, (5) the amount of revenues foregone presented rounded to the nearest thousand and (6) the number of taxpayers claiming the tax preference. Because of the nature of the Sales and Use Tax, there are no indirect preference items.

## DIRECT PREFERENCE ITEMS

15. Newspapers:  
Cite 44-18-30 (2)  
Reliability estimate: 4

This exemption covers publication issued regularly at intervals not exceeding 3 months.

Source: State of Rhode Island Tax Model

Revenues foregone: \$ 3,700,000.

Number of taxpayers: Because the Sales Tax is on the ultimate consumer, all consumers both personal and business entities purchasing this preference item are beneficiaries of the exemption.

Comparison:

Connecticut: Connecticut's provisions include newspapers by subscription, magazines [regardless of frequency] and publications by subscription which only contain puzzles.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412(6).

Massachusetts: Massachusetts' provisions include newspapers and magazines regardless of frequency.

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

Maine: Maine's provisions include any publication regularly issued at average intervals not exceeding 3 months.

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

New Hampshire: No sales tax.

Vermont: Vermont's provision include newspapers [and tangible personalty which becomes part of a newspaper] even if the newspaper is distributed without charge. Newspapers must, on an average for the tax year, contain as at least 10% of its printed material, news of general or community interest, community notices, editorial comment, or articles by different authors.

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

17. Containers:

Cite: 44-18-30 (4)

Reliability estimate: 4

This exemption covers both returnable and non-returnable containers of specific kinds. Non-returnable containers are exempt when sold without the contents to people who put the contents in the containers and sell the contents with the materials used for packing. Returnable containers are exempt when sold with the contents in connection with the retail sale of the contents. Returnable containers are also exempt when sold for refilling.

Source: State of Rhode Island Tax Model

Revenues foregone: \$ 14,200,000.

Number of Taxpayers: Because the Sales tax is on the ultimate consumer, all consumers both personal and business entities purchasing this preference item are beneficiaries of the exemption.

Comparison:

Connecticut: Connecticut's provisions are similar to those of Rhode Island and include as exempt returnable dairy product containers when sold without the contents.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412(14).

Massachusetts: Massachusetts' provisions are similar to those of Rhode Island and specifically provide for the exemption of any bags in which feed for livestock or poultry is contained.

Massachusetts Law Cite: Chapter 64H, Section 6(q)(1).

Maine: Maine's provisions include returnable containers sold with the contents or resold for refilling. A further part of the provisions cover packaging materials when sold for packing or shipping tangible personalty or for packing or shipping tangible personalty sold by the purchaser of the packaging materials.

Maine Law Cite: Title 36, Part 3, Chapter 211, Section 1760 (12).

New Hampshire: No Sales Tax.

Vermont: Vermont's provisions include materials, containers, labels, sacks, cans, boxes, drums or bags and other packing, packaging or shipping materials for use in packing, packaging or shipping tangible personalty by a manufacturer or distributor.

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

19. Gasoline:  
Cite 44-18-30 (6)  
Reliability estimate: 2

This exemption applies to gasoline and other fuels taxed under Title 31, Chapter 36 of the Rhode Island General Laws. (Also see information on the gasoline tax in this report).

Source: Excise Tax Section

Revenues foregone: \$1,917,000.

Number of Taxpayers: 235

Number: Because the Sales tax is on the ultimate consumer, all consumers both personal and business entities purchasing this preference item are beneficiaries of the exemption.

Comparison:

Connecticut: Connecticut's provisions are similar to those of Rhode Island.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412 (15).

Massachusetts: No similar provision found.

Maine: Maine's provisions are similar to those of Rhode Island.

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

New Hampshire: No Sales Tax.

Vermont: Vermont's provisions are similar to those of Rhode Island except that jet fuel is taxable for sales and use tax purposes.

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

22. Food Products:  
Cite: 44-18-30 (9)  
Reliability estimate: 4

This tax exemption applies to all food products sold for human consumption (including non-carbonated and non-effervescent, bottled water). This tax expenditure item does not exclude meals served on or off the premises of the retailer.

Source: State of Rhode Island Tax Model

Revenues foregone: \$ 93,000,000.

Number of Taxpayers: Because the Sales tax is on the ultimate consumer, all consumers both personal and business entities purchasing this preference item are beneficiaries of the exemption.

Comparison:

Connecticut: Connecticut's provisions list specific food groupings and are similar to those of Rhode Island.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412(13).

Massachusetts: Massachusetts' provisions are similar to those of Rhode Island but include candy and confectionery as exempt items.

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

Maine: Maine's provisions are similar to those of Rhode Island.

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

New Hampshire: No Sales Tax.

Vermont: Vermont's provisions are similar to those of Rhode Island.

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

23. Medicine and drugs:  
Cite: 44-18-30 (10)  
Reliability estimate: 4

This tax exemption excludes “medicines” and “drugs” (defined in Title 5, Chapter 19, Section 1 of the RIGL) sold on prescriptions and all proprietary medicines commonly called patent medicines.

Source: State of Rhode Island Tax Model

Revenues foregone: \$17,000,000.

Number of Taxpayers: Because the Sales tax is on the ultimate consumer, all consumers both personal and business entities purchasing this preference item are beneficiaries of the exemption.

Comparison:

Connecticut: Connecticut’s provisions include only those items [and packaging materials for the items] when sold based on prescriptions.

Connecticut Law Cite: Title 12, Chapter 219, Sections S 12-412(4) and 12-412(4).

Massachusetts: Massachusetts’ provisions include only those items when sold based on prescriptions.

Massachusetts Law Cite: Chapter 64H, Section 6(1).

Maine: Maine’s provisions include only those items when sold based on prescriptions and also exempt medical equipment and supplies used in the diagnosis or treatment of diabetes.

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

New Hampshire: No Sales Tax.

Vermont: Vermont’s provisions include those items when sold based on prescriptions.

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



25. Coffins, Caskets, and Burial Garments:

Cite: 44-18-30 (12)

Reliability estimate: 3

This exclusion applies to coffins, caskets, shrouds and other burial garments ordinarily sold by a funeral director.

Source: National Funeral Directors Association statistics

Revenues foregone: \$983,000.

Number of Taxpayers: Because the Sales tax is on the ultimate consumer, all consumers both personal and business entities purchasing this preference item are beneficiaries of the exemption.

Comparison:

Connecticut: Connecticut's provisions include personalty used in burial or cremation with value up to \$2,500 for any single funeral.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412(55).

Massachusetts: Massachusetts' provisions are similar to those of Rhode Island.

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

Maine: Maine's provisions are similar to those of Rhode Island and also include funeral services.

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

New Hampshire: No Sales Tax.

Vermont: Vermont's provisions are similar to those of Rhode Island.

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

33. Heating fuels for residences:

Cite: 44-18-30 (20)

Reliability estimate: 4

This exemption applies to every type of fuel used in both homes and residential premises.

Source: State of Rhode Island Tax Model

Revenues foregone: \$ 16,000,000.

Number of Taxpayers: Because the Sales tax is on the ultimate consumer, all consumers both personal and business entities purchasing this preference item are beneficiaries of the exemption.

Comparison:

Connecticut: Connecticut's provisions include all fuels used for heating purposes for residential use.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412(16).

Massachusetts: Massachusetts' provisions are similar to those of Rhode Island.

