STATE OF RHODE ISLAND

Department of Administration
Division of Taxation

TAX EXPENDITURES

REPORT

January, 1998
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 second. The first was issued in January, 1997.

As mandated, this report contains the analyses of 49 tax preference items - 25% of the list of tax preference items as of December 31, 1996. Also included is a list of the next 49 items chosen for analysis in the 1999 report.

Prepared By:

At the request of R. Gary Clark, Tax Administrator, this report was prepared by Virginia R. O'Shan, C.P.A. (Chief Revenue Agent - Research and Taxpayer Assistance).

Report Basics:

As directed in the charge, a "tax expenditure" is any tax credit, deduction, exemption, exclusion, credit 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".

In order to present this report on a timely basis with the personnel and resources available, completion of the amounts of revenues foregone and number of taxpayers for each preference item were given the highest priority.

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 systems 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 of 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 comparison of the tax preference items with other New England states [especially Massachusetts and Connecticut] has not been finalized at this time. We will issue a supplementary report containing this requirement as soon as possible but no later than March 1, 1998.

The analyses performed on the 49 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]; and (6) the number of taxpayers claiming the preference item.

**Report Structure:**

This summary is 1 of the 6 major parts into which the report is divided. The other 5 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; and the listing of tax preference items chosen for analysis in the 1999 report.

**Results Summary:**

The results of the analysis of the 49 items in this year's report are that the revenues foregone total more than \$311 million with an average reliability of 1.91 where 1 is the most reliable and ending with 5 for preference items for which no reliable data exists. The totals for each major section of this report rounded to the nearest thousand are:

<table>
<thead>
<tr>
<th>Tax Description</th>
<th>Number of Items</th>
<th>Revenues Foregone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Income Tax</td>
<td>7 items</td>
<td>$69,312,000.</td>
</tr>
<tr>
<td>Sales and Use Tax</td>
<td>13 items</td>
<td>208,109,000.</td>
</tr>
<tr>
<td>Business Corporation Tax</td>
<td>3 items</td>
<td>0.</td>
</tr>
<tr>
<td>Other Taxes</td>
<td>10 items</td>
<td>22,274,000.</td>
</tr>
<tr>
<td>Other Preference Items</td>
<td>16 items</td>
<td>11,874,000.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>$311,569,000.</td>
</tr>
</tbody>
</table>

The tables following give the additional details.
Items selected for reporting in January, 1998

<table>
<thead>
<tr>
<th>Tax and Preference item selected</th>
<th>$</th>
<th>Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Political checkoff</td>
<td>$181,000</td>
<td>1</td>
</tr>
<tr>
<td>5. Credit for other states' taxes</td>
<td>$68,221,000</td>
<td>1</td>
</tr>
<tr>
<td>9. Credit for qualifying widow(er)</td>
<td>$0</td>
<td>1</td>
</tr>
<tr>
<td>13. Credit - lead paint removal</td>
<td>$18,000</td>
<td>1</td>
</tr>
<tr>
<td>14. Credit/refund property tax relief</td>
<td>$872,000</td>
<td>1</td>
</tr>
<tr>
<td>15. Credit for historical residence renovations</td>
<td>$20,000</td>
<td>1</td>
</tr>
<tr>
<td>16. Modification - Enterprise zone business owner</td>
<td>$0</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL THIS TAX = 7 ITEMS</td>
<td>$69,312,000</td>
<td></td>
</tr>
</tbody>
</table>

Sales and Use

<table>
<thead>
<tr>
<th>Tax and Preference item selected</th>
<th>$</th>
<th>Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>15. Newspapers</td>
<td>$3,100,000</td>
<td>3</td>
</tr>
<tr>
<td>17. Containers</td>
<td>$12,200,000</td>
<td>3</td>
</tr>
<tr>
<td>19. Gasoline</td>
<td>$441,000</td>
<td>2</td>
</tr>
<tr>
<td>22. Food products</td>
<td>$78,400,000</td>
<td>3</td>
</tr>
<tr>
<td>23. Medicines and drugs</td>
<td>$14,600,000</td>
<td>3</td>
</tr>
<tr>
<td>25. Coffins, caskets and burial garments</td>
<td>$818,000</td>
<td>3</td>
</tr>
<tr>
<td>33. Heating fuel for residences</td>
<td>$13,700,000</td>
<td>3</td>
</tr>
<tr>
<td>34. Electricity and gas for residences</td>
<td>$25,800,000</td>
<td>3</td>
</tr>
<tr>
<td>38. Sales by Bicentennial Commission</td>
<td>$0</td>
<td>1</td>
</tr>
<tr>
<td>41. Clothing and footwear</td>
<td>$53,800,000</td>
<td>3</td>
</tr>
<tr>
<td>42. Water for residential use</td>
<td>$2,550,000</td>
<td>3</td>
</tr>
<tr>
<td>43. Bibles</td>
<td>$0</td>
<td>1</td>
</tr>
<tr>
<td>62. Boats</td>
<td>$2,700,000</td>
<td>3</td>
</tr>
<tr>
<td>TOTAL THIS TAX = 13 ITEMS</td>
<td>$208,109,000</td>
<td></td>
</tr>
</tbody>
</table>

