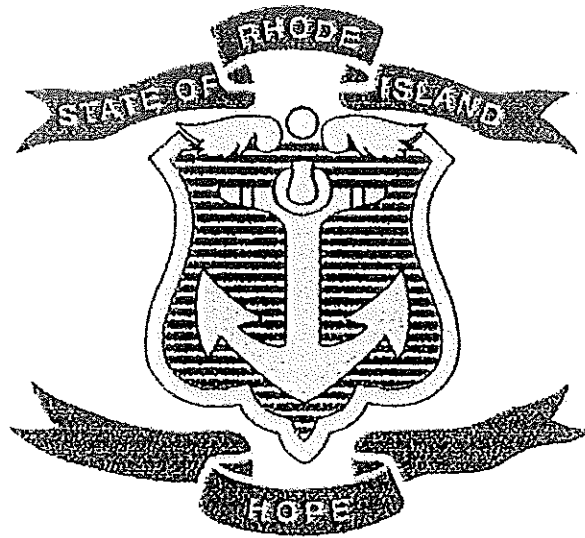


STATE OF RHODE ISLAND

*Department of Administration
Division of Taxation*



**TAX EXPENDITURES
REPORT**

January, 2004

2004 TAX EXPENDITURES REPORT -
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2004

TAX EXPENDITURES REPORT

Introduction and Summary

Overview:

This portion of the Tax Expenditures Report for 2004 gives a capsule version of the comparative information for the five other New England states. 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 other sections of this 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. The first report was issued in January 1997.

The tax expenditure reporting requirement has changed as a result of the 2003 legislative session. On or before the second Tuesday in January of each even numbered year, beginning in 2004, each report will provide the information for one hundred percent (100%) of tax expenditures in effect on January 1 of the calendar year preceding the report's publication. As mandated, this report contains the analyses of tax preference items - 100% of the list of tax preference items as of December 31, 2002.

Prepared By:

At the request of R. Gary Clark, Tax Administrator, this report was prepared Cecilia C. Tavares, Revenue Analyst - Research.

Report Basics:

As directed in the charge, a "tax expenditure" is a 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".

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 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 of beneficiaries for the preference items are presented.

Similarly, to identify those specific taxpayers which are *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 tax preference items 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 [\$0,000]; (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. The law comparisons included in this 2004 report are as previously reported and have not been updated. We will attempt to provide updated law comparisons for the other New England states in the next Tax Expenditures report issue.

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 report Recommendations section. The recommendations section of this report have not been finalized at this time. A supplementary report of recommendations will follow.

Results Summary and Reliability Estimate:

The results of the analysis of the items in this year’s report are that the revenues foregone total more than \$1.3 billion with an average reliability of 3.65 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, with most items rounded to the nearest thousand are:

Personal Income Tax	32 items	\$ 435,548,146.
Sales and Use Tax	77 items	903,802,336.
Business Corporation Tax	25 items	875,000.
Miscellaneous Taxes	49 items	27,880,800.

Other Preference Items	28 items	25,215,700.
<u>GRAND TOTAL ALL ITEMS</u>	211 Items	<u>\$1,393,321,982.</u>

The tables following give the additional details.

**STATE OF RHODE ISLAND
DIVISION OF TAXATION**

**2004 TAX EXPENDITURES REPORT
RESULTS SUMMARY BY TAX**

Tax and Preference Item Selected	\$	Reliability
<u>Personal Income</u>		
1. Artists' modifications	0.	1
2. Political check-off	444,445.	1
3. Amortization air/water pollution control	0.	5
4. Interest on federal obligations	0.	5
5. Credit for other states' taxes	93,369,000.	1
6. Credit to trust beneficiary for distribution	0.	5
7. Credit for artwork exhibition	0.	1
8. Modification for family education accounts	0.	5
9. Credit for qualifying widow(er)	401.	1
10. Exclusion for nonresident military pay	0.	5
11. Allocation for nonresident partnership income	0.	5
12. Credit for trust beneficiary	0.	5
13. Credit-lead paint removal	15,700.	1
14. Credit/refund property tax relief	6,000,000.	1
15. Credit for historical residence renovations	155,000.	1
16. Modification - Enterprise zone business owner	0.	5
17. Exclusion for income and preference items for qualifying employee's ownership in qualifying corporation	4,500,000.	1
18. Exclusion for gain from stock options in computer companies	0.	5
19. Federal adjustment - IRA deduction	600,000.	2
20. Federal adjustment - moving expenses	200,000.	2
21. Federal adjustment - 1/2 self employment	13,600.	3
22. Federal adjustment - self employment health insurance	3,300,000.	2
23. Federal adjustment - Keogh plan and SEP	3,400,000.	3
24. Federal adjustment - alimony paid	1,400,000.	2
25. Federal deduction - standard	57,100,000.	2
26. Federal deduction - itemized	143,400,000.	2
27. Federal exemption	109,500,000.	2
28. Federal deduction - child/dependent care	2,400,000.	3
29. Federal credit - elderly or disabled	110,000.	3
30. Federal credit - foreign taxes	5,200,000.	3
31. Federal credit - general business	540,000.	3
32. Federal credit - earned income	3,900,000.	3
TOTAL THIS TAX = 32 items	<u>\$435,548,146.</u>	

Sales and Use

1. Cash discounts	\$ 0.	5
2. Refund in 120 days	0.	5
3. Installation labor	0.	5
4. Federal taxes	0.	5
5. Transportation charges	0.	5
6. Transfers to family members	0.	5
7. Transfers - business dissolution/liquidation	0.	5
8. Sales of residential trailers	0.	5
9. Transferee is exempt	0.	5
10. Casual sales	0.	5
11. 120 days total loss or destruction	503,600.	2
12. Sales for resale	193,000,000.	4
13. Demonstration boats	0.	5
14. Sales beyond state constitutional power	0.	5
15. Newspapers	5,000,000.	2
16. School meals	156,037.	3
17. Containers	17,600,000.	3
18. Charitable, educational or religious organizations	0.	5

**STATE OF RHODE ISLAND
DIVISION OF TAXATION**

**2004 TAX EXPENDITURES REPORT
RESULTS SUMMARY BY TAX**

Tax and Preference Item Selected	\$	Reliability
19. Gasoline	2,600,000.	1
20. Purchases for manufacturing purposes	261,000,000.	3
21. State or political subdivisions	0.	5
22. Food products	115,100,000.	3
23. Medicines and drugs	21,400,000.	3
24. Prosthetic and orthopedic appliances	0.	5
25. Motor vehicles to nonresidents	6,000,000.	3
26. Coffins, caskets and burial garments	3,000,000.	3
27. Sales by the visually impaired	118,000.	3
28. Air/water pollution control facilities	792,000.	4
29. Camps	0.	5
30. Nursing homes/hospitals rental charges	82,000,000.	4
31. Educational institutions rental charges	17,100,000.	5
32. Motor vehicles and adaptive equipment for persons with disabilities	100,000.	2
33. Heating fuel for residences	20,100,000.	3
34. Electricity and gas for residences	38,000,000.	3
35. Manufacturer's machinery and equipment	8,000,000.	3
36. Motor vehicle trade-in	14,800,000.	3
37. Precious metal bullion	0.	5
38. Commercial vessels 50T	0.	5
39. Commercial fishing vessels	0.	5
40. Clothing and footwear	79,000,000.	3
41. Water for residential use	5,800,000.	3
42. Boats to nonresidents	0.	5
43. \$20. sales of certain nonprofit	0.	5
44. Farm equipment	400,000.	3
45. Compressed air	0.	5
46. Flags	0.	5
47. Amputee veterans' motor vehicle/equipment	15,000.	2
48. Textbooks	77,699.	2
49. Supplies for hazardous waste treatment	0.	5
50. Literature for boat manufacturers	20,000.	4
51. Food stamp items	1,700,000.	3
52. Transportation charges motor carriers	0.	5
53. Trade-in on boats	0.	5
54. Equipment for research and development	0.	5
55. Coins	0.	5
56. Farm structure construction materials	0.	5
57. Telecommunications carrier access service	0.	5
58. Boats for storage and repair	0.	5
59. Tangible personalty for jewelry display	0.	5
60. Boats	0.	5
61. Investment companies' toll free calls	0.	5
62. Mobile and manufactured homes	119,000.	2
63. Taxes paid elsewhere	0.	5
64. Vehicles of nonresident armed forces personnel	0.	5
65. Sales to federal government	8,500,000.	4
66. Sales to common carriers	0.	5
67. Sales by artists	0.	5
68. Property purchased from federal government	0.	5
69. Property bought elsewhere by nonresident	0.	5
70. Property otherwise exempted	0.	5
71. Trucks, buses in interstate commerce	1,800,000.	3
72. Certain energy products	0.	1
73. Alternative fueled vehicles	0.	N/A
74. Building materials to rebuild after disaster	0.	5
75. Florist supplies	0.	5