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

Maine: Maine's provisions are similar to those of Rhode Island.

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

New Hampshire: No Sales Tax.

Vermont: Vermont's provisions are similar to those of Rhode Island.

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

34. Electricity and Gas:  
Cite 44-18-30(21)  
Reliability estimate: 4

This exemption applies to all electricity and gas furnished for domestic use by the occupants of residential premises.

Source: State of Rhode Island Tax Model

Revenues foregone: \$4,700,000.

Number of Taxpayers: Because the Sales Tax is on the ultimate consumer, all consumers both personal and business entities purchasing this preference item are beneficiaries of the exemption.

Comparisons:

Connecticut: Connecticut's provisions are similar to Rhode Island.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412(3).

Massachusetts: Massachusetts' provisions are similar to Rhode Island.

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

Maine: Maine's provisions are similar to Rhode Island.

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

New Hampshire: No Sales Tax.

Vermont: Vermont's provisions are similar to Rhode Island.

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

41. Clothing and footwear:

Cite: 44-18-30 (28)

Reliability estimate: 4

This exemption applies to articles of clothing and footwear intended to be worn or carried on the human body. This exemption also includes wearing materials or cloth to be used for clothing purposes.

Source: State of Rhode Island Tax Model

Revenues foregone: \$ 63,800,000.

Number of Taxpayers: Because the Sales tax is on the ultimate consumer, all consumers both personal and business entities purchasing this preference item are beneficiaries of the exemption.

Comparison:

Connecticut: Connecticut's exemption provisions are limited to clothing costing less than \$50.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412(47).

Massachusetts: Massachusetts' exemption provisions are limited to clothing costing less than \$175 per article of clothing.

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

Vermont: Vermont has a clothing and footwear exemption with a dollar limitation of \$110. or less for each article.

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

42. Water for Residential Use:

Cite: 44-18-30 (29)

Reliability estimate: 4

This exemption applies to water furnished for domestic use by the occupants of residential premises.

Number of Taxpayers: Because the Sales tax is on the ultimate consumer, all consumers both personal and business entities purchasing this preference item are beneficiaries of the exemption.

Comparison:

Connecticut: Connecticut's provisions include the concept of "...water...when delivered to consumers through mains, lines, pipes or bottles."

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412(3)(C).

Massachusetts: Massachusetts' provisions are similar to Rhode Island.

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

Maine: Maine's provisions are similar to Rhode Island.

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

New Hampshire: No Sales Tax.

Vermont: Vermont's provisions are similar to Rhode Island.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 233, Section 9771.

62. Boats:  
Cite: 44-18-30(4)  
Reliability estimate: N/A

Sale of boats are generally exempted by RIGL 44-18-30(49)

Source: N/A

Revenues foregone: Revenue loss not reliably estimable

Number of Taxpayers: Not reliably estimable

Comparisons:

Connecticut: Connecticut's provisions are limited to "vessels sold in Connecticut by shipbuilders or marine dealers to be transported immediately for use out of state."

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412(32).

Massachusetts: Massachusetts' provisions are limited to vessels or barges of 50 tons' burden or over when constructed in the Commonwealth or sold by builders thereof or vessels used exclusively in commercial fishing.

Massachusetts Law Cite: Chapter 54H, Section 6(o).

Maine: No similar provisions found.

New Hampshire: No Sales Tax.

Vermont: Vermont's provisions include an exemption limited to ferryboats.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 233, Section 9741(31).

**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. Since the 1997 report, we currently have 24 Business Corporation tax preference items, due to new legislation. Of these items, 3 are included in this 2002 report.

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.

**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**

The details of the Business Corporation tax preference items included in this 2002 report are presented by showing: (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, (4) the source of the information about revenues

foregone, (5) the amount of revenues foregone presented rounded to the nearest thousand and (6) the number of taxpayers claiming the tax preference.

In cases where the tax's preference items come from other chapters and are also available to other taxes, reference is given to the separate part of this report entitled Other Taxes and Miscellaneous Tax Preference Items where each preference item is covered individually.

15. Rapid Amortization of air and water pollution control facilities:

Cite: 44-11-11.1

Reliability estimate: 1

This tax preference item allows taxpayers to amortize the treatment facility over a period of 60 months. This preference item is basically in the nature of a rapid write-off. The amortization deducted requires that the federal depreciation or amortization, if any, must be added back as the Rhode Island calculation is made. The treatment facility must be certified by the Director of Environmental Management in order for the election of this rapid amortization to be valid.

Source: Tax Division statistics from Corporate tax returns.

Revenues foregone: \$ 0

Number of taxpayers: 0

Comparison:

Massachusetts: Massachusetts' provisions include a deduction for 100% of the costs associated with an approved air or industrial treatment facility during the taxable year of the construction, reconstruction, erection or improvement of the facility.

Massachusetts Law Cite: Chapter 63, Section 38D

16. Acceleration amortization deduction for certain manufacturers:

Cite: 44-11-11.3

Reliability estimate: 1

This tax preference item allows certain types of manufacturers to amortize the unrecovered basis of all or a portion of depreciable assets over 60 months.



Source: Tax Division Business Corporation Section

Revenues foregone: \$ 22,000.

Number of taxpayers: 11

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

21. Special apportionment of USFDA Facilities:

Cite: 44-11-14.1

Reliability estimate: 5

This tax preference item is available to corporations if they have a Rhode Island facility, which is both certified and registered by the USFDA and is considered manufacturing. The taxpayer's apportionment factor may then subtract any increase in Rhode Island realty and tangible personalty from the numerator of the taxpayer's property tax apportionment factor.

Source: N/A

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

Number of taxpayers: 0

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

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 2002 Tax Expenditures Report contains the 10 taxes [other than Personal Income tax, Sales and Use tax and Business Corporation tax reported in the other 3 sections] from which 21 tax preference items were selected for analysis.

Additionally, this section of the report contains 13 tax preference items available to more than one tax which were selected for analysis.

### TAX PREFERENCE ITEMS

#### Introduction:

The details of the other taxes and miscellaneous tax preference items included in this 2002 report are presented by showing the name and description and (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 information about revenues foregone, (5) the amount of revenues foregone presented rounded to the nearest thousand and (6) the number of taxpayers claiming the tax preference.

## MISCELLANEOUS TAXES AND THEIR PREFERENCE ITEMS

### Alcoholic Beverage Tax and Importation Service Charge:

Cite: 3-10-1 (c)

The tax is collected on all alcoholic beverages manufactured, rectified, blended or reduced for sale in this state. The service charge is imposed by the Division of Taxation upon each wholesaler or person importing liquor beverages into this sale. The manufacturing tax and importation service charge are the same and appear in the table below.

<u>Beverage</u>	<u>Tax or Service Charge</u>		
Beer	\$3.00	per	31 gallons
Still wines (made entirely from fruit grown in this state)	\$0.30	per	gallon
Still wines	\$0.60	per	gallon
Sparkling wines	\$0.75	per	gallon
Cordials (regardless of proof)	\$3.75	per	gallon
Whiskey, Rum and Gin	\$3.75	per	gallon
Whiskey, Rum and Gin (less than 30% proof)	\$1.10	per	gallon
Ethyl alcohol (beverages)	\$7.50	per	gallon
Ethyl alcohol (nonbeverage)	\$0.08	per	gallon

### Tax Preferences:

2. First 100,000 barrels of beer from RI for every manufacturer

Cite: 3-10-1-(c)

Reliability estimate: 1

A tax exemption on the first one hundred thousand barrels of beer that a brewer produces and distributes in this state in any calendar year is provided to a brewer who brews beer in this state which is actively and directly owned, managed and operated in this state for at least 12 consecutive months.