Business Corporation

<table>
<thead>
<tr>
<th>Tax and Preference item selected</th>
<th>$</th>
<th>Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>15. Rapid amortization of air/water facility</td>
<td>$360*</td>
<td>1</td>
</tr>
<tr>
<td>16. Accelerated depreciation for manufacturers</td>
<td>$0</td>
<td>1</td>
</tr>
<tr>
<td>21. Special apportionment of USFDA facilities</td>
<td>$0</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL THIS TAX = 3 ITEMS</td>
<td>$360*</td>
<td></td>
</tr>
</tbody>
</table>

*actual unrounded

Other Taxes and Miscellaneous Preference Items

Alcoholic Beverages

<table>
<thead>
<tr>
<th>Tax and Preference item selected</th>
<th>$</th>
<th>Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. First 100,000 bbl beer</td>
<td>$133*</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL THIS TAX = 1 ITEM</td>
<td>$133*</td>
<td></td>
</tr>
</tbody>
</table>

* actual unrounded

Cigarette Tax

<table>
<thead>
<tr>
<th>Tax and Preference item selected</th>
<th>$</th>
<th>Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Stamping discount</td>
<td>$673,000</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL THIS TAX = 1 ITEM</td>
<td>$673,000</td>
<td></td>
</tr>
</tbody>
</table>
STATE OF RHODE ISLAND
DIVISION OF TAXATION

1998 TAX EXPENDITURES REPORT
RESULTS SUMMARY BY TAX

Gasoline Tax
2. Federal and State taxes excluded 1
TOTAL THIS TAX = 1 ITEM $0

JaiAlai Betting and Breakage
1. Licensee Commission 1
TOTAL THIS TAX = 1 ITEM $765,000

Pari-Mutuel Betting/Breakage
1. Licensee's commission 1
TOTAL THIS TAX = 1 ITEM $6,214,000

Simulcast Betting
1. Licensee commission 1
TOTAL THIS TAX = 1 ITEM $8,067,000

Retail Tire Fee
1. Fee deposited into restricted account 1
TOTAL THIS TAX = 1 ITEM $190,000

Rental Vehicle Surcharge
1. 50% surcharge retained 1
TOTAL THIS TAX = 1 ITEM $1,328,000

Environmental Protection Fee
1. Fees deposited into restricted account 1
TOTAL THIS TAX = 1 ITEM $4,251,000

Uniform Oil Response Fee
1. Fees deposited into restricted account 1
TOTAL THIS TAX = 1 ITEM $926,000
TOTAL ALL OTHER TAXES $22,274,000

Other preference items for more than one tax
Juvenile Restitution Credit 0 2
Enterprise Zone Donations Credit 16,000 2
Enterprise Zone Business Tax Credit 1,708,000 2
Enterprise Zone Interest Credits 21,000 2
Investment Credit 6,969,000 2
Research and Development - Property credit 467,000 2
Research and Development - Expenses credit 710,000 2
Educational Assistance Development credit 0 2
Small Business Investment Modification 49,000 4
Small Business Investment Exemption 0 4
SBA Loan Guaranty Fee credit 308,000 2
Daycare Credit 59,000 2
Elective Deduction for R&D 0 4
Welfare bonus program 0 4
Jobs development rate reduction 1,532,000 2
Jobs training credit 35,000 2
TOTAL THESE ITEMS = 16 ITEMS $11,874,000
GRAND TOTAL ALL ITEMS CHOSEN FOR 1998 $331,569,000

Virginia R. O'Shan - 12/29/97
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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 three largest revenue sources for the State of Rhode Island. The 1997 Tax Expenditures report showed that there were 17 direct tax preference items and 15 indirect tax preference items in this chapter. Of these items, 7 were chosen for the 1998 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.

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 1998 report are presented by showing: (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's 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

1. Checkoff 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 party 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 checkoff 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 1996 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 | $7,066. | 2,566
Republican | $4,216. | 1,405
Cool Moose | $1,006. | 373
POLITICAL REFORM | $50. | 18
NON PARTISAN | $44,032. | 16,068
ELECTORAL CONTRIBUTIONS | $124,905. | 26,507

Total revenues foregone | $181,275.
Total contributors | 46,937

2. **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 1996 tax returns

Revenues foregone: $68,221,000.
Number of taxpayers: 55,078

3. **Qualifying Widow(er) Credit:**
Cite: 44-30-25
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 1996 tax returns

Revenues foregone: $0
Number of taxpayers: 0

4. **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 1996 tax returns

Revenues foregone: $18,000.

Number of taxpayers: 27

5. **Property tax relief credit:**

   Cite: 44-33
   
   Reliability estimate: 1

   Rhode Island residents 65 years of age or older or who are disabled (receiving social security disability payments) 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 $200 per year.

   Source: Tax Division statistics from 1996 tax returns

   Revenues foregone: $872,000.

   Number of taxpayers: 4,860

6. **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 10% 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. This credit is administered by the RI Historical Preservation Commission.
Source: Tax Division statistics from 1996 tax returns

Revenues foregone: $20,000.