**STATE OF RHODE ISLAND
DIVISION OF TAXATION
2004 TAX EXPENDITURES REPORT
RESULTS SUMMARY BY TAX**

Tax and Preference Item Selected	\$	Reliability
76. Renewable energy systems	1,000.	2
77. Horse food	0.	5
TOTAL THIS TAX = 77 items	<u>\$903,802,336.</u>	

Business Corporations

1. Exclusion for financial institution	\$ 0.	5
2. Exclusion for public service corporation	0.	5
3. Exclusion for insurance companies	0.	5
4. Exclusion for nonprofit	0.	5
5. Exclusion for fraternal benefit societies	0.	5
6. Exclusion for special chartered corporations	0.	5
7. Exclusion for common ownership corporations	0.	5
8. Special provisions for security companies	0.	5
9. Special provisions for investment companies	0.	5
10. Exclusion for 1120S	0.	5
11. Consolidation provisions	0.	5
12. Interest on federal obligations	0.	5
13. Net operating loss deductions	0.	5
14. Treatment as a DISC	0.	5
15. Treatment as a FSC	0.	5
16. Rapid amortization of air/water facility	0.	5
17. Accelerated depreciation for manufacturers	0.	5
18. Exclusion - dividends of banks	0.	5
19. Exclusion - dividends of corporations	0.	5
20. Exclusion - interest from utilities	0.	5
21. Apportionment of net income	0.	5
22. Special apportionment of USFDA facilities	0.	5
23. Allocation/apportionment of brokerage services	0.	5
24. Exclusion for international investment services	0.	5
25. Credit for ISO certification	875,000.	2
TOTAL THIS TAX = 25 items	<u>\$875,000.</u>	

Miscellaneous Preference Items

Alcoholic Beverages

1. Sacramental wine by clergy	0.	5
2. First 100,000 bbl beer	0.	5
3. Rhode Island manufacturer ships out of state	0.	5
TOTAL THIS TAX = 3 ITEMS	<u>\$0.</u>	

Bank Excise Tax

1. Gain / loss on sale property not securities	0.	5
2. Gain / loss on sales of securities	0.	5
3. Securities loss write-off	0.	5

**STATE OF RHODE ISLAND
DIVISION OF TAXATION
2004 TAX EXPENDITURES REPORT
RESULTS SUMMARY BY TAX**

Tax and Preference Item Selected	\$	Reliability
<u>Bank Excise Tax (continued)</u>		
4. Dividend exclusion for US obligations	0.	5
TOTAL THIS TAX = 4 ITEMS	<u>\$0.</u>	
<u>Beverage Container Tax</u>		
1. Constitutional Exemption	0.	5
2. Refillable and reusable containers exempted	11,400.	1
TOTAL THIS TAX = 2 ITEMS	<u>\$11,400.</u>	
<u>Cigarette Tax</u>		
1. 10 packs of out of state cigarettes	0.	1
2. Stamping discount	1,536,000.	1
3. Holding period for unstamped items	0.	5
TOTAL THIS TAX = 3 ITEMS	<u>\$1,536,000.</u>	
<u>Franchise Tax</u>		
1. Corporations taxed under 44-11	0.	5
2. Corporations specifically exempted	0.	5
TOTAL THIS TAX = 2 ITEM	<u>\$0.</u>	
<u>Gasoline</u>		
1. Exclusion for lubricating oils, etc.	0.	5
2. Federal and State taxes excluded (repealed)	0.	1
3. Sales to US Government	144,000.	1
4. Railroad transportation equipment	0.	1
5. Alternative fuels exempted	0.	1
TOTAL THIS TAX =5 ITEMS	<u>\$144,000.</u>	
<u>Generation Skipping Transfer Tax</u>		
1. Realty or personalty in another state	0.	1
TOTAL THIS TAX = 1 ITEM	<u>\$0.</u>	
<u>Insurance Premiums Tax</u>		
1. Ocean marine insurance exclusion	0.	5
2. Fraternal benefit societies	0.	5
3. Premiums returned	0.	5
4. Retaliatory provisions	0.	5
TOTAL THIS TAX = 4 ITEMS	<u>\$0.</u>	
<u>Jai Alai Betting and Breakage</u>		
1. Licensee commission	1,337,000.	1
TOTAL THIS TAX = 1 ITEM	<u>\$1,337,000.</u>	
<u>Litter Fee</u>		
1. New business Class A permit	0.	5
2. Constitutional exemption	0.	5
TOTAL THIS TAX = 2 ITEMS	<u>\$0.</u>	
<u>Motor Carrier Fuel Use</u>		
1. Refunds of taxes paid to Rhode Island	352,400.	2
TOTAL THIS TAX = 1 ITEM	<u>\$352,400.</u>	

**STATE OF RHODE ISLAND
DIVISION OF TAXATION
2004 TAX EXPENDITURES REPORT
RESULTS SUMMARY BY TAX**

Tax and Preference Item Selected	\$	Reliability
<u>Pari-Mutual Betting / Breakage</u>		
1. Licensee's commission	4,400,000.	1
TOTAL THIS TAX = 1 ITEM	<u>\$4,400,000.</u>	
<u>Public Utilities</u>		
1. Narragansett Pier Railroad	0.	1
2. Company subject to Business Corporation tax	0.	5
3. Carrier Access fees	0.	5
4. Electricity for resale	0.	5
5. Telecommunications non-voice service	0.	5
6. Merchandise sold	0.	4
7. Apportionment	0.	5
8. Sale of alternative fuels exempted	0.	5
TOTAL THIS TAX = 8 ITEMS	<u>\$0.</u>	
<u>Real Estate Conveyance Tax</u>		
1. Consideration of \$100 or less	0.	5
2. Statement in lieu of consideration	0.	5
3. Grantor - US government or subdivision	0.	5
4. Capitol Center project	0.	N/A
TOTAL THIS TAX = 4 ITEMS	<u>\$0.</u>	
<u>Telephone Company Property Tax</u>		
1. Limited depreciation allowance	0.	5
TOTAL THIS TAX = 1 ITEM	<u>\$0.</u>	
<u>Hard to Dispose Material Tax</u>		
1. Constitutional exemption	0.	5
TOTAL THIS TAX = 1 ITEM	<u>\$0.</u>	
<u>Simulcast Betting</u>		
1. Licensee Commission	10,200,000.	1
TOTAL THIS TAX = 1 ITEM	<u>\$10,200,000.</u>	
<u>Rental Vehicle Surcharge</u>		
1. 50% surcharge retained	2,600,000.	1
TOTAL THIS TAX = 1 ITEM	<u>\$2,600,000.</u>	
<u>Environmental Protective Fee</u>		
1. Fees deposited into restricted account	4,500,000.	1
TOTAL THIS TAX = 1 ITEM	<u>\$4,500,000.</u>	
<u>Uniform Oil Response Fee</u>		
1. Fees deposited into restricted account	2,800,000.	1
TOTAL THIS TAX = 1 ITEM	<u>\$2,800,000.</u>	