Source: Alcoholic Beverage Manufacturer's monthly reports

Revenues foregone: \$11,000.

Number of taxpayers: 5

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

Cigarette Tax:

Cite: 44-20-19

Effective July 1, 2001 the tax is 50 mills for each cigarette (\$1.00 per package of twenty and for each sheet of cigarette rolling paper sold or held for sale within Rhode Island. Payment of the tax is shown by the tax indicia on the bottom of the package. Distributors purchase indicia (stamps or meter impressions) at a discount to compensate them for stamping the packages.

Total cigarette tax revenues for the 2000 fiscal year were \$58,548,000. There were 25 licensed stamping cigarette distributor which purchase stamps at 98.75% of the face value of the stamps, thereby receiving a stamping discount of 1.25% of the face value of the stamps.

Tax Preference:

2. **Discount for stamping**

Cite: 40-20-19

Reliability estimate: 1

Source: Tax Division Excise Tax Section purchase requisition forms from stamping distributors.

Revenues foregone: \$741,000.

Number of stamping distributors: 34

Comparison:

Connecticut: Connecticut's provisions include a stamping discount of 1% of the indicia's face value.

Connecticut Law Cite: Title 12, Chapter 214, Part I, Section 12-298.

Massachusetts: Massachusetts' provisions include a stamping discount of \$1.85 for every 600 stamps purchased.

Massachusetts Law Cite: Chapter 64C, Section 30.

Maine: Maine's provisions include a discount of 2 ½% of the indicia's face value.

Maine's Law Cite: Title 36, Part 7, Chapter 703, Section 4366-A.

New Hampshire: New Hampshire's provisions include 2  $\frac{3}{4}$ % of the indicia's face value up to \$500,000; 2  $\frac{3}{8}$ % from \$500,001 to \$1 million; and a 2% discount for more than \$1 million.

New Hampshire Law Cite: Title V, Chapter 78, Section 78:9.

Vermont: Vermont's provisions include a discount of 2.3% of the indicia face value for both wholesale and retail dealers.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 205, Section 7772.

#### Jai Alai Betting and Breakage Taxes:

Cite: 41-7-6

This tax is levied on each licensee conducting jai alai events, and is: (1) a tax equal to 3% of the amounts contributed to the mutual pool, and (2) a tax equal to one-half ( $\frac{1}{2}$ ) of the breakage to the dime.

#### Tax Preferences:

1. Licensee's Commission  
Cite: 41-7-6  
Reliability estimate: 1

This preference item is 20 and  $\frac{1}{2}$ % of the amount contributed.

Source: From the licensee's reports to the Department of Business Regulation, Division of Racing and Athletics

Revenues foregone: \$ 322,000.

Number of Taxpayers: 1

Comparisons: Only Connecticut has a similar provision.

Connecticut: Connecticut provides for a tax equal to one-half of the breakage from such wagering.

Connecticut Law Cite: Title 12, Chapter 226, Section 12-575(f).

**Pari-Mutuel Betting and Breakage Taxes:**

Cite: 44-3.1

This tax is paid by the licensee of a dog track at the rate of 5½ % of the amounts contributed to the mutual pool and one-half (1/2) the breakage to the dime.

**Tax Preferences:**

1. **Licensee's Commission**

Cite: 41-3.1-6

Reliability estimate: 1

This preference item is based on 18% of the amount contributed.

Source: From the licensee's reports to the Department of Business Regulation, Division of Racing and Athletics.

Revenues foregone: \$4,251,000.

Number of taxpayers: 1

Comparison: Only Connecticut has a similar provision.

Connecticut: Connecticut's law provides the licensee conducting the events to retain 17% of the total deposits plus the breakage to the dime.

Connecticut Law Cite: Title 12, Chapter 226, Section 12-575(c).

**Simulcast Tax:**

Cite: 44-11-3

Each licensee conducting wagering in a simulcast betting facility under the pari-mutuel systems pays the state a tax on such programs at the rate of:

1. four percent (4%) of the total money wagered thereon on win, place and show wagers;

2. four percent (4%) of multiple wagers therein involving two (2) animals; and
3. five and one-half percent (5.5%) on exotic wagers therein involving three or more animals.

“Simulcast” means the live television broadcast of programs either interstate or intrastate to a licensee of a licensed facility within the state of Rhode Island.

Tax Preferences:

1. Licensee Commissions

Cite: 41-11-3

Reliability estimate: 1

This preference item is equal to the “takeout at the host facility”.

Source: From the licensees’ reports to the Department of Business Regulations, Division of Racing and Athletics

Revenues foregone: \$10,235,000.

Number of taxpayers: 2

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

Rental Vehicle Surcharge:

Cite: 31-34.1

A six percent (6%) surcharge applies to all rentals of private passenger automobiles rented in Rhode Island. The surcharge is applied to the first ten (10) consecutive days only on all rental contracts, regardless of the duration of the rental. The surcharge applies to the total amount of the contract, including charges for gas, insurance, etc., but before adding sales tax. The sales tax is computed on the entire charge, including the surcharge. Fifty percent (50%) of the surcharge revenue is retained by the rental company and fifty percent (50%) is remitted to the state for deposit in the general fund on a quarterly basis.

Tax Preferences:

1. 50% surcharge retained by rental company to offset specific expenses

Cite: 31-34-1.2 (b)

Reliability estimate: 1

Source: Tax Division Excise Tax Section statistics

Revenues foregone: \$ 2,483,000.

Number of taxpayers: 51

Comparison: Only Connecticut has a similar provision.

Connecticut: Connecticut imposes a 3% surcharge and the total collected is retained by the rental company.

Connecticut Law Cite: Title 12, Chapter 228h, Section 12-692.

Environmental Protection Regulatory Fee:

Cite: 46-12.9

A fee of one cent (\$ 0.01) is imposed on each gallon of motor fuel sold to owners and/or operators of underground storage tanks. The purpose of this law is to establish a fund to facilitate the clean-up of leaking underground storage tanks in order to protect the environment, including drinking water supplies and public health.

Tax Preferences:

1. Restricted account

Cite: 46-12.9-4(c)

Reliability estimate: 1

Since this fee is deposited into a restricted account, and not into the General Fund, it is a tax preference item included in this report.

Source: Tax Division receipt statistics

Revenues foregone: \$ 4,559,000.

Number of taxpayers: 41



Comparison: Only Vermont has a similar provision.

Vermont: Vermont's provisions include a one cent per gallon licensing fee which is deposited into a petroleum cleanup fund.

Vermont Law Cite: Title 23, Chapter 27, Section 3003.

**Uniform Oil Response Fee:**

Cite: 46-12.7

A uniform oil spill response and prevention fee in an amount not exceeding five cents (\$0.05) for each barrel of petroleum products is imposed upon every person owning petroleum products at the time the petroleum products are received at a marine terminal within Rhode Island by means of a vessel from a point of origin outside this state.

**Tax Preferences:**

1. **Restricted fund within the General Fund**

Cite: 46-12.7-2.1

Since this fee is deposited into a restricted account, and not into the General Fund, it is a tax preference item included in this report.