Number of taxpayers: 37

7. **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 4th and 5th 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 1996 tax returns

   Revenues foregone: $0

   Number of taxpayers: 0

**OTHER TAX PREFERENCE ITEMS**

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

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

SUMMARY

The Sales and Use Tax is one of the three largest revenue sources for the State of Rhode Island. The 1997 Tax Expenditures report showed that there were 76 available tax items of various types for this chapter. Included in these 76 are 2 items noted as not considered to be preference items for purposes of reporting - items bought by nonresidents before 7/1/47 and items excluded if subject the use tax. Of the remaining 74 items, 13 were chosen for the 1998 report.

DESCRIPTION

The tax applies to retail sales of all tangible personality and public utility services unless 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 or she 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 or her customers all or a part of the tax which he or she pays 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 personality (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 1998 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 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

1. Newspapers:
Cite: 44-18-30 (2)
Reliability estimate: 3

This exemption covers publications issued regularly at intervals not exceeding 3 months.
Source: State of Rhode Island Tax Model

Revenues foregone: $3,100,000.

Number: Because the Sales tax is on the ultimate consumer, all consumers purchasing this preference item are beneficiaries of the exemption. Additionally, Rhode Island retailers achieve some benefits from this exemption to the extent that the item is taxable in neighboring states.

2. Containers:
Cite: 44-18-30 (4)
Reliability estimate: 3

This exemption covers both returnable and nonreturnable containers of specific kinds. Nonreturnable 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: $12,200,000.

Number: Because the Sales tax is on the ultimate consumer, all consumers purchasing this preference item are beneficiaries of the exemption. Additionally, Rhode Island retailers achieve some benefits from this exemption to the extent that the item is taxable in neighboring states.

3. **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: Tax Division Excise Tax Section statistics on price and state and federal excise tax rates

Revenues foregone: $441,000.

Number of taxpayers: 70

Number: Because the Sales tax is on the ultimate consumer, all consumers purchasing this preference item are beneficiaries of the exemption. Additionally, Rhode Island retailers achieve some benefits from this exemption to the extent that the item is taxable in neighboring states.

4. **Food products:**

   Cite: 44-18-30 (9)
   Reliability estimate: 3

This tax exemption applies to all food products sold for human consumption (including noncarbonated and noneffervescent, 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: $78,400,000.
Number: Because the Sales tax is on the ultimate consumer, all consumers purchasing this preference item are beneficiaries of the exemption. Additionally, Rhode Island retailers achieve some benefits from this exemption to the extent that the item is taxable in neighboring states.

5. **Medicines and drugs:**
   Cite: 44-18-30 (10)
   Reliability estimate: 3

   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: $14,600,000.

Number: Because the Sales tax is on the ultimate consumer, all consumers purchasing this preference item are beneficiaries of the exemption. Additionally, Rhode Island retailers achieve some benefits from this exemption to the extent that the item is taxable in neighboring states.

6. **Coffins, caskets, and burial garments:**
   Cite: 44-18-30 (12)
   Reliability estimate: 3

   This exemption applies to coffins, caskets, shrouds and other burial garments ordinarily sold by a funeral director.
   Source: National Funeral Directors Association statistics

   Revenues foregone: $818,000.

Number: Because the Sales tax is on the ultimate consumer, all consumers purchasing this preference item are beneficiaries of the exemption. Additionally, Rhode Island retailers achieve some benefits from this exemption to the extent that the item is taxable in neighboring states.
7. **Heating fuels:**
Cite: 44-18-30(20)
Reliability estimate: 3

This exemption applies to every type of fuel used in both homes and residential premises.
Source: State of Rhode Island Tax Model.

Revenues foregone: $13,700,000.

Number: Because the Sales tax is on the ultimate consumer, all consumers purchasing this preference item are beneficiaries of the exemption. Additionally, Rhode Island retailers achieve some benefits from this exemption to the extent that the item is taxable in neighboring states.

8. **Electricity and gas:**
Cite: 44-18-30(21)
Reliability estimate: 3

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: $25,800,000.

Number: Because the Sales tax is on the ultimate consumer, all consumers purchasing this preference item are beneficiaries of the exemption. Additionally, Rhode Island retailers achieve some benefits from this exemption to the extent that the item is taxable in neighboring states.

9. **Sales by the Bicentennial Commission:**
Cite: 44-18-30 (25)
Reliability estimate: 1

This exemption applies both to purchases by the Bicentennial Commission and also to its sales.
This exemption is obsolete and no longer applicable, since the Bicentennial Commission no longer exists.

Revenues foregone: $0

Number: 0
10. **Clothing and footwear:**
   Cite: 44-18-30 (28)
   Reliability estimate: 3

   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: $53,800,000.

   Number: Because the Sales tax is on the ultimate consumer, all consumers purchasing this preference item are beneficiaries of the exemption. Additionally, Rhode Island retailers achieve some benefits from this exemption to the extent that the item is taxable in neighboring states.

11. **Water for residential use:**
   Cite: 44-18-30 (29)
   Reliability estimate: 3

   This exemption applies to water furnished for domestic use by the occupants of residential premises.
   Source: State of Rhode Island Tax Model

   Revenues foregone: $2,550,000.

   Number: Because the Sales tax is on the ultimate consumer, all consumers purchasing this preference item are beneficiaries of the exemption. Additionally, Rhode Island retailers achieve some benefits from this exemption to the extent that the item is taxable in neighboring states.