STATE OF RHODE ISLAND
DIVISION OF TAXATION

2004 TAX EXPENDITURES REPORT
RESULTS SUMMARY BY TAX

Tax and Preference Item Selected	\$	Reliability
<u>Mobile or manufactured Homes Conveyance Tax</u>		
1. Consideration of \$100 or less	0.	5
2. Statement in lieu of consideration	0.	5
TOTAL THIS TAX = 2 ITEMS	<u>\$0.</u>	
TOTAL MISCELLANEOUS TAXES = 49 ITEMS	<u>\$27,880,800.</u>	

Other preference items for more than one tax

1. Juvenile Restitution Credit	\$ 0.	1
2. Enterprise Zone Donations Credit	1,012,000.	1
3. Enterprise Zone Wage Credit	2,953,000.	1
4. Enterprise Zone Interest Credit	191,200.	1
5. Apprenticeship Credit	1,400.	1
6. Hydroelectric Power Credit	0.	5
7. Investment Credit	8,800,000.	1
8. Research and Development Property Credit	882,000.	1
9. Research and Development Expense Credit	1,347,000.	1
10. Educational Assistance and Development Credit	0.	5
11. Small Business Investment Modification	0.	5
12. Small Business Investment Exemption	0.	5
13. SBA Loan Guaranty Fee Credit	538,000.	1
14. Adult Education Credit	7,400.	1
15. Daycare Credit	83,000.	1
16. Elective Deduction for Research and Development	78,000.	1
17. Welfare Bonus Program	0.	5
18. Jobs Development Rate Reduction	4,100,000.	1
19. Jobs training credit	310,000.	1
20. Credit for construction of alternative fuel filling stations	0.	5
21. Credit for accommodations under ADA	0.	1
22. Deduction / modification for hiring the unemployed or welfare recipients	0.	5
23. Specialized mill building investment credit	0.	5
24. Interest credit for loans to mill building owners	0.	5
25. Wage credit for employers in mill buildings	0.	1
26. Credit for qualified film production companies	0.	1
27. Credit for renewable energy systems	12,700.	1
28. Credit for historic structures	4,900,000.	1
TOTAL OTHER TAX ITEMS = 28 ITEMS	<u>\$25,215,700.</u>	

GRAND TOTAL ALL ITEMS FOR 2004 211 ITEMS \$1,393,321,982.

2004

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 and has 17 direct tax preference items and 15 indirect tax preference items, which are included in this 2004 Tax Expenditures Report.

Comparisons for tax preference items available for personal income tax as well as for other taxes can be found in the part of this report entitled Other Taxes and Miscellaneous Tax Preference Items:

DESCRIPTION OF TAX

Who Is Subject to the Tax?

A personal income tax is imposed for each taxable year (which is the same as the taxable year for federal income tax purposes) on the Rhode Island income of every individual, estate and trust.

Notwithstanding the provisions of sections 44-30-1 and 44-30-2, for tax years beginning on or after January 1, 2001, a Rhode Island personal income tax is imposed upon the Rhode Island taxable income of residents and nonresidents, including estates and trusts, at the rate of twenty-five and one-half percent (25.5%) for tax year 2001, and twenty-five percent (25%) for tax year 2002, and thereafter of the federal income tax rates, including capital gains rates and any other special rates for other types of income, except as provided in section 44-30-2.7, which were in effect immediately prior to enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), provided, however, rate schedules shall be adjusted for inflation by the tax administrator beginning in taxable year 2002, and thereafter in the manner prescribed for adjustment by the commissioner of Internal Revenue in 26 U.S.C. Section 1(f).

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.

1. Artists' Modifications:

Cite: 44-30-1.1

Reliability estimate: 1

This tax preference item reduces the federal adjusted income for Rhode Island purposes for the profit or gain realized by a writer, composer or artist from the publication, production or sale of a "work" if the "work" was created while the artist was residing in a statutory defined economic development zone and the gain is received while the artist is a resident of that zone. For this report, the art economic development zones are located in the cities of Providence, Pawtucket and Westerly.

Source: The information for artists' modifications was derived from the personal income taxes filed within the Division during the 2002 for tax year 2001.

Revenues foregone: No modifications of this type were noted.

Number of Taxpayers: 0

Law Comparison: No similar provisions were found for the other New England States.

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 2002 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	\$ 6,976.00	2,483
Republican	5,430.00	1,735
Cool Moose	268.00	100
Political Reform	18.00	9
Non Partisan	136,244.00	48,812
Electoral Contributions	<u>295,509.00</u>	<u>63,749</u>
Total revenues foregone	\$444,445.00	
Total Contributors		116,888

3. **Amortization air/water pollution control facilities:**

Cite: 44-30-7

Reliability estimate: 5

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 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: Personal Income Tax

Revenue foregone: Revenue loss not reliably estimable.

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

Law Comparison: No similar provisions were found for the other New England states.

4. **Interest on Federal Obligations:**

Cite: 44-30-12(c)

Reliability estimate: 5

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

Source: Personal Income Tax

Revenues foregone: Revenue loss not reliably estimable

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

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

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

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

5. **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: RI Tax Division Personal Income Tax statistics.

Revenue foregone: \$93,369,000.

Number of Taxpayers: 69,306

Law Comparison:

Connecticut: Connecticut's provisions also include any resident of 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.

6. Credit to Trust Beneficiary for Distribution:

Cite: 44-30-19

Reliability estimate: 5

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

Source: Personal Income Tax

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison: Only Massachusetts and Vermont have similar provisions.

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

Massachusetts Law Cite: Chapter 62, Section 10.

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

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

7. Credit for artwork exhibition:

Cite: 44-30-24

Reliability estimate: 1

This credit against the Rhode Island tax is for 10% of each \$1,000 of the purchase price of qualifying artwork to a maximum purchase price of \$10,000. The credit is available to taxpayers presenting written certification from the Board of Curators (see Chapter 42-97, R.I.G.L.) and amounts of unused credits may not be carried forward.

Source: Personal Income Tax

Revenues foregone: No taxpayers claimed this preference item.

Number of Taxpayers: No taxpayers claimed this preference item.

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

8. Modification for family education accounts:

Cite: 44-30-25

Reliability estimate: 5

Taxpayers who have set up family education accounts for their dependents treat the income from those accounts as a modification reducing their federal adjusted gross income for the purposes of calculating their Rhode Island tax. Recaptures resulting from nonqualified withdrawals from family education accounts are treated as modifications increasing federal adjusted gross income for both resident and nonresidents.

Source: The information for this modification was derived from the personal income taxes filed with the Division during 2002 for tax year 2001.

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison: No similar provisions were found for the other New England states.

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, by 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 2002 tax returns.

Revenues foregone: \$401.

Number of Taxpayers: 6

Law Comparison: No similar provisions were found for the other New England states.

10. Exclusion for nonresident military pay:

Cite: 44-30-32(d)

Reliability estimate: 5

This tax preference item excludes compensation for US armed forces service personnel if they are not domiciled in Rhode Island. This item is included for completeness only since the Federal Soldiers and Sailors' Relief act of 1940 (Act October 17, 1940, Chapter 888, Stat. 1178) mandates that the military pay of armed forces personnel on active duty can only be taxed in their state of domicile regardless of where they may be stationed.

Source: Personal Income Tax

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison:

Connecticut: Connecticut's provisions reference the Federal Soldiers' and Sailors' Relief Act.

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

Massachusetts: Massachusetts falls under the purview of the Federal Soldiers' and Sailors' Relief Act.