Reliability : 1

Source: Tax Division receipt statistics

Revenues foregone: \$2,618,000.

Number of taxpayers: 13

Comparisons: Only New Hampshire has a similar provision.

New Hampshire: New Hampshire's provisions establish a motor oil discharge cleanup fund used to reimburse costs incurred in the cleanup of motor oil and used motor oil discharges in the waters and soils of the state. A fee of \$.04 per gallon of motor oil is assessed at the time of importation into the state.

New Hampshire Law Cite: Title X, Chapter 146-F, Section 146-F:3.

## TAX PREFERENCE ITEMS APPLICABLE TO MORE THAN ONE TAX

This portion of the 2002 Tax Expenditures Report covers those tax preference items which are available to more than one tax.

The details for these tax preference items are presented by showing the name and description of the preference item and (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) the source of the information about revenues foregone, (4) the amount of revenues foregone presented rounded to the nearest thousand and (5) the number of taxpayers claiming the tax preference.

### 1. Juvenile Restitution Credit:

An employer of a juvenile hired under the juvenile victim restitution program of the Family Court is entitled to receive a credit of 10% of the wages paid to the juvenile. The credit cannot exceed \$3,000 annually.

Cite: 14-1-22.1

Reliability Estimate: 1

Source: Family Court Information

Revenues Foregone: \$ 0

Number of taxpayers: 0

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

### 2. Enterprise Zone donations credit:

A taxpayer is allowed a 20% credit against the taxes imposed by chapters 44-11, 44-13, 44-14, 44-17, or 44-30 of the R.I.G.L. [as amended] for donations to public support improvement projects in the zone. The credit has a maximum of \$10,000 per year; is limited to that charitable contribution allowed and claimed on the donor's federal tax return; is not refundable and has no carryover.

Cite: 42-64.3-7.1

Reliability Estimate: 2

Source: Tax Division statistics from tax returns

Revenues foregone:

Personal Income:	\$ 30,000.	Taxpayers: 105
Corporations:	\$ 23,000.	Taxpayers: 7
Total Revenues foregone:	\$ 53,000.	

Total number of taxpayers: 112

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

### 3. Enterprise Zone Wage tax credit:

A business which has been certified by the Enterprise Zone Council is allowed a credit against the taxes imposed by chapters 44-11, 44-14, 44-17 and 44-10 of the R.I.G.L. [as amended] for 50% of the Rhode Island salaries and wages paid [or 75% of RI salaries and wages paid to workers who are zone residents] only to those newly hired enterprise jobs workers comprising the 5% test used for certification by the Council. The enterprise jobs worker's wages must be reduced by any state or federal assistance received by the business for him or her. The credit has a maximum of \$10,000 [or \$15,000 for zone resident workers] per enterprise jobs worker; is not refundable; and a limited carryover. For certification years 2000 and after, any unused credit can be carried forward for 3 years if the business continues to be qualified.

Cite: 42-64.3-6

Reliability Estimate: 2

Source: Tax Division Statistics from tax returns.

Revenues foregone:

Personal Income:	\$ 2,066,000.	Taxpayers: 231
Corporations:	\$ 1,500,000.	Taxpayers: 16

Total revenues foregone: \$ 3,566,000.

Total number of taxpayers: 247

Comparisons:

Connecticut: Effective January 1, 1997 Connecticut's provisions require that an eligible corporation have either (1) at least 375 employees of which 40% are residents of the enterprise zone or, if less than 375 employees, (2) at least 150 who are residents of the enterprise zone. Regardless of size, all zone residents in the calculation must qualify under Connecticut's Job Training Partnership Act. The credit is 100% of the corporation's tax liability for the first 3 qualifying years and 50% of the corporation's tax liability for the next 7 qualifying tax years.

Connecticut Law Cite: Title 12, Chapter 208, Part I, Section 12-217v.

Massachusetts: Massachusetts' provisions are predicated on the location of the eligible business in a poverty area. The tax incentive is an additional deduction in determining net income [not a credit against the tax] of 25% of the wages paid to individuals working in the facility [not more than \$5,000 per individual].

Massachusetts Law Cite: Chapter 63, Section 38E.

Maine: No similar provisions were found.

New Hampshire: No similar provisions were found.

Vermont: Vermont's provisions in its job development zone employment credit are structured as a 10% credit for hiring qualified employees [maximum of \$1,500 per employee] and a credit of 5% for hiring economically disadvantaged individuals [maximum of \$500 per employee]. The maximum total credit for the taxpayer/business in any one year is determined by reference to the employer's average employment base.

Vermont Law Cite: Title 32, Chapter 151, Section 5926.

#### 4. Enterprise Zone interest credits:

Lenders to a certified business may be eligible for credits based on the interest paid by the certified business. The credits are available against the taxes imposed by chapters 44-11, 44-13, 44-14, 44-17, or 44-30 of the R.I.G.L [as amended]; are not refundable; and have no carryovers.

Regular loan interest credit: A taxpayer is allowed a 10% credit [maximum per year \$10,000] for interest on loans made to certified businesses.

Special rehabilitation loan interest credit: A taxpayer is allowed a 100% credit [maximum per year \$20,000] for interest on loans made to certified

taxes imposed by chapters 44-11, 44-13, 44-14, 44-17, or 44-30 of the R.I.G.L [as amended]; are not refundable; and have no carryovers.  
 Regular loan interest credit: A taxpayer is allowed a 10% credit [maximum per year \$10,000] for interest on loans made to certified businesses.  
 Special rehabilitation loan interest credit: A taxpayer is allowed a 100% credit [maximum per year \$20,000] for interest on loans made to certified businesses for rehabilitation of Council – certified industrial or commercial property if the loan is at least 25% of the certified business' basis in the realty.

Cite: 42-64.3-8.1  
 Reliability Estimate: 2

Source: Tax Division statistics from tax returns

Revenues foregone:

Personal Income:	\$ 8,000.	Taxpayers: 2
Corporations:	\$ 6,000.	Taxpayers: 1

Total revenues foregone: \$ 14,000.

Total number of taxpayers: 3

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

8. Research and Development – Property Credit:

A 10% credit is allowed against the taxes imposed by chapters 44-11 and 44-30 of the R.I.G.L. [as amended] for realty and tangible personalty in Rhode Island which are principally used by the taxpayer in the research and development in the experimental or laboratory sense. The credit is not available for leased property; is not refundable; and has a 7 year carryover.

Cite: 44-32-2  
 Reliability Estimate: 2

Source: Tax Division statistics from tax returns

Personal Income:	\$ 38,000.	Taxpayers: 17
Corporations:	\$ 1,419,000.	Taxpayers: 8

Total revenues foregone: \$ 1,457,000.

Total number of taxpayers: 25

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

9. Research and Development – Expense credit:

A credit is available to corporations, sole proprietors or passed through from partnerships, joint ventures or subchapter S corporation for qualified research expense. The credit is 5% pf the excess (if any) of the qualified research expenses in the taxable year over the base period research expenses. The terms “qualified research expenses” and “base period expenses” have the same meaning as defined in the Internal Revenue Code, however, the expenses must have been incurred in Rhode Island after July 1, 1994. Taxpayers claiming this credit should attach a form RI 7695-E. Effective for amounts paid or incurred on or after January 1, 1998, the credit is 22.5% for the first \$25,000 of credit and 16.9% for the rest of the credit. The credit cannot reduce the tax to less than 50% of the tax otherwise payable.