12. **Bibles:**
   Cite: 44-18-30 (30)
   Reliability estimate: 1

   This tax preference item exempted any canonized scriptures of tax exempt, non-profit religious organization including but not limited to the Old Testament and New Testament versions.
This exemption has effectively been nullified by the recent RI District Court, Sixth Division decision [A.A. No. 94-314] which found in applying Texas Monthly, Inc. v. Bullock, that: "the statute violates the establishment clause of the First Amendment to the United States Constitution. The court believes that the Supreme Court's decision in Texas Monthly, Inc. v. Bullock, 489 U.S. 1, 103 L.Ed. 2d 1, S. Ct. 890 (1989) is controlling."

Revenues foregone: $0
Number: 0

13. Boats:
Cite: 44-18-30 (49)
Reliability estimate: 3

This exemption applies to the sale and to the storage, use or other consumption in this state of any new or used boat.
Source: State of Rhode Island Tax Model
Revenues foregone: $2,700,000.
Number: Because the Sales tax is on the ultimate consumer, all consumers purchasing this preference item are beneficiaries of the exemption. Additionally, Rhode Island retailers achieve some benefits from this exemption to the extent that the item is taxable in neighboring states.
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 three 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. Of these items, 3 were chosen for the 1998 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 a tax of 9% of net income as reported to the Federal Government and apportioned to Rhode Island. The minimum Business Corporation Tax is $250.

TAX PREFERENCE ITEMS

INTRODUCTION:

The details of the Business Corporation tax preference items included in this 1998 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, (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'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.

**DIRECT TAX PREFERENCE ITEMS**

1. **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 writeoff. The amortization deduction 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: $360. This is the actual amount and, if rounded to the nearest thousand, would have been reported as $0.

   Number of taxpayers: 1

2. **Accelerated 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: $0
Number of taxpayers: 0

3. **Certified facility apportionment:**
   Cite: 44-11-14.1
   Reliability estimate: 1

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: Tax Division Business Corporation Section

Revenues foregone: $0
Number of taxpayers: 0

**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 1998 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 10 tax preference items were selected for analysis.

Additionally, this section of the report contains the 16 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 1998 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 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.

MISCELLANEOUS TAXES AND THEIR PREFERENCE ITEMS

1. Alcoholic Beverage Tax and Importation Service Charge:
Cite: 3-10
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 state. The manufacturing tax and importation service charge are the same and appear in the table below:

<table>
<thead>
<tr>
<th>Beverage</th>
<th>Tax or Service Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beer</td>
<td>$3.00 per 31 gallons</td>
</tr>
<tr>
<td>Still wines (made entirely from fruit grown in this state)</td>
<td>.30 per gallon</td>
</tr>
<tr>
<td>Still wines</td>
<td>.60 per gallon</td>
</tr>
<tr>
<td>Sparkling wines</td>
<td>.75 per gallon</td>
</tr>
<tr>
<td>Cordials (regardless of proof)</td>
<td>3.75 per gallon</td>
</tr>
<tr>
<td>Whiskey, Rum and Gin</td>
<td>3.75 per gallon</td>
</tr>
<tr>
<td>Ethyl alcohol (beverage)</td>
<td>7.50 per gallon</td>
</tr>
<tr>
<td>Ethyl alcohol (nonbeverage)</td>
<td>.08 per gallon</td>
</tr>
</tbody>
</table>

**Tax Preferences:**

First 100,000 barrels of beer from RI for every manufacturer
Cite: 3-10-1
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 Manufacturers' monthly reports.

Revenues foregone: $133. This is the actual amount and, if rounded to the nearest thousand, would have been reported as $0.

Number of taxpayers: 2

2. **Cigarette Tax:**
Cite: 44-20

This tax is 30 and 1/2 mills for each cigarette (61 cents 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 1997 tax year were $53,154,684. There were 25 licensed stamping cigarette distributors 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 Preferences:**
Discount for stamping  
Cite: 44-20-19  
Reliability estimate: 1  
Source: Tax Division Excise Tax Section purchase requisition forms from stamping distributors  
Revenues foregone: $673,000.  
Number of stamping distributors: 25

3. **Gasoline Tax:**  
Cite: 31-36  
This tax is imposed on the distributor at 11% of the average wholesale selling price of a gallon of fuel and the tax cannot be less than 25 cents per gallon.

Distributors also pay an excise tax equal to 2% of the wholesale price per gallon and the excise tax cannot be less than 3 cents per gallon.

**Tax Preferences:**
Federal and state excise taxes excluded from "wholesale selling price".  
Cite: 31-36-7(d)  
Reliability estimate: 1  
Source: Tax Division Excise Tax Section statistics on gallons sold and state and federal tax rates. The inclusion of the federal and state excise taxes would yield a rate below the mandated minimum; therefore, no revenues are foregone.

Revenues foregone: $0  
Number of taxpayers: 70
4. **Jai Alai Betting and Breakage Taxes:**
   Cite: 41-7
   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 mutuel pool, and (2) a tax equal to one-half (1/2) of the breakage to the dime.

   **Tax Preferences:**
   Licensee's Commission  
   Cite: 41-7-6  
   Reliability estimate: 1  
   This preference item is 20 and 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: $705,000.  
   Number of taxpayers: 1

5. **Pari-Mutuel Betting and Breakage Taxes:**
   Cite: 41-3.1  
   This tax is paid by the licensee of a dog track at the rate of 5 1/2% of the amounts contributed to the mutuel pool and one-half (1/2) the breakage to the dime.