Massachusetts Law Cite: Chapter 62, Section 5 (c)

Maine: Maine falls under the purview of the Federal Soldiers' and Sailors' Relief Act.

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

Vermont: Vermont falls under the purview of the Federal Soldiers' and Sailors' Relief Act.

Vermont Law Cite: Title 32, Subtitle 2, Part 3, Chapter 151, Section 5823 (b)

11. Allocation for Nonresident Partner Income:

Cite: 44-30-34

Reliability estimate: 5

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

Source: Personal Income Tax

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison:

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

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

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

Massachusetts Law Cite: Chapter 62, Section 5A.

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

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

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

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

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

12. Credit for Trust Beneficiary:

Cite: 44-30-37

Reliability estimate: 5

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

Source: Personal Income Tax

Revenues foregone: Revenue loss not reliably estimable.

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

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

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

Massachusetts Law Cite: Chapter 62, Section 10.

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

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

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 2002 tax returns

Revenues foregone: \$15,700.

Number of taxpayers: 21

Law 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 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 \$250.00 per year.

Source: Tax Division statistics from 2002 tax returns

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

Number of taxpayers: 40,246

Law 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 non-elderly 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 similar provisions found.

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

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 will increase to (\$2,000). This credit is administered by the RI Historical Preservation Commission.

Source: Tax Division statistics from 2002 tax returns.

Revenues foregone: \$155,000.

Number of taxpayers: 124

Law Comparison: Only Vermont has a similar provision.

Vermont: Vermont's provisions are similar to Rhode Island but allows 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: 5

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 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: Personal Income Tax Section

Revenue Foregone: Revenue loss is not reliably estimable.

Numbers of taxpayers: No way to reliably determine the number of taxpayers.

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

17. **Exclusion for income and preference items for qualifying employee's ownership in qualifying corporation:**

Cite: 44-43-8

Reliability estimate: 1

For purposes of determining the federal income tax liability of a qualifying taxpayer to Rhode Island income tax, the Rhode Island income of the taxpayer under 44-30-12 and 44-30-16 shall be determined by excluding any income gain, or preference items resulting from the transfer of qualifying employer securities.

Source: Personal income tax return statistics (based upon a review of 2001 returns).

Revenues foregone: \$4.5 million

Number of taxpayers: 25

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

18. Exclusion for gain from stock options in computer companies:

Cite: 44-39.3-1

Reliability estimate: 5

For purposes of determining the federal income tax liability of a taxpayer to Rhode Island income tax, the Rhode Island income of the taxpayer under 44-30-12 and 44-30-16 is determined by excluding any income, gain, or preference items resulting from the sale, transfer, or exercise of qualified and nonqualified stock options, the stock issued or transferred on the exercise of any option, and warrants issued with respect to options and/or stock, of a qualifying corporation.

Source: Personal Income Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

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

INDIRECT TAX PREFERENCE ITEMS

19. Federal adjustment - IRA deduction:

Cite: Internal Revenue Code Section 408

Reliability estimate: 2

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

Source: State of RI Personal Income Tax Model

Revenues foregone: \$600,000.

Number of Taxpayers: 72,225

Law Comparison:

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

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

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

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

Maine: Maine's taxable income of a resident is equal to the individuals Federal adjusted gross income as defined by Federal Law.

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

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

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

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

20. **Federal adjustment - moving expenses:**
Cite: Internal Revenue Code Section # 217
Reliability estimate: 2

This indirect tax preference item comes from the federal income tax basis of the Rhode Island filing. As such it comes from the federal determination of tax liability; more specifically, the preference item is allowed for moving expenses as defined in the Internal Revenue Code Section 217. The deduction is found as part of the determination of the payor's federal adjusted gross income.

Source: State of RI Personal Income Tax Model

Revenues foregone: \$200,000.

Number of Taxpayers: 1,525

Law Comparison:

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

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

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

Massachusetts Law Cite: Chapter 62, Section 2(M) (2)

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

Maine Law Cite: Title 36, Part 8, Section 5125

New Hampshire: No similar provisions found. New Hampshire has no Personal Income Tax.

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

Vermont Law Cite: Title 32, Subtitle 2, Part 3, Chapter 151, Section 5823 (1)

21. Federal Adjustment - 1/2 Self Employment:

Cite: Internal Revenue Code Section 164

Reliability estimate: 3

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

Source: Estimated revenues foregone using Statistics of Income Bulletin, Spring 2003, Volume 22, Number 4.

Revenues foregone: \$13,600.

Number of taxpayers: 1160

Law Comparison:

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

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

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

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

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

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

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

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

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

22. Federal adjustment - Self Employment Health Insurance:

Cite: Internal Revenue Code Section 162
Reliability estimate: 2

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

Source: RI Personal Income Tax model

Revenues foregone: \$3.3 million

Number of Taxpayers: 1,600

Law Comparison:

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

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

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

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

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

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

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

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

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

23. Federal adjustment - Keogh Plan and SEP:

Cite: Internal Revenue Code Section #219

Reliability Estimate: 3

This tax preference item comes from the federal income tax basis of the Rhode Island filing. As such it comes from the federal determination of tax liability; more specifically, the preference item is the amount allowable as a Keough Plan deduction. The deduction is found as part of the determination of the payor's federal adjusted gross income.

Source: Estimated revenues foregone using Statistics of Income Bulletin; Spring 2003, Volume 22, Number 4

Revenues foregone: \$3.4 million

Number of taxpayers: 6,000

Law Comparison:

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

Connecticut Law Cite: Title 12, Chapter 229, Section 12-701

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

Massachusetts Law Cite: Chapter 52, Section 5(B)

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

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

New Hampshire: New Hampshire has no personal income tax.

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

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

24. Federal adjustment - alimony paid:
Cite: Internal Revenue Code Section 215
Reliability estimate: 2

This tax preference item comes from the federal income tax basis of the Rhode Island filing. As such it comes from the federal determination of tax liability; more specifically, the preference item is allowed for alimony or separate maintenance paid. The deduction is found as part of the determination of the payor's federal adjusted gross income.

Source: State of Rhode Island Personal Income Tax Model

Revenues foregone: \$1.4 million

Number of taxpayers: 1,720

Law Comparison:

Connecticut: Connecticut's income base provisions begin with federal adjusted gross income and, therefore, allow this item since it is part of the determination of the payor's federal gross income.

Connecticut Law Cite: Title 12, Chapter 229, Section 12-711(3)

Massachusetts: Massachusetts' provisions include a deduction from total 5.95% income for amounts paid to former spouses for alimony or separate maintenance under court order.

Massachusetts Law Cite: Chapter 62, Section 2

Maine: Maine's personal income tax base is the federal adjusted gross income as defined by federal law which by application, allows a deduction for alimony paid.

Maine Law Cite: Title 36, Part 8, Section 5121

New Hampshire: No similar provision.

Vermont: Vermont's provisions include a similar deduction in the calculation of Vermont taxable income.

Vermont Law Cite: Title 32, Subtitle 2, Part 3, Chapter 151, Section 5888(A)

25. Federal deduction - standard:

Cite: Internal Revenue Code Section 63

Reliability estimate: 2

This tax preference item comes from the federal income tax basis of the Rhode Island filing. As such it comes from the federal determination of federal tax liability; more specifically, the preference item is allowed for a federally determined minimum amount. The deduction is found as part of the determination of the taxpayer's federal taxable income.

Source: Rhode Island Personal Income Tax Model

Revenues foregone: \$276.6 million (no standard deduction and this assumes no itemized deductions)

\$57.1 million (no standard deduction only)

Number of taxpayers: 472,000 (no standard deduction and this assumes no itemized deductions)

279,000 (no standard deduction only)

Law Comparison: Only Maine and Vermont have similar provisions.

Maine: Maine's provisions include a standard deduction for resident taxpayers which conforms to the taxpayer's allowable federal standard deduction.