Cite: 44-32-3

Reliability Estimate: 2

Source: Tax Division statistics from tax refunds

Revenues foregone:

Personal Income:	\$939,000.	Taxpayers:	44
Corporations:	\$870,000.	Taxpayers:	13

Total revenues foregone: \$ 1,809,000.

Total number of Taxpayers: 57

Comparisons:

Connecticut: Connecticut’s provisions include a rolling 10% tax credit based on research and experimental expenditures [as defined by the IRS Code Section 174] conducted in Connecticut which exceed such expenditures in the prior tax year. For corporations commencing after January 1, 1994, the credit is 20%. Only biotechnology companies are allowed a 15 year carry forward of unused credit.

Connecticut Law Cite: Title 12, Chapter 208, Part I, Section 12-271j

Massachusetts: A credit is allowed for domestic or foreign corporations against its excise tax equal to the sum of ten percent of the excess, if any, of the qualified research expenses for the taxable year.

Massachusetts Law Cite: Chapter 63, Section 38M.

Maine: Maine's provisions include a credit of 5% of the excess, if any, of the qualified research expenses for the tax year over the base amount [the average spent on research expenses over the last 3 years and 7 1/2% of the basic research payments. The credit is limited to 10% of the corporation's first \$25,000 of tax and 75% of the tax in excess of \$25,000 and has a 15 year carryover.

Maine Law Cite: Title 36, Part 8, Chapter 822, Section 5219-K.

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

Vermont: Vermont's provisions allow for a 10% qualified research and development expense upon obtaining approval of the Progress Council.

10. Educational Assistance and Development Credit:

An 8% credit is allowed against the taxes imposed by chapters 44-11, 44-13, 44-14, and 44-17 of the R.I.G.L. [as amended] for contributions in excess of \$10,000 each made to a Rhode Island institution of higher education for the establishment or maintenance of scientific research or educational programs and the contributions exclude sale discounts and sale-gift arrangements for equipment. The credit is not refundable and has a 5 year carryover.

Cite: 44-42

Reliability Estimate: 2

Source: Tax Division Business Corporation Section

Revenues foregone: Revenue loss not reliably estimable

Number of Taxpayers: 0

Comparisons: Only Connecticut has a similar provision.

Connecticut: A credit is allowed for 25% of the amount spent by the corporation for grants in research and development to institutions of higher learning in Connecticut in excess of the average amount spent over the 3 prior years.

Connecticut Law Cite: Title 12, Chapter 208, Part I, Section 12-2171.

11. Small Business Investment Modification:

A deduction or modification is allowable in the calculation of the taxes imposed by chapters 44-11, 44-13, 44-14, 44-17 and 44-30 of the R. I. G. L. [as amended] for the amount of the taxpayer's first year investment in a certified venture capital partnership or in a qualified business entity. The deduction or modification is not refundable and has no carryover.

Cite: 44-43-2

Reliability Estimate: 4

Source: Tax Division statistics from tax returns

Revenues foregone: \$ 0

Number of taxpayers: 0

Comparisons: Only Vermont has a similar provision.

Vermont: Vermont's provisions include a credit rather than a modification in accordance with venture capital [the initial \$3 million of capitalization raised from Vermont taxpayers on or before January 1, 1993]. The credit is the lesser of 10% of the taxpayer's contribution or 50% of the taxpayer's liability. The credit is allowable for the first year of investment and each of the 8 following years.

Vermont Law Cite: Title 32, Chapter 151, Section 5830b.

12. Small Business Investment Exemption:

An exemption is allowed in the calculation of the taxes imposed by chapters 44-11, 44-13, 44-14, 44-17 and 44-30 of the R.I.G.L. [as amended] to



Source: Tax Division statistics from tax returns

Revenues foregone: \$ 0

Total number of taxpayers: 0

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

13. SBA Loan Guaranty Fee Credit:

A credit is allowed for the amount of the loan guaranty fee paid by the primary obliger on loans from the Small Business Administration (S.B.A.). The credit is available against the taxes imposed by chapters 44-11, 44-17 and 44-30 of the R.I.G.L. [as amended]; is not refundable and has no carryover.

Cite: 44-43.1

Reliability Estimate: 1

Source: Tax Division statistics from tax returns

Revenues foregone:

Personal Income: \$ 361,000.  
Corporations: \$ 89,000.

Taxpayers: 223  
Taxpayers: 30

Total revenues foregone: \$ 450,000.

Total number of taxpayers: 253

Comparisons: Only Connecticut has a similar provision.

Connecticut: Connecticut's provision allows a credit against the tax in any income year an amount paid by a small business to the Federal Small Business Administration as a guaranty fee to obtain guaranteed financing from the Federal Small Business Administration.

Connecticut Law Cite: Connecticut Uncodified Legislation Section 42. [Tax credit for amounts paid to Small Business Administration].

15. Daycare credit:

A 30% credit is allowed against the taxes imposed by chapters 44-11, 44-13, 44-14, 44-17 and 44-30 of the R.I.G.L. [as amended] for Rhode Island licensed daycare purchased for the taxpayer's employees' dependent children [or the children of the taxpayer's commercial tenants]; for the costs to establish and/or operate a Rhode Island licensed daycare facility; or for rentals/leases foregone such that a Rhode Island licensed daycare facility could be established and/or operated. The maximum annual credit is \$30,000; the credit is not refundable; amounts of credit based on daycare purchased have no carryover; amounts of credit based on daycare facilities established and/or operated have a 5 year carryover.

Cite: 44-47

Reliability Estimate: 1

Source: Tax Division statistics from tax returns

Revenues foregone:

Personal Income:	\$1,000.	Taxpayers:	2
Corporations:	\$31,000.	Taxpayers:	2

Total revenues foregone: \$ 32,000.

Total number of taxpayers: 4

Comparisons: Only Connecticut and Maine have similar provisions.

Connecticut: Connecticut's provisions allow for a credit of an amount not to exceed 40% of the total cash amount invested for the purposes of establishing a child day care facility to be employer/business firms employees.

Connecticut Law Cite: Title 12, Chapter 228(a), Section 12-634.

Maine: Maine's provisions include a credit for employers in the amount of the lesser of (1) 20% of the costs incurred by the taxpayer in providing daycare for children of employees or (2) \$100 for each child of the employee enrolled on a full time basis in daycare service. The credit has a maximum of \$5,000 and a carryforward of 15 years or a carryback of 3 years.

Maine Law Cite: Title 36, Part 8, Chapter 822, Section 5217.

18. Jobs development rate reduction:

Source: Tax Division Business Corporation statistics

For any tax year ending on or after July 1, 1995 to the tax year ending July 1, 2001 an eligible company and its subsidiaries may receive a reduction in its rate of tax equal to the result of multiplying one-quarter of one percent (0.0025) by aggregate number of units of new employment but the rate reduction cannot exceed 6%.

Cite: 42-64.5

Reliability Estimate: 2

Revenue foregone: \$ 5,600,000.

Number of Taxpayers: 11

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

19. Jobs training credit:

An employer qualified by the Human Resource Investment Council is allowed a 25% credit for expenses in 1996 and 50% for expenses after 1996 to provide training or retraining of qualifying employees.