   **Tax Preferences:**
   Licensee's Commission  
   Cite: 41-3.1-6  
   This preference item is based on 18% of the amount contributed.  
   Reliability estimate: 1  
   Source: From the licensee's reports to the Department of Business Regulation, Division of Racing and Athletics.

   Revenues foregone: $6,214,000.  
   Number of taxpayers: 1

6. **Simulcast Tax:**
   Cite: 41-11-3  
   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 (3) 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:**
Licensee Commissions
Cite: 41-11-3
This preference item is equal to the "takeout at the host facility".
Reliability estimate: 1

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

- Revenues foregone: $8,007,000.
- Number of taxpayers: 2

7. **Retail Tire Fee:**
Cite: 23-63
A fee of seventy-five cents ($0.75) is imposed on each vehicle tire sold at retail. The fee is separately stated and collected by the retailer when making a sale to a consumer. Every tire retailer is required to file a return on or before July 10th of each year with the Tax Administrator and pay the amount of tax due for the previous twelve month period. All fees collected are deposited into the "Tire Remediation Account" and used for purposes specified in 23-63-4.2.

**Tax Preferences:**

- Fees deposited into restricted account
Cite: 23-63-4.1
- 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 estimate: 1
- Source: Tax Division Excise Tax Section reports

- Revenue foregone: $190,000
- Number of taxpayers: 406

**THIS FEE WAS REPEALED EFFECTIVE JULY 1, 1997**
8. **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:**
   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: $1,328,000.
   Number of taxpayers: 53

9. **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:**
   Restricted account
   Cite: 46-12.9-4(c)
   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 estimate: 1
   Source: Tax Division receipt statistics
   Revenues foregone: $4,231,000.
   Number of taxpayers: 603
10. **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:**
   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: $926,000.
   Number of taxpayers: 56

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**TAX PREFERENCE ITEMS APPLICABLE TO MORE THAN ONE TAX**

This portion of the 1998 Tax Expenditures Report covers those tax preference items which are available to more than one tax.

The 1997 Tax Expenditures Report listed 19 such items of which 16 were chosen for the 1998 report.

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: 2
   Source: Family Court information
   
   Revenues foregone: $0
   Number of taxpayers: 0

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 supported 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: $16,000. Taxpayers: 23
   Corporations: $0 Taxpayers: 0
   
   Total revenues foregone: $16,000.
   Total Number of taxpayers: 23

3. **Enterprise zone business 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 44-30 of the R.I.G.L. [as amended] for 50% of the Rhode Island salaries and wages paid 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 per enterprise jobs worker; is not refundable; and has no carryover.
   
   Cite: 42-64.3-6
   Reliability Estimate: 2
Source: The Tax Division's report to the Economic Development Corporation for the most recent certification year for which eligible businesses have submitted their tax returns.

Revenues foregone -

Personal Income: $1,337,000. Taxpayers: 72
Corporations: $371,000. Taxpayers: 22
Total revenues foregone: $1,708,000.
Total number of taxpayers: 94

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 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: $21,000. Taxpayers: 5
Corporations: $0 Taxpayers: 0
Total revenues foregone: $21,000.
Total number of taxpayers: 5

5. **Investment credit:**

A 4% 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 production of goods by manufacturing, processing or assembling. The credit is not available for leased property; is not refundable; and has a 7 year carryover.
Cite: 44-31
Reliability Estimate: 2
Source: Tax Division statistics from tax returns

Revenues foregone -

Personal Income: $1,695,000. Taxpayers: 508
Corporations: $5,274,000. Taxpayers: 255

Total revenues foregone: $6,969,000.

Number of Taxpayers: 763

6. 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 personality 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

Revenues foregone -

Personal Income: $9,000. Taxpayers: 8
Corporations: $458,000. Taxpayers: 7

Total revenues foregone: $467,000.

Total number of taxpayers: 15

7. Research and Development - Expenses credit:
A 5% credit is allowed against the taxes imposed by chapters 44-11 and 44-30 of the R.I.G.L. [as amended] for the excess [if any] of federal qualified research expenses in the taxable year over the federal base period research expenses if the expenses are incurred in Rhode Island. The credit is not refundable and has a 7 year carryover.
Cite: 44-32-3
Reliability Estimate: 2
Source: Tax Division statistics from tax returns
Revenues foregone -

Personal Income: $65,000. Taxpayers: 5
Corporations: $645,000. Taxpayers: 18

Total revenues foregone: $710,000.
Total number of taxpayers: 23

8. **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: $0
Number of taxpayers: 0

9. **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: $49,000.
Number of taxpayers: 1

10. **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 the extent that a
long-term capital gain was included due to the sale or 
exchange of an interest in a certified venture capital 
partnership or in a qualified business entity.
Cite: 44-43-5
Reliability Estimate: 4
Source: Tax Division statistics from tax returns

Revenues foregone: $0
Total number of taxpayers: 0

11. **SBA Loan Guaranty Fee credit:**
A credit is allowed for the amount of the loan 
guaranty fee paid by the primary obligor 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: 2
Source: Tax Division statistics from tax returns