Maine Law Cite: Title 36, Part 8, Section 5124-A

Vermont: Vermont's provisions come from the Vermont basis for tax [federal determination of tax liability]. Since the deduction is found as part of the determination of the taxpayer's federal taxable income, it can be said that there is a comparable provision.

Vermont Law Cite: Title 32, Subtitle 2, Part 3, Chapter 151, Section 5823.

26. **Federal Deduction - Itemized:**

Cite: Internal Revenue Code Section 63

Reliability estimate: 2

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

Source: Rhode Island Personal Income Tax Model

Revenues foregone: \$143.4 million

Number of taxpayers: 186,200

Law Comparison:

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

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

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

Massachusetts Law Cite: Chapter 62, Section 2.

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

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

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

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

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

27. **Federal Exemption:**

Cite: Internal Revenue Code Section 151

Reliability estimate: 2

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

Source: State of RI Personal Income Tax Model

Revenues foregone: \$109.5 million

Number of taxpayers: 400,000

Law Comparison:

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

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

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

Massachusetts Law Cite: Chapter 62, Section 3.

Maine: No similar provision found.

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

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

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

28. Federal credit - child/dependent care:
Cite: Internal Revenue Code Section 21
Reliability estimate: 3

This tax preference item comes from the federal income tax basis of the Rhode Island filing. As such it comes from the federal tax liability as one of the federal credits allowed for Rhode Island purposes. In general, a taxpayer can claim the federal credit of up to 30% of expenses if he/she pays someone to care for a dependent who is under age 13 or to care for a spouse or dependent who is unable to care for himself/herself. The expenses must be paid so that the taxpayer can work or look for work.

Source: *Statistics of Income Bulletin*, Spring 2003 Volume 22, Number 4
Estimated using applied percentage of State and Federal tax liabilities.

Revenues foregone: \$2.4 million

Number of taxpayers: 23,733

Law Comparison: Only Maine and Vermont have similar provisions.

Maine: Maine allows 25% of the Federal tax credit in the same tax year.

Maine Law Cite: Title 36, Part 8, Chapter 822, Section 5218(i)

Vermont: Vermont's provisions include allowing the amount of federal credit in the calculation of the federal tax liability which is the basis of the Vermont tax.

Vermont Law Cite: Title 32, Chapter 151, Subtitle 2 Part 3, Section 5811 (4).

29. Federal credit-elderly or disabled:
Cite: Internal Revenue Code Section 22
Reliability estimate: 3

This tax preference item comes from the federal income tax basis for the Rhode Island filing. As such it comes from the federal tax liability as one of the federal credits allowed for Rhode Island purposes. In general, a taxpayer can claim the federal credit of up to \$1,275 if he/she is a qualified individual and his/her income is within certain, federally-determined limits.

Source: *Statistics of Income Bulletin*, Spring 2003 Volume 22, Number 4
Estimated using applied percentage of State and Federal tax liabilities.

Revenues foregone: \$110,000.

Number of Taxpayers: 553

Law Comparison: Only Massachusetts and Vermont have similar provisions.

Massachusetts: Massachusetts' provisions provide for the reduction of taxes of any federal credit allowable on the resident's federal income tax return.

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

Vermont: Vermont's provisions include allowing the amount of the federal credit in the calculation of the federal tax liability which is the basis of the Vermont tax.

Vermont Law Cite: Title 32, Chapter 151, Subtitle 2, Part 3, Chapter 151, Subchapter 2, Section 5828 b.

30. Federal credit-foreign taxes:
Cite: Internal Revenue Code Section 27
Reliability estimate: 3

This tax preference item comes from the federal income tax basis of the Rhode Island filing. As such it comes from the federal tax liability as one of the federal credits allowed for Rhode Island purposes. In general, a taxpayer can claim the federal credit for income taxes imposed on him/her by a foreign country for foreign income.

Sources: *Statistics on Income Bulletin*, Spring 2003, Volume 22, Number 4
Estimated using applied percentage of State and Federal tax liabilities.

Revenues foregone: \$5.2 million

Number of Taxpayers: 13,900

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

31. **Federal credit-general business:**
Cite: Internal Revenue Code Section 38
Reliability estimate: 3

This tax preference item comes from the federal income tax basis of the Rhode Island filing. As such it comes from the federal tax liability as one of the federal credits allowed for Rhode Island purposes. In general, the federal general business credit is a combination of other federal credits [investment credit, energy credit, targeted jobs credit, Trans-Alaska pipeline liability credit and others] and is limited to certain percentages of the federal tax liability.

Source: *Statistics of Income Bulletin*, Spring 2003, Volume 22, Number 4
Estimated using applied percentage of State and Federal tax liabilities.

Revenues foregone: \$540,000.

Number of Taxpayers: 1005

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

32. **Federal credit-earned income:**
Cite: Internal Revenue Code Section 32
Reliability estimate: 3

This tax preference item comes from the federal income tax basis of the Rhode Island filing. As such it comes from the federal tax liability as one of the federal credits allowed for Rhode Island purposes. In general, a taxpayer can claim the **federal** credit if he/she is employed and meets certain rules including those having to do with children living in the home.

Source: *Statistics of Income Bulletin*, Spring 2003, Volume 22, Number 4

Revenues foregone: \$3.9 million

Number of Taxpayers: 58,737

Law Comparison: Only Massachusetts and Vermont have similar provisions.

Massachusetts: Massachusetts' provisions include a credit against the taxes imposed if the taxpayer qualified for and claimed the federal earned income credit.

Massachusetts Law Cite: Chapter 62, Section 6

Vermont: Vermont's provisions include a credit equal to that provided for federal purposes. In the event that the taxpayer's earnings come from periods of part-year residency, the credit is prorated.

Vermont Law Cite: Title 32, Subtitle 2, Chapter 151, Section 5828b

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.

2004

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, and currently has 77 tax preference items, which are included in this 2004 Tax Expenditures Report.

DESCRIPTION

The tax applies to retail sales of all tangible personalty 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 retailer collects from his or her customers 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 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 the 2003 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, (6) the number of taxpayers claiming the tax preference, and (7) a capsule version of the comparative information for the five other New England states. Because of the nature of the Sales and Use Tax, there are no indirect preference items.

DIRECT PREFERENCE ITEMS

1. Cash Discounts:
Cite: 44-18-12 (b) (1)
Reliability estimate: 5

This tax preference item excludes the amount of cash discounts allowed and taken from the sales price on which the Sales tax is levied.

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison:

Connecticut: Connecticut's provisions defines that the sales price does not include cash discounts allowed and taken on sales.

Connecticut's Law Cite: Title 12, Chapter 219, Section 12-407 (8) (B)

Massachusetts: Massachusetts' provisions allow an exclusion that the sales price does not include cash discounts allowed and taken on sales.

Massachusetts Law Cite: Chapter 64HJ, Section 1

Maine: Maine's provisions defines that the sales price does not include discounts allowed an taken on sales.

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

New Hampshire: No similar provision found.

Vermont: No similar provision found.

2. Refund within 120 days:
Cite: 44-18-12 (b) (2)
Reliability estimate: 5

This tax preference item excludes the entire sale if the entire price (exclusive of handling charges) is refunded and the property is returned within 120 days.

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison:

Connecticut: Connecticut's provisions include a general provision for refunds if the item is returned in 90 days from the date of purchase.

Connecticut Law Cite: Title 12, Chapter 219, Section 21-407 (8) (A)

Massachusetts: Massachusetts' provisions include a general provision for refund if the items is returned in 90 days from date of sale.

Massachusetts Law Cite: Chapter 64H, Section 1

Maine: Maine's provisions include a general provision for refund only upon submission of proof to the satisfaction of the State Tax Administrator.

Maine Law Cite: Title 36, Part 3, Chapter 213; Section 1814 (3)

Vermont: Vermont's provisions include - a general provision for canceled sales, returns and uncollectables.