Cite 42-64.6

Reliability Estimate: 2

Source: Tax Division statistics from corporate tax returns.

Revenue foregone: \$ 1,964,000.

Number of Taxpayers: 88

Comparisons: Only Connecticut and Maine have similar provisions.

Connecticut: Connecticut's provisions include a credit for 25% [effective for tax years beginning on or after January 1, 1998] of amounts for training costs spent in excess of the amounts of training costs in the prior tax year.

Connecticut Law Cite: Title 12, Chapter 208, Part I, Section 12-217K.

Maine: Maine's provisions include only a deduction in determining Maine taxable income [not a credit against the tax] equivalent to the federal new jobs credit or work opportunity credit.

Maine Law Cite: Title 36, Part 8, Chapter 805, Section 5122.

STATE OF RHODE ISLAND  
DIVISION OF TAXATION

Tax Expenditures Report  
Details by Tax and Reliability Estimate

Items for reporting in January, 2003 are X'd and in bold.

Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
<b>Personal Income</b>		
<b>X 1. Artists' Modifications</b>	<b>4</b>	
2. Political check-off	1	
3. Amortization air/water pollution control	4	
4. Interest on federal obligations	5	
5. Credit for other states' taxes	1	
6. Credit to trust beneficiary for distribution	5	
<b>X 7. Credit for artwork exhibition</b>	<b>2</b>	
<b>X 8. Modification for family education accounts</b>	<b>4</b>	
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	
13. Credit - lead paint removal	1	
14. Credit/refund property tax relief	1	
15. Credit for historical residence renovations	1	
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
<b>X 24. Federal adjustment - alimony paid</b>		<b>3</b>
<b>X 25. Federal deduction - standard</b>		<b>2</b>
26. Federal deduction - itemized		2
27. Federal exemption		2
<b>X 28. Federal credit - child/dependent care</b>		<b>3</b>
<b>X 29. Federal credit - elderly or disabled</b>		<b>3</b>
<b>X 30. Federal credit - foreign taxes</b>		<b>3</b>
<b>X 31. Federal credit - general business</b>		<b>3</b>
<b>X 32. Federal credit - earned income</b>		<b>3</b>

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, 2003 are X'd and in bold.

Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
<b>Sales and Use</b>		
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	
<b>X 13. Demonstration boats</b>	<b>N/A</b>	
14. Sales beyond state constitutional power	5	
15. Newspapers	3	
<b>X 16. School meals</b>	<b>5</b>	
17. Containers	3	
18. Charitable, educational or religious organizations	5	
19. Gasoline	2	
20. Purchases for manufacturing purposes	3	
21. State or political subdivisions	5	
22. Food products	3	
23. Medicines and drugs	3	
<b>X 24. Prosthetic and orthopedic appliances</b>	<b>5</b>	
<b>X 25. Motor vehicles to nonresidents</b>	<b>4</b>	
27. Coffins, caskets and burial garments	3	
26. Sales by the visually impaired	3	
28. Air/water pollution control facilities	4	
29. Camps	5	
<b>X 30. Nursing homes/hospitals rental charges</b>	<b>3</b>	
31. Educational institutions rental charges	5	
<b>X 32. Motor vehicles for paraplegics</b>	<b>2</b>	
33. Heating fuel for residences	3	
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, 2003 are X'd and in bold.

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

STATE OF RHODE ISLAND  
DIVISION OF TAXATION

Tax Expenditures Report  
Details by Tax and Reliability Estimate

Items for reporting in January, 2003 are X'd and in bold.

Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
<b>Business Corporation</b>		
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	
<b>X 13. Treatment as DISC</b>	<b>5</b>	
<b>X 14. Treatment as FSC</b>	<b>5</b>	
15. Rapid amortization of air/water facility	1	
16. Accelerated depreciation for manufacturers	1	
<b>X 17. Exclusion - dividends of local banks</b>	<b>5</b>	
<b>X 18. Exclusion - dividends of local corporations</b>	<b>5</b>	
<b>X 19. Exclusion - interest from local utilities</b>	<b>5</b>	
20. Apportionment of net income	4	
21. Special apportionment of USFDA facilities	5	
<b>X 22. Allocation/apportionment of brokerage services</b>	<b>1</b>	
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	
2. First 100,000 bbl beer	1	
<b>X 3. RI Manufacturer ships out of state</b>	<b>4</b>	

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, 2003 are X'd and in bold.

Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
<b>Bank Excise Tax</b>		
1. Gain/loss on sale property not securities	3	
2. Gain/loss on sale of securities	3	
<b>X 3. Securities loss write-down</b>	<b>5</b>	
4. Dividend exclusion	5	
TOTAL THIS TAX = 4 ITEMS		
<b>Beverage Containers</b>		
<b>X 1. Constitutional exemption</b>	<b>3</b>	
2. Refillable and reuseable containers exempted	5	
TOTAL THIS TAX = 2 ITEMS		
<b>Cigarette Tax</b>		
<b>X 1. 10 pack out of state cigarettes</b>	<b>5</b>	
2. Stamping discount	1	
3. Holding period for unstamped items	5	
TOTAL THIS TAX = 3 ITEMS		
<b>Franchise Tax</b>		
1. Taxed under 44-11	4	
<b>X 2. Corporations specifically exempted</b>	<b>5</b>	
TOTAL THIS TAX = 2 ITEMS		
<b>Gasoline Tax</b>		
1. Exclusion for lubricating oils, etc.	3	
2. Federal and State taxes excluded	1	
<b>X 3. Sales to US Government</b>	<b>2</b>	
4. Railroad transportation equipment	3	
5. Alternative fuels exempted	5	
TOTAL THIS TAX = 5 ITEMS		
<b>Generation Skipping Transfer Tax</b>		
1. Realty or personalty in another state	5	
TOTAL THIS TAX = 1 ITEM		
<b>Insurance Premiums Tax</b>		
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, 2003 are X'd and in bold.

Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
<b>JaiAlai Betting and Breakage</b>		
1. Licensee Commission	1	
TOTAL THIS TAX = 1 ITEM		
<b>Litter Fee</b>		
<b>X 1. New business Class A permit</b>	<b>5</b>	
2. Constitutional exemption	4	
TOTAL THIS TAX = 2 ITEMS		
<b>Motor Carrier Fuel Use</b>		
<b>X 1. Refunds of taxes paid to RI</b>	<b>2</b>	
TOTAL THIS TAX = 1 ITEM		
<b>Pari-Mutual Betting/Breakage</b>		
1. Licensee's commission	1	
TOTAL THIS TAX = 1 ITEM		
<b>Public Utilities</b>		
<b>X 1. Narragansett Pier RR</b>	<b>1</b>	
2. Company subject to Business Corp. Tax	5	
3. Carrier Access fees	5	
4. Electricity for resale	5	
5. Telecommunications non-voice service	5	
<b>X 6. Merchandise sold</b>	<b>4</b>	
7. Apportionment	5	
8. Sale of alternative fuels exempted	5	
TOTAL THIS TAX = 8 ITEMS		
<b>Real Estate Conveyance Tax</b>		
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		
<b>Telephone Company Property Tax</b>		
1. Limited depreciation allowance	4	
TOTAL THIS TAX = 1 ITEM		
<b>Hard to Dispose Tax</b>		
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, 2003 are X'd and in bold.

Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
<b>Simulcast Betting</b>		
1. Licensee Commission	1	
TOTAL THIS TAX = 1 ITEM		
<b>Rental Vehicle Surcharge</b>		
1. 50% surcharge retained	1	
TOTAL THIS TAX = 1 ITEM		
<b>Environmental Protective Fee</b>		
1. Fees deposited into restricted account	1	
TOTAL THIS TAX = 1 ITEM		
<b>Uniform Oil Response Fee</b>		
1. Fees deposited into restricted account	1	
TOTAL THIS TAX = 1 ITEM		
<b>Mobile or Manufactured Homes Conveyance Tax</b>		
1. Consideration of \$100 or less	3	
2. Statement in lieu of consideration	5	
TOTAL THIS TAX = 2 ITEMS		
TOTAL MISCELLANEOUS TAX ITEMS = 49		
<b>Other preference items for more than one tax</b>		
1. Juvenile Restitution Credit	1	
2. Enterprise Zone Donations Credit	2	
3. Enterprise Zone Wage Credit	2	
4. Enterprise Zone Interest Credits	2	
X 5. <b>Apprenticeship Credit</b>	2	
X 6. <b>Hydroelectric Power Credit</b>	1	
7. Investment Credit	2	
8. Research and Development Property Credit	2	
9. Research and Development Expense Credit	2	
10. Educational Assistance and Development Credit	5	
11. Small Business Investment Modification	4	
12. Small Business Investment Exemption	4	
13. SBA Loan Guaranty Fee Credit	1	
X 14. <b>Adult Education Credit</b>	4	
15. Daycare Credit	1	
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, 2003 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 accommodations under ADA	3	
22. Deduction/modification for hiring the unemployed or welfare recipients	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 OTHER TAX ITEMS = 27

TOTAL CHOSEN FOR JANUARY, 2003 REPORT = 42

**STATE OF RHODE ISLAND**  
**Department of Administration**  
**DIVISION OF TAXATION**

Tax Expenditures Report  
**Reporting Year Index**

Tax and Preference Items

	Reporting Year	Page
<b>Personal Income</b>		
1. Artists' Modifications	1999	12
2. Political check-off	1998	7
3. Amortization air/water pollution control	2000	3
4. Interest on federal obligations	2001	10
5. Credit for other states' taxes	1998	8
6. Credit to trust beneficiary for distribution	2001	11
7. Credit for artwork exhibition	1999	12
8. Modification for family education accounts	1999	13
9. Credit for qualifying widow(er)	1998	8
10. Exclusion for nonresident military pay	2000	10
11. Allocation for nonresident partnership income	2001	11
12. Credit for trust beneficiary	2001	11
13. Credit - lead paint removal	1998	8
14. Credit/refund property tax relief	1998	9
15. Credit for historical residence renovations	1998	9
16. Modification - Enterprise zone business owner	1998	10
17. Exclusion for income and preference items for qualifying employee's ownership in qualifying corporation	2000	11
18. Exclusion for gain from stock options in computer companies	new	xx
19. Federal adjustment - IRA deduction	2000	12
20. Federal adjustment - moving expenses	2000	13
21. Federal adjustment - 1/2 self employment	2001	13
22. Federal adjustment - self employment health insurance	2001	15
23. Federal adjustment - Keogh plan and SEP	2000	14
24. Federal adjustment - alimony paid	1999	14
25. Federal deduction - standard	1999	15
26. Federal deduction - itemized	2001	17
27. Federal exemption	2001	18
28. Federal credit - child/dependent care	1999	16
29. Federal credit - elderly or disabled	1999	16
30. Federal credit - foreign taxes	1999	17
31. Federal credit - general business	1999	18
32. Federal credit - earned income	1999	18

TOTAL PERSONAL INCOME TAX ITEMS = 32

**STATE OF RHODE ISLAND**  
**Department of Administration**  
**DIVISION OF TAXATION**

Tax Expenditures Report  
**Reporting Year Index**

Tax and Preference Items	Reporting Year	Page
<b>Sales and Use Tax</b>		
1. Cash discounts	2000	17
2. Refund in 120 days	2000	18
3. Installation labor	2001	21
4. Federal taxes	2001	22
5. Transportation charges	2001	23
6. Transfers to family members	2000	19
7. Transfers - business dissolution/liquidation	2001	23
8. Sales of residential trailers	2000	20
9. Transferee is exempt	2000	21
10. Casual sales	2001	24
11. 120 days total loss or destruction	2000	21
12. Sales for resale	2001	25
13. Demonstration Boats	1999	21
14. Sales beyond state constitutional power	2000	22
15. Newspapers	1998	12
16. School meals	1999	22
17. Containers	1998	12
18. Charitable, educational or religious organizations	2001	25
19. Gasoline	1998	13
20. Purchases for manufacturing purposes	2001	26
21. State or political subdivisions	2001	27
22. Food products	1998	13
23. Medicines and drugs	1998	14
24. Prosthetic and orthopedic appliances	1999	23
25. Coffins, caskets and burial garments	1998	14
26. Motor vehicles to nonresidents	1999	25
27. Sales by the visually impaired	2001	28
28. Air/water pollution control facilities	2000	23
29. Camps	2000	24
30. Nursing homes/hospitals rental charges	1999	26
31. Educational institutions rental charges	2000	24
32. Motor vehicles for paraplegics	1999	28
33. Heating fuel for residences	1998	15
34. Electricity and gas for residences	1998	15
35. Manufacturer's machinery and equipment	2001	29
36. Motor vehicle trade-in	2000	25
37. Precious metal bullion	2000	26

**STATE OF RHODE ISLAND**  
**Department of Administration**  
**DIVISION OF TAXATION**

Tax Expenditures Report  
**Reporting Year Index**

Tax and Preference Items	Reporting Year	Page
<b>Sales and Use Tax - continued</b>		
38. Sales by Bicentennial commission	1998	15
39. Commercial vessels 50T	2000	27
40. Commercial fishing vessels	2000	28
41. Clothing and footwear	1998	16
42. Water for residential use	1998	16
43. Bibles	1998	16
44. Boats to nonresidents	1999	28
45. \$20. sales of certain nonprofit	2001	30
46. Farm equipment	2000	28
47. Compressed air	2001	30
48. Flags	1999	29
49. Amputee veterans' motor vehicles and equipment	1999	31
50. Textbooks	2001	31
51. Supplies for hazardous waste treatment	2001	31
52. Literature for boat manufacturers	2000	29
53. Food stamp items	2001	32
54. Transportation charges motor carriers	2001	33
55. Trade-in on boats	1999	32
56. Equipment for research and development	2001	33
57. Coins	1999	32
58. Farm structure construction materials	2000	28
59. Telecommunications carrier access service	2001	34
60. Boats for storage and repair	2000	30
61. Tangible personalty for jewelry display	1999	33
62. Boats	1998	17
63. Investment companies' toll free calls	2001	34
64. Mobile and manufactured homes	2000	31
65. Taxes paid elsewhere	2001	35
66. Vehicles of nonresident armed forces personnel	2000	32
67. Sales to federal government	2001	36
68. Sales to common carriers	2001	37
69. Sales by artists	1999	34
70. Property purchased from federal government	2001	38
71. Property bought elsewhere by nonresident	2001	39
72. Property otherwise exempted	2001	39
73. Trucks, buses in interstate commerce	2001	40
74. Certain energy products	2001	40
75. Alternative fueled vehicles	new	xx
76. Building materials to rebuild after disaster	new	xx
77. Florist supplies	new	xx
78. Renewable energy systems	new	xx
79. Horse food	new	xx