Revenues foregone -

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Taxpayers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Income</td>
<td>$249,000</td>
<td>144</td>
</tr>
<tr>
<td>Corporations</td>
<td>$59,000</td>
<td>21</td>
</tr>
</tbody>
</table>

Total revenues foregone: $308,000.
Total number of taxpayers: 165

12. **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: 2
Source: Tax Division statistics from tax returns
Revenues foregone -

Personal Income: $27,000.  Taxpayers: 12
Corporations: $32,000.  Taxpayers: 4

Total revenues foregone: $59,000.
Total number of taxpayers: 16

13. **Elective Deduction for R & D:**
A one-year writeoff [deduction] is allowed for expenditures paid or incurred during the taxable year for the construction, reconstruction, erection or acquisition of any property which is used or to be used for the purposes of research and development in the experimental or laboratory sense. The deduction is available in the calculation of taxes imposed by chapters 44-11 and 44-30 of the R.I.G.L. [as amended]; is not refundable and has no carryover.

Cite: 44-32
Reliability Estimate: 4
Source: Tax Division records

Revenues foregone: $0
Number of taxpayers: 0

14. **Welfare bonus program:**
Any employer participating in the Bonus Program under Title 40, Chapter 6.3 is entitled to apply the credit of $250 per eligible participant 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]. The credit is not refundable and has no carryover.

Cite: 44-39.1
Reliability Estimate: 4
Source: Tax Division records

Revenues foregone: $0
Number of taxpayers: 0

15. **Jobs development rate reduction:**
For any tax year ending on or after July 1, 1995 to the tax year ending in 1997, 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%.
Revenue foregone

Bank excise: $1,463,000.  Taxpayers:  3
Corporations: $69,000.  Taxpayers:  1

Total revenue foregone: $1,532,000.
Total number of taxpayers: 4

16. **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

Revenues foregone: $35,000.
Number of taxpayers: 6
STATE OF RHODE ISLAND  
DIVISION OF TAXATION  

TAX EXPENDITURES REPORT  
DETAILS BY TAX AND ESTIMATE

Items selected for reporting in January, 1999 are X'd and in bold.  
Items reported in January, 1998 have numbers lined out and coded "PR".  

<table>
<thead>
<tr>
<th>Tax and Preference item</th>
<th>Direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Reliability</td>
</tr>
<tr>
<td></td>
<td>Estimate</td>
<td>Estimate</td>
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<tr>
<td><strong>Personal Income</strong></td>
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<tr>
<td>X 1. Artists' modifications</td>
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<tr>
<td>2. Political checkoff</td>
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<td>PR</td>
</tr>
<tr>
<td>3. Amortization air/water pollution control</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>4. Interest on federal obligations</td>
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<tr>
<td>5. Credit for other states' taxes</td>
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<td>6. Credit to trust beneficiary for distribution</td>
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<td>X 7. Credit for artwork exhibition</td>
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<td>X 8. Modification for family education accounts</td>
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<tr>
<td>9. Credit for qualifying widow(er)</td>
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<tr>
<td>10. Exclusion for nonresident military pay</td>
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<td>11. Allocation for nonresident partnership income</td>
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<td>12. Credit for trust beneficiary</td>
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<td>13. Credit - lead paint removal</td>
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<td>14. Credit/refund property tax relief</td>
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<tr>
<td>15. Credit for historical residence renovations</td>
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<td>16. Modification - Enterprise zone business owner</td>
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<td>17. Exclusion for income and preference items</td>
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<tr>
<td>for qualifying employee's ownership in qualifying corporation</td>
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<td>18. Federal adjustment - IRA deduction</td>
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<td>19. Federal adjustment - moving expenses</td>
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<td>20. Federal adjustment - 1/2 self employment</td>
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<tr>
<td>21. Federal adjustment - self employed health ins.</td>
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<tr>
<td>22. Federal adjustment - Keough plan and SEP</td>
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<tr>
<td>23. Federal adjustment - early withdrawal penalty</td>
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<tr>
<td>X 24. Federal adjustment - alimony paid</td>
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<td>X 25. Federal deduction - standard</td>
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<tr>
<td>26. Federal deduction - itemized</td>
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<td>27. Federal exemption</td>
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<tr>
<td>X 28. Federal credit - child/dependent care</td>
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<tr>
<td>X 29. Federal credit - elderly or disabled</td>
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<tr>
<td>X 30. Federal credit - foreign taxes</td>
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<tr>
<td>X 31. Federal credit - general business</td>
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<tr>
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</tbody>
</table>

TOTAL THIS TAX = 32 ITEMS

**Sales and Use**

1. Cash discounts                                                  | 5      |
2. Refund in 120 days                                              | 5      |
3. Installation labor                                               | 5      |
4. Federal taxes                                                   | 5      |
5. Transportation charges                                          | 5      |
6. Transfers to family members                                     | 5      |
7. Transfers - business dissolution/liquidation                    | 5      |
8. Sales of residential trailer                                    | 5      |

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STATE OF RHODE ISLAND
DIVISION OF TAXATION

TAX EXPENDITURES REPORT
DETAILS BY TAX AND ESTIMATE

Items selected for reporting in January, 1999 are X'd and in bold. Items reported in January, 1998 are lined out and coded "PR".