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

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

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison: Only Connecticut and Maine have similar provisions.

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

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

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

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

4. Federal Taxes:

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

Reliability estimate: 5

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

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison:

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

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

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

Massachusetts Law Cite: Chapter 64H, Section 1.

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

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

New Hampshire: No similar provision found.

Vermont: No similar provision found.

5. Transportation Charges:

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

Reliability estimate: 5

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

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison: Only Massachusetts and Maine have similar provisions.

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

Massachusetts Law Cite: Chapter 64H, Section 1.

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

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

6. Transfers between family members:

Cite: 44-18-30 (d) (1)

Reliability estimate: 5

This use tax exemption item applies to property transferred if the transferee or purchaser is the spouse, mother, father, brother, sister or child of the transferee or seller.

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Comparison: Only Connecticut and Massachusetts have similar provisions.

Connecticut: Connecticut's provisions include exemption for family members [spouse, mother, father, brother, sister or child or the transferor or seller] in the purchase of motor vehicles, vessels, snow mobiles and aircraft.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-431

Massachusetts: Massachusetts' provisions include exemption for family members [spouse, mother, father, brother, sister, or child of the seller] in the purchase of motor vehicles, trailer, boats and airplanes.

Massachusetts Law Cite: Chapter 641, Section 7 (b)

7. Transfers - Business dissolution/liquidation:

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

Reliability estimate: 5

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

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison: Only Vermont has a similar provision.

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

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

8. Sale or transfer of residential trailers:

Cite: 44-18-20 (d) (3)

Reliability estimate: 5

This use tax preference item excludes the sale or transfer of a trailer ordinarily used for residence purposes (homes, trailer or mobile home) but does not include a camping trailer.

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison:

Connecticut: Connecticut's provisions include exemption for mobile manufactured homes if such dwelling is permitted as a non-conforming use.

Connecticut Law Cite: Title 12, Chapter 219, Section 21-412 c(b)

Massachusetts: No similar provision found.

Maine: Maine's provisions include exemptions for mobile and modular homes.

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

New Hampshire: No similar provision found.

Vermont: Vermont's provisions include an exemption of 40% of the receipts from the sales of mobile homes when sold as tangible personal property.

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

9. **Transferee is exempt:**

Cite: 44-18-20 (d) (4)

Reliability estimate: 5

This use tax preference item applies if the purchaser is already exempt under provisions of 44-18-30 (such as charitable, educational or religious organization with a valid exemption). This item may also apply if the purchaser is exempt under the General Laws or under a separate act of the General Assembly.

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

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

10. **Casual Sales:**

Cite: 44-18-20 (g)

Reliability estimate: 5

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

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison: Only Massachusetts and Vermont have similar provisions.

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

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

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

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

11. **120 days total loss or destruction:**

Cite: 44-18-21 (c)

Reliability estimate: 2

This use tax exclusion applies to the total loss or destruction of a motor vehicle within 120 days of its purchase if the purchaser has paid the tax. The exclusion is applied as though it were an overpayment of tax when the owner replaces the vehicle.

Source: Excise Tax Section

Revenues foregone: \$503,600.

Number of Taxpayers: 436

Law Comparison: Only Vermont has a similar provision.

Vermont: Vermont's provisions include exemption for the total loss or destruction of a vehicle from an accident occurring within 3 months of the purchase.

Vermont's Law Cite: Title 32, Subtitle 2, part 5, Chapter 219, Section 8902.

12. Sales for Resale:

Cite: 44-18-25

Reliability estimate: 4

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

Source: Excise Tax Section/ Information Processing statistical data

Revenues foregone: \$193,000,000.

Number of Taxpayers: Statistics not available

Law Comparison:

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

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

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

Massachusetts Law Cite: Chapter 64H, Section 1.

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

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

New Hampshire: No similar provision found.

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

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

13. **Demonstration Boats:**

Cite: 44-18-26.1

Reliability estimate: 5

This provision allowed boats used for demonstration and display to be exempted. Boats are now generally exempted by 44-18-30(49) which was reported on in the Tax Expenditures Budget report dated January, 1998.

Source: Excise Tax Section

Revenues foregone: See comment above on boat exemption.

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. Since boats are now generally exempted by 44-18-30(49), which was reported on in the Tax Expenditures Budget report dated January 1998, refer to the comparisons portion of that report.

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

14. **Sales and use beyond constitutional powers:**

Cite: 44-18-30 (1)

Reliability estimate: 5

This exemption from sales and use tax provides the necessary exemption for those items, the sales or use taxation of which would be prohibited under either exemption is presented for completeness only since its amendment or removal would have major constitutional consequences.

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison:

Connecticut: Connecticut's provisions include exemption for sales of tangible personal property of services which the state is prohibited from taxing under the Constitution or laws of the United States.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412 (2)

Massachusetts: Massachusetts' provisions include exemption for sales which the Commonwealth is prohibited from taxing under the Constitution or laws of the United States.

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

Maine: Maine's provision include sales which the State of Maine is prohibited from taxing under the Constitution or laws of the United States of under the Constitution of the State of Maine.

Maine Law Cite: Title 36, Part 3, Chapter 211, Section 1760(1)

New Hampshire: No similar provisions found.

Vermont: Vermont's provisions include an exemption for sales not within the taxing power of this state under the Constitution of the United States.

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

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

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

Source: An estimate using The Gale Directory of Publications and Broadcast Media, Volume 2.

Revenues foregone: \$ 5.0 million

Number of taxpayers: 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.

Law 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 similar provision found.

Vermont: Vermont's provision includes 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.

16. School Meals:

Cite: 44-18-30(3)

Reliability Estimate: 3

This exemption applies to all sales of meals to students and teachers by schools, colleges, universities, student organizations and parent-teacher organizations and by persons having a concession agreement with the school, college or university.

Source: Revenue foregone was based only on public school meals' information as furnished by the Department of Education, Office of Finance, Nutrition Programs Section [for grades K through 12].

Revenues foregone: \$56,400.

Number: 156,037

Law Comparison:

Connecticut: Connecticut's provision includes not only schools, colleges and universities but also encompasses sales of meals and food products to patients in hospitals, homes for the aged and convalescent homes, nursing homes and rest homes.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-41(9)

Massachusetts: Massachusetts' provision includes only meals served to students at schools, colleges and universities and meals served by camps for children eighteen years of age or under or developmentally individuals.

Massachusetts Law Cite: Chapter 64H, Subsection 6, General Laws

Maine: Maine's provisions include meals served to students and teacher by schools, colleges, universities, student organizations and parent-teacher associations to the students or teachers of a school.

Maine Law Cite: Title 36, Part 3, Chapter 211, Section 1760-6.

New Hampshire: No similar provision.

Vermont: Vermont does not specifically exempt school meals but food products in general are exempt. [See cite below].

Vermont Law Cite: Title 32, Section 974(a)(13)

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

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 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 Sales Tax Model (based upon 1999-the last year that can be modeled)

Revenues foregone: \$17.6 million

Number of Taxpayers: Because the Sales tax is on the ultimate consumer, all this exemption to the extent that the item is taxable in neighboring states.

Law 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 similar provision found.

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.

18. **Charitable, Education or Religious Organization:**
Cite: 44-18-30 (5)
Reliability estimate: 5

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

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

Number of Taxpayers: There are currently 6,321 such organizations to which the Division has awarded tax exempt numbers.

Law Comparison:

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

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

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

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

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

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

New Hampshire: No similar provision found.

Vermont: No similar provision found.

19.

Gasoline:

Cite 44-18-30 (6)

Reliability estimate: 1

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: \$2.6 million

Number of Taxpayers: 98

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.

Law 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 similar provisions found.