TOTAL SALES AND USE TAX ITEMS = 79

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<b>Business Corporation</b>		
1. Exclusion for financial institution	2000	33
2. Exclusion for public service company	2000	35
3. Exclusion for insurance companies	2000	35
4. Exclusion for nonprofit	2000	36
5. Exclusion for fraternal benefit societies	2000	37
6. Exclusion for special chartered corporations	2000	38
7. Special provisions for security companies	2001	42
8. Special provisions for investment companies	2001	42
9. Exclusion for 1120S	2001	43
10. Consolidation provisions	2001=	44
11. Interest on federal obligations	2001	45
12. Net operating loss deductions	2001	45
13. Treatment as DISC	1999	37
14. Treatment as FSC	1999	38
15. Rapid amortization of air/water facility	1998	19
16. Accelerated depreciation for manufacturers	1998	19
17. Exclusion - dividends of local banks	1999	39
18. Exclusion - dividends of local corporations	1999	39
19. Exclusion - interest from local utilities	1999	40
20. Apportionment of net income	2001	46
21. Special apportionment of USFDA facilities	1998	20
22. Allocation/apportionment of brokerage services	1999	40
23. Exclusion for international investment services	new	xx
24. Credit for ISO certification	new	xx

TOTAL BUSINESS CORPORATION TAX ITEMS = 24

**Alcoholic Beverages**

1. Sacramental wine by clergy	2000	40
2. First 100,000 bbl beer	1998	22
3. RI Manufacturer ships out of state	1999	44

TOTAL THIS TAX = 3 ITEMS



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<b>Bank Excise Tax</b>		
1. Gain/loss on sale property not securities	2000	42
2. Gain/loss on sale of securities	2000	43
3. Securities loss write-down	1999	46
4. Dividend exclusion	1999	46
TOTAL THIS TAX = 4 ITEMS		
<b>Beverage Containers</b>		
1. Constitutional exemption	1999	47
2. Refillable and reusable containers exempted		
TOTAL THIS TAX = 2 ITEMS		
<b>Cigarette Tax</b>		
1. 10 pack out of state cigarettes	1999	48
2. Stamping discount	1998	22
3. Holding period for unstamped items	1999	49
TOTAL THIS TAX = 3 ITEMS		
<b>Franchise Tax</b>		
1. Taxed under 44-11	2001	50
2. Corporations specifically exempted	1999	50
TOTAL THIS TAX = 2 ITEMS		
<b>Gasoline Tax</b>		
1. Exclusion for lubricating oils, etc.	2001	50
2. Federal and State taxes excluded	1998	23
3. Sales to US Government	1999	51
4. Railroad transportation equipment/refund	1999	52
5. Alternative fuels exempted	new	xx
TOTAL THIS TAX = 5 ITEMS		
<b>Generation Skipping Transfer Tax</b>		
1. Realty or personalty in another state	2000	43
TOTAL THIS TAX = 1 ITEM		
<b>Insurance Premiums Tax</b>		
1. Ocean marine insurance exclusion	2001	51
2. Fraternal benefit societies	2001	52
3. Premiums returned	2001	52
4. Retaliatory provisions	2001	52
TOTAL THIS TAX = 4 ITEMS		

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<b>Jai Alai Betting and Breakage</b>		
1. Licensee Commission	1998	24
TOTAL THIS TAX = 1 ITEM		
<b>Litter Fee</b>		
1. New business Class A permit	1999	54
2. Constitutional exemption	1999	55
TOTAL THIS TAX = 2 ITEMS		
<b>Motor Carrier Fuel Use</b>		
1. Refunds of taxes paid to RI	1999	56
TOTAL THIS TAX = 1 ITEM		
<b>Pari-Mutual Betting/Breakage</b>		
1. Licensee's commission	1998	24
TOTAL THIS TAX = 1 ITEM		
<b>Public Utilities</b>		
1. Narragansett Pier RR	1999	57
2. Company subject to Business Corp. Tax	1999	58
3. Carrier Access fees	2000	45
4. Electricity for resale	2000	45
5. Telecommunications non-voice service	2000	46
6. Merchandise sold	1999	58
7. Apportionment	2000	46
8. Sale of alternative fuels exempted	new	xx
TOTAL THIS TAX = 8 ITEMS		
<b>Real Estate Conveyance Tax</b>		
1. Consideration of \$100 or less	2000	47
2. Statement in lieu of consideration	2000	48
3. Grantor - US government or subdivision	2000	49
4. Capitol Center project	2000	49
TOTAL THIS TAX = 4 ITEMS		
<b>Telephone Company Property Tax</b>		
1. Limited depreciation allowance	2001	53
TOTAL THIS TAX = 1 ITEM		
<b>Hard to Dispose Tax</b>		
1. Constitutional exemption	2000	50
TOTAL THIS TAX = 1 ITEM		

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<b>Simulcast Betting</b>	1998	25
1. License Commission		
TOTAL THIS TAX = 1 ITEM		
<b>Rental Vehicle Surcharge</b>	1998	26
1. 50% surcharge retained		
TOTAL THIS TAX = 1 ITEM		
<b>Environmental Protection Fee</b>	1998	26
1. Fees deposited into restricted account		
TOTAL THIS TAX = 1 ITEM		
<b>Uniform Oil Response Fee</b>	1998	27
1. Fees deposited into restricted account		
<b>Mobile or Manufactured Homes Conveyance Tax</b>	2000	51
1. Consideration of \$100 or less	2000	51
2. Statement in lieu of consideration		
TOTAL THIS TAX = 2 ITEMS		
<b>Other preference items for more than one tax</b>		
1. Juvenile Restitution Credit	1998	28
2. Enterprise Zone Donations Credit	1998	28
3. Enterprise Zone Wage Credit	1998	28
4. Enterprise Zone Interest Credits	1998	29
5. Apprenticeship Credit	1999	60
6. Hydroelectric Power Credit	1999	60
7. Investment Credit	1998	29
8. Research and Development Property Credit	1998	30
9. Research and Development Expense Credit	1998	30
10. Educational Assistance and Development Credit	1998	31
11. Small Business Investment Modification	1998	31
12. Small Business Investment Exemption	1998	31
13. SBA Loan Guaranty Fee Credit	1998	32
14. Adult Education Credit	1999	61
15. Daycare Credit	1998	32
16. Elective Deduction for Research and Development	1998	33

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<b>Other preference items for more than one tax - continued</b>		
17. Welfare Bonus Program	1998	33
18. Jobs Development Rate Reduction	1998	33
19. Jobs Training Credit	1998	34
20. Credit for construction of alternative fuel filling stations	new	xx
21. Credit for accommodations under ADA	new	xx
22. Deduction/modification for hiring the unemployed or welfare recipients	new	xx
23. Specialized mill building investment credit	new	xx
24. Interest credit for loans to mill building owners	new	xx
25. Wage credit for employers in mill buildings	new	xx
26. Credit for qualified film production companies	new	xx
27. Credit for renewable energy systems	new	xx
TOTAL THESE ITEMS = 27		