(Sales tax cont'd)

9. Transferee is exempt 5
10. Casual sales 5
11. 120 days total loss or destruction 5
12. Sales for resale 4
13. Demonstration boats N/A
14. Sales beyond state constitutional power 5
15. Newspapers PR

X 16. School meals
17. Containers PR
18. Charitable, education or religious organization 5
19. Gasoline PR
20. Purchases for manufacturing purposes 3
21. State or political subdivisions 5
22. Food products PR
23. Medicines and drugs PR

X 24. Prosthetic and orthopedic appliances
25. Coffins, caskets and burial garments PR

X 26. Motor vehicles to nonresidents
27. Sales by blind people 4
28. Air/water pollution control facilities 4
29. Camps 5

X 30. Nursing homes/hospitals rental charges
31. Educational institutions rental charges 5

X 32. Motor vehicles for paraplegics
33. Heating fuel for residences PR
34. Electricity and gas for residences PR
35. Manufacturer's machinery and equipment 4
36. Motor vehicle trade-in 3
37. Precious metal bullion 5
38. Sales by Bicentennial Commission PR
39. Commercial vessels 50T N/A
40. Commercial fishing vessels N/A
41. Clothing and footwear PR
42. Water for residential use PR
43. Bibles PR

X 44. Boats to nonresidents N/A
45. $20 sales of certain nonprofits 5
46. Farm equipment 5
47. Compressed air 5

X 48. Flags 5

X 49. Amputee veterans' motor vehicle/equipment 2
50. Textbooks 5
51. Supplies for hazardous waste treatment 4
52. Literature for boat manufacturers 5
53. Food stamp items 5
54. Transportation charges motor carriers 5
STATE OF RHODE ISLAND
DIVISION OF TAXATION

TAX EXPENDITURES REPORT
DETAILS BY TAX AND ESTIMATE

Items selected for reporting in January, 1999 are X'd and in bold. Items reported in January, 1998 are lined out and coded "PR".

(Sales Tax cont'd)

X 55. Trade-in on boats  N/A
56. Equipment for R&D  5
X 57. Coins  5
58. Farm structure construction materials  5
59. Telecommunications carrier access services  5
60. Boats for storage and repair  N/A
X 61. Tangible personalty for jewelry display  5
62. Boats  PR
63. Investment companies' toll free calls  5
64. Mobile and manufactured homes  2
65. Taxes paid elsewhere  5
66. Vehicles of nonresident armed forces personnel  3
67. Sales to federal government  5
68. Sales to common carriers  5
X 69. Sales by artists  5
70. Property purchased from federal government  N/A
71. Property bought elsewhere by nonresident  N/A
72. Property otherwise exempted  N/A
73. Trucks, busses in interstate commerce  3
74. Certain energy products  5
*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 = 74 ITEMS

Business Corporation
1. Exclusion for financial institution  3
2. Exclusion for public service company  5
3. Exclusion for insurance companies  5
4. Exclusion for nonprofits  5
5. Exclusion for fraternal benefit societies  5
6. Exclusion for special chartered corps.  5
7. Special provisions for security companies  3
8. Special provisions for investment companies  3
9. Exclusion for 1120S  5
10. Consolidation provisions  5
11. Interest on federal obligations  5
12. Net operating loss deductions  3
X 13. Treatment as DISC  5
X 14. Treatment as FISC  5
15. Rapid amortization of air/water facility  PR
16. Accelerated depreciation for manufacturers  PR
X 17. Exclusion - dividends of local banks  5
X 18. Exclusion - dividends of local corps  5
## STATE OF RHODE ISLAND  
### DIVISION OF TAXATION  
### TAX EXPENDITURES REPORT  
### DETAILS BY TAX AND ESTIMATE  

Items selected for reporting in January, 1999 are X'd and in bold. Items reported in January, 1998 are lined out and coded "PR".

(Business Corporation cont'd)

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>X 19. Exclusion - interest from local utilities</td>
<td>5</td>
</tr>
<tr>
<td>20. Apportionment of net income</td>
<td>3</td>
</tr>
<tr>
<td>21. Special apportionment of USFDA facilities</td>
<td>PR</td>
</tr>
<tr>
<td>X 22. Allocation/apportionment of brokerage services</td>
<td>3</td>
</tr>
<tr>
<td>TOTAL THIS TAX = 22 ITEMS</td>
<td></td>
</tr>
</tbody>
</table>

### Alcoholic Beverages

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sacramental wine by clergy</td>
<td>4</td>
</tr>
<tr>
<td>2. First 100,000 bbl beer</td>
<td>PR</td>
</tr>
<tr>
<td>X 3. RI manufacturer ships out of state</td>
<td>4</td>
</tr>
<tr>
<td>TOTAL THIS TAX = 3 ITEMS</td>
<td></td>
</tr>
</tbody>
</table>

### Bank Deposits Tax

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Out of state deposits</td>
<td>5</td>
</tr>
<tr>
<td>2. Percentage exclusion for US obligations</td>
<td>2</td>
</tr>
<tr>
<td>X 3. Franchise tax paid</td>
<td>2</td>
</tr>
<tr>
<td>TOTAL THIS TAX = 3 ITEMS</td>
<td></td>
</tr>
</tbody>
</table>