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

20. Purchases for Manufacturing Purposes:

Cite: 44-18-30 (7)

Reliability estimate: 3

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

Source: State of Rhode Island Sales Tax Model (based upon 1999-the last year that can be modeled)

Revenues foregone: \$261.0 million

Number of Taxpayers: Statistics unavailable.

Law Comparison:

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

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

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

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

Maine: No similar provision found.

New Hampshire: No similar provision found.

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

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

21. State or Political Subdivisions:

Cite: 44-18-30 (8)

Reliability estimate: 5

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

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison:

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

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

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

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

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

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

New Hampshire: No similar provision found.

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

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

22. Food Products:

Cite: 44-18-30 (9)

Reliability estimate: 3

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 Sales Tax Model (based upon 1999-the last year that can be modeled)

Revenues foregone: \$115.1 million

Number of Taxpayers: 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.

Law 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 similar provision found.

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: 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 Sales Tax Model (based upon 1999-the last year that can be modeled)

Revenues foregone: \$21.4 million

Number of Taxpayers: 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.

Law 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 similar provision found.

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

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

24. Prosthetic and orthopedic appliances:

Cite: 44-18-30 (11)

Reliability estimate: 5

This exemption applies to all sales of prosthetic and orthopedic appliances, including eyeglasses, hearing aids and other devices which are individually designed made up or constructed for the use of a particular person so as to become a brace, support, supplement, correction or substitute for the body structure.

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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.

Law Comparison:

Connecticut: Connecticut's provision includes prosthetic devices, dentures, and hearing aids, crutches, walkers and wheelchairs for the use of invalids and handicapped persons, eyeglasses and other ophthalmic materials but not sunglasses.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412(19).

Massachusetts: Massachusetts' provision includes sales of artificial devices individually designed, constructed or altered solely for a particular crippled person so as to become a brace, support, supplement, correction or substitute for the bodily structure including the extremities of the individual.

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

Maine: Maine's provision includes prosthetic aids, hearing aids, eyeglasses or artificial devices designed for the use of a particular individual to correct or alleviate physical incapacity and crutches, wheelchairs for the use of invalids or crippled persons and not for rental.

Maine Law Cite: Title 36, Part 3, Chapter 211, Section 1760, 5-a

New Hampshire: No similar provision.

Vermont: Vermont's provisions include artificial components of the human body, prosthetic appliance, medical appliances, corrective optical devices and appliances, dentures, hearing aids, Seeing - Eye dogs, crutches, wheelchairs, hospital type beds, sales or rental of stair left chairs sold pursuant to a doctor's prescription.

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

25. Motor vehicles to nonresidents:

Cite: 44-18-30 (13)

Reliability estimate: 3

This tax exemption applies to all sales of motor vehicles to bona fide nonresidents who do not register the vehicles in this state whether delivery is made in this state or to a place of residence outside this state.

EXCEPTION: All Rhode Island motor vehicle dealers are required to add and collect sales tax on motor vehicle sales to a bona fide nonresident of Rhode Island if the person's state of residence imposes a sales tax on the sale of a motor vehicle to its nonresidents. The dealer is required to collect tax on the sale at a rate equal to the rate that would be imposed in the nonresident's state of residence.

Source: Estimated using a sample of Automobile Dealer Statements [T-336] submitted to the Tax Division.

Revenues foregone: \$6,000,000.

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.

Law Comparison:

Connecticut: Connecticut's provision allows an exemption for nonresidents who do not register the vehicle in Connecticut.

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

Massachusetts: Massachusetts' provisions include a requirement that the motor vehicle dealer charge and collect the Massachusetts tax on the vehicle of title to and possession of the vehicle were transferred to the purchaser in Massachusetts.

Massachusetts Law Cite: Chapter 64H

Maine: Maine's provisions include sales of motor vehicles purchased by a nonresident and intended to be driven or transported outside the state immediately upon delivery by the seller.

Maine Law Cite: Part 3, Chapter 211, Section 1760, Number 23

New Hampshire: No similar provision found.

Vermont: No similar provision found.

26. 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 and RI Department of Health.

Revenues foregone: \$3,000,000.

Number of Taxpayers: 8,139

Law 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 similar provision found.

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

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

27. Sales in Public Buildings by Blind People:

Cite: 44-18-30 (14)

Reliability estimate: 3

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

Source: Office of Services for the Blind

Revenues foregone: \$118,000.

Number of Taxpayers: 24 licensed vendors

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

28. Air and water pollution control facilities:

Cite: 44-18-30 (15)

Reliability estimate: 4

This exemption applies to air and water pollution control equipment incorporated into or consumed directly in the operation of a control facility and approved by the Rhode Island Department of Environmental Management.

Source: Estimated using information provided by RI Department of Environmental Management and statistics from Tax Division Field Audit section.

Revenues foregone: \$792,000.

Number of Taxpayers: 11

Comparison: Only Connecticut and Maine have similar provisions.

Connecticut: Connecticut's provisions include personal property incorporated into or consumed in air pollution control facilities.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412(22)

Maine: Maine's provisions include sales of water pollution control [or air pollution control] facilities certified as such by the Commissioner of Environmental Protection and any part or accessories thereof or any materials for the construction or maintenance of a facility.

Maine Law Cite: Title 36, Part 3, Chapter 211, Section 1760 (29) and (30)

29. Camps:

Cite: 44-18-30(16)

Reliability estimate: 5

This exemption applies to the rental charge for living quarters at camps or retreats operated by charitable, educational or religious organizations having a valid exemption and also applied to privately owned and operated summer camps for children.

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison: Only Connecticut and Maine have similar provisions.

Connecticut: Connecticut's provisions include exemption for nonprofit camps or recreational facilities for charitable purposes. This exemption applies provided that at least 75% of the beneficiaries using such property and equipment in each taxable year were bona fide residents of the state at the time of such use.

Connecticut Law Cite: Title 12, Chapter 203, Section 12-81(49)

Maine: Maine's provisions include exemption for rental charges for living quarters, sleeping or housekeeping accommodations at camps entitled to a corresponding property tax exemption.

Maine Law Cite: Title 36, Part 3, Chapter 211, Section 1760 (17)

30. Nursing homes/hospitals rental charges:

Cite: 44-18-30(13)

Reliability estimate: 4

This tax exemption covers rental charges for living quarters at camps or retreat houses; operated by religious, charitable, educational and other organizations, i.e. hospitals, nursing homes (living quarters to patients; or nonprofit educational institutions (living quarters for students).

Source: The revenues foregone estimate is based on the Business Corporation Tax returns for 43 of 67 nursing homes and hospitals and, as such, does not reflect the rental charges at those organizations which are exempt from filing under Title 44, Chapter 11, RIGL.

Revenues foregone: \$82 million

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

Law Comparison: Only Connecticut and Maine have similar provisions.

Connecticut: Connecticut's provisions include exemption for rentals in nonprofit charitable hospitals, nursing homes, rest homes and homes for the aged.

Connecticut Law Cite: Title 12, Section 12-412(5)

Maine: Maine's provisions include exemption for rental charged for living or sleeping quarters in an institution licensed by the state for the hospitalization or nursing care of human beings; and for rentals for accommodation for any student necessitated by attendance at a school as further defined in Maine law.

Maine Law Cite: Part 3, Chapter 211, Section 1760, Number 18

31. Educational institutions living quarters:

Cite: 44-18-30 (18)

Reliability estimate: 2

This exemption applies to the rental charges by educational institutions for living quarters for students or teachers.

Source: estimate using statistics provided by Rhode Island Higher Education

Revenues foregone: \$17.1 million

Number of Taxpayers: 13 (educational institutions)

Law Comparison: Only Connecticut and Maine have similar provisions. Massachusetts, New Hampshire and Vermont do not have similar provisions under Sales and Use Tax; however they do provide similar exclusions under their Rooms or Rooms and Meals taxes.

Connecticut: Connecticut's provisions include lodging accommodations at educational institutions.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-407(17)

Maine: Maine's provisions include rental charges for living quarters, sleeping or housekeeping accommodations to any student necessitated by attendance at a school as defined further by Maine statutes.

Maine Law Cite: Title 36, Part 3, Chapter 211, Section 1760 (19)

32. Motor vehicles and adaptive equipment for persons with disabilities:

Cite: 44-18-30 (19)

Reliability estimate: 2

This exemption applies to sales of motor vehicles purchased by and specially equipped for use by paraplegics. Note: This exemption has been changed to cover motor vehicles and adaptive equipment for persons with disabilities effective July 1, 1998.

Source: Excise Tax Section

Revenues foregone: \$100,000.

Number: Because of 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.

Law Comparison:

Connecticut: Connecticut's provisions include only exemption for the specially adaptive equipment installed in a motor vehicle for the exclusive use of a person with disabilities.

Connecticut Law Cite: Title 12, Chapter 219, Section 408(80)

Massachusetts: Massachusetts' provisions include a broad exemption for sales of motor vehicles to disabled persons.

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

Vermont: Vermont's provision include an exemption for one motor vehicle owned or leased and operated by a permanently physically handicapped person for whom the vehicle controls have been altered to enable to person to drive.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 219, Section 8911(12)

33. Heating fuels for residences:

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 Sales Tax Model (based upon 1999-the last year that can be modeled)

Revenues foregone: \$20.1 million

Number of Taxpayers: 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.

Law 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 similar provisions found.

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: 3

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

Source: State of Rhode Island Sales Tax Model (based upon 1999-the last year that can be modeled)

Revenues foregone: \$38.0 million

Number of Taxpayers: 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.

Law Comparison:

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

35. Manufacturer's Machinery and Equipment:
Cite: 44-18-30 (22)
Reliability estimate: 3

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

Source: State of Rhode Island Sales Tax Model (based upon 1999-the last year that can be modeled)

Revenues foregone: \$8.0 million

Number of Taxpayers: Statistical information unavailable.

Law Comparison:

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

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

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

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

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

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

New Hampshire: No similar provisions found.

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

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

36. Motor vehicle trade-in:

Cite: 44-18-30 (23)

Reliability estimate: 3

This exemption applies to the sales price of a new or used motor vehicle by allowing a reduction for the value of the vehicle given in trade. This modification I measure also applies to the proceeds received from an insurance claim from a stolen or damaged vehicle and to the proceeds received if the automobile is repurchased by the manufacturer. The results below do not include trade-ins in conjunction with leased vehicles.

Source: Excise Tax Section

Revenues foregone: \$14.8 million

Number of Taxpayers: 103,824

Law Comparison:

Connecticut: Connecticut's provisions include trade in of motor vehicles, vessels, aircraft, snow mobiles or farm tractors. The tax is only on the difference between the sale price of the motor vehicle, aircraft, snow mobile, farm tractor or vessel traded in on such purchase.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-430.

Massachusetts: Massachusetts' provisions include exemption for the trade in of motor vehicles and trailers.

Massachusetts Law Cite: Chapter 64H, Section 26

Maine: Maine's provisions include credit for trade in of motor vehicles, water craft, aircraft, chain saw, special mobile equipment, special livestock trailers and camper trailers. The trade must be for another item of the same kind.

Maine Law Cite: Title 36, Part 3, Chapter 211, Section 1765

New Hampshire: No similar provision found.

Vermont: Vermont's provisions include trade in for motor vehicles but excludes from the trade in any amount where the vehicle traded was originally purchased in a state which did not have comparable trade in provision.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 219. Section 8908

37. Precious metal bullion:
Cite: 44-18-30(24)
Reliability estimate: 5

This exemption applies to precious metal bullion if the transaction is substantially equivalent to a transaction in securities. The exemption does not include fabricated metal processed for industrial, professional or artistic uses.

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison: Only Connecticut and Massachusetts have similar provisions.

Connecticut: Connecticut's provisions include gold or silver bullion, legal tender of any nation, rare and antique coins if such sales is less than \$1,000.

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

Massachusetts: Massachusetts' provisions exclude sales of \$1,000 or more of gold or silver bullion or coins, or gold or silver tender of any nation (except the Republic of South Africa) traded and sold according to its value as precious metal; "bullion" does not include fabricated precious metal which has been processed or manufactured for industrial, professional or artistic uses.

38. Commercial vessels (50 tons):

Cite: 44-18-30 (26)

Reliability estimate: 5

This exemption applies to sales made to commercial ships, barges or other vessels of 50 tons burden or more primarily engaged in interstate or foreign commerce and also includes provisions, supplies and material purchased for maintenance and repair. The above exemption does not include the vessel itself.

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison: Only Massachusetts has a similar provision.

Massachusetts: Massachusetts' provisions include exemption for sales of barges of fifty tons burden or over when constructed in the Commonwealth and sold by builders thereof.

Massachusetts Law Cite: Chapter 64H, Section 6

39. Commercial fishing vessels (5 tons):

Cite: 44-18-30 (27)

Reliability estimate: 5

This exemption applies to sales of vessels and other watercraft of more than 5 net tons if used exclusively for commercial fishing and also applies to fishing equipment used in connection with the commercial fishing done by the vessel. The exemption for the boat itself is redundant due to the general exemption of boats; however, since the exemption also covers the equipment associated with the vessel, the revenue loss from exemption of the equipment is not reliably estimable.

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison: Only Connecticut and Massachusetts have similar provisions.

Connecticut: Connecticut's provisions include exemption for commercial fishing vessel and machinery or equipment for use thereon. A "commercial fishing vessel" includes any vessel with a certificate of documentation issued by the United States Coast Guard for coastwise fishery.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412 (40)

Massachusetts: Massachusetts' provisions include exemption for vessels used directly and exclusively in commercial fishing, machinery and equipment and replacement parts thereof.

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

40. 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 Sales Tax Model (based upon 1999-the last year that can be modeled)

Revenues foregone: \$79.0 million

Number of Taxpayers: 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.

Law Comparison:

Connecticut: Connecticut's exemption provisions are limited to clothing costing less than \$50.00

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).

41. 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 Sales Tax Model (based upon 1999-the last year that can be modeled)

Revenues foregone: \$5.8 million

Number of Taxpayers: 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.

Law 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 similar provisions found.

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

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

42. **Boats to nonresidents:**

Cite: 44-18-30(31)

Reliability estimate: 5

This exemption applies to the sale of a new or used boat to a bona fide nonresident of Rhode Island who does not register or document the boat in Rhode Island whether the sale or delivery is made in Rhode Island or elsewhere provided that the nonresident must transport the boat outside the state within 30 days of the sale for use thereafter solely outside Rhode Island.

Source: Excise Tax Section Statistics not available, sales of boats are generally exempted by R.I.G.L. 44-18-30(49).

Revenues foregone: See comment above on boat exemption

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.

Law Comparison: Only Massachusetts and Maine have similar provisions.

Massachusetts: Massachusetts' provision calls for the tax to be applied to boats which are brought into Massachusetts for storage or use within 6 months of their purchase.

Massachusetts Law Cite: Section 25B, Chapter 64H

Maine: Maine's provisions include exemption for watercraft sold to nonresidents when such craft are delivered outside the state or delivered in the state to be sailed or transported outside the state immediately upon delivery.

Maine Law Cite: Part 3, Chapter 211, Section 1760 Number 25

43. \$20 Sales of Certain Nonprofits [for youth activities equipment] :

Cite: 44-18-30 (32)

Reliability estimate: 5

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

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison: Only Connecticut has a similar provision.

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

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

44. Farm equipment:

Cite: 44-18-30(18)

Reliability estimate: 3

This tax exemption applies to machinery and equipment used directly by a qualified farmer for commercial farming and agricultural production.

Source: State of Rhode Island