### Bank Excise Tax

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Gain/loss on sale property not securities</td>
<td>3</td>
</tr>
<tr>
<td>2. Gain/loss on sale of securities</td>
<td>3</td>
</tr>
<tr>
<td>X 3. Securities loss writedown</td>
<td>5</td>
</tr>
<tr>
<td>X 4. Dividend exclusion</td>
<td>5</td>
</tr>
<tr>
<td>TOTAL THIS TAX = 4 ITEMS</td>
<td></td>
</tr>
</tbody>
</table>

### Beverage Containers

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>X 1. Constitutional exemption</td>
<td>3</td>
</tr>
<tr>
<td>TOTAL THIS TAX = 1 ITEM</td>
<td></td>
</tr>
</tbody>
</table>

### Cigarette Tax

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>X 1. 10 packs out of state cigarettes</td>
<td>5</td>
</tr>
<tr>
<td>2. Stamping discount</td>
<td>PR</td>
</tr>
<tr>
<td>X 3. Holding period for unstamped items</td>
<td>5</td>
</tr>
<tr>
<td>TOTAL THIS TAX = 3 ITEMS</td>
<td></td>
</tr>
</tbody>
</table>

### Franchise Tax

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Taxed under 44-11</td>
<td>4</td>
</tr>
<tr>
<td>X 2. Corporations specifically exempted</td>
<td>5</td>
</tr>
<tr>
<td>TOTAL THIS TAX = 2 ITEMS</td>
<td></td>
</tr>
</tbody>
</table>
STATE OF RHODE ISLAND
DIVISION OF TAXATION

TAX EXPENDITURES REPORT
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Gasoline Tax
1. Exclusion for lubricating oils, etc 3
2. Federal and State taxes excluded PR
X 3. Sales to US Government 2
X 4. Railroad transportation equipment 3
X 5. Special use refunds 2
     TOTAL THIS TAX = 5

Generation Skipping Transfer
1. Realty or personalty in another state 5
     TOTAL THIS TAX = 1

Insurance Premiums Tax
1. Ocean marine insurance exclusion 5
2. Fraternal benefit societies 5
3. Premiums returned 4
4. Retaliatory provisions 4
     TOTAL THIS TAX = 4

JaiAlai Betting and Breakage
1. Licensee Commission PR
     TOTAL THIS TAX = 1

Litter Fee
X 1. New business Class A permit 5
X 2. Constitutional exemption 4
     TOTAL THIS TAX = 2

Motor Carrier Fuel Use
X 1. Refunds of taxes paid to RI 2
     TOTAL THIS TAX = 1

Pari-Mutuel Betting/Breakage
1. Licensee's commission PR
     TOTAL THIS TAX = 1

Public Utilities
X 1. Narragansett Pier RR 1
X 2. Company subject to Business Corp. Tax 5
3. Carrier Access fees 5
4. Electricity for resale 5
5. Telecommunications nonvoice service 5
X 6. Merchandise sold 4
7. Apportionment 5
     TOTAL THIS TAX = 7
STATE OF RHODE ISLAND
DIVISION OF TAXATION

TAX EXPENDITURES REPORT
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Real Estate Conveyance Tax
1. Consideration of $100 or less 3
2. Statement in lieu of consideration 5
3. Grantor - US government or subdivision 5
4. Capitol Center project N/A
   TOTAL THIS TAX = 4

Telephone Company Property Tax
1. Limited depreciation allowance 5
   TOTAL THIS TAX = 1

Hard to Dispose Tax
1. Constitutional exemption 3
   TOTAL THIS TAX = 1

Simulcast Betting
1. Licensee commission PR
   TOTAL THIS TAX = 1

Retail Tire Fee
1. Fee deposited into restricted account PR
   TOTAL THIS TAX = 1

Rental Vehicle Surcharge
1. 50% surcharge retained PR
   TOTAL THIS TAX = 1

Environmental Protection Fee
1. Fees deposited into restricted account PR
   TOTAL THIS TAX = 1

Uniform Oil Response Fee
1. Fees deposited into restricted account PR
   TOTAL THIS TAX = 1

Mobile or Manufactured Homes Conveyance Tax
1. Consideration of $100 or less 3
2. Statement in lieu of consideration 5
   TOTAL THIS TAX = 2
STATE OF RHODE ISLAND
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TAX EXPENDITURES REPORT
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Other preference items for more than one tax
1. Juvenile Restitution Credit
2. Enterprise Zone Donations Credit
3. Enterprise Zone Wage Credit
4. Enterprise Zone Interest Credits
5. Apprenticeship Credits
6. Hydroelectric Power credit
7. Investment Credit
8. Research and Development - Property credit
9. Research and Development - Expenses credit
10. Educational Assistance Development credit
11. Small Business Investment Modification
12. Small Business Investment Exemption
13. SBA Loan Guaranty Fee credit
14. Adult Education Credit
15. Daycare Credit
16. Elective Deduction for R&D
17. Welfare bonus program
18. Jobs development rate reduction
19. Jobs training credit

TOTAL THESE ITEMS = 19

TOTAL ALL ITEMS = 198
Total Reported for 1998 = 49
(shown above as lined out and PR in estimate column)

Total Selected for 1999 = 49
PERCENT SELECTED FOR 1999 = 25%

Virginia R. O'Shan
Chief - Research and Taxpayer Assistance
1/02/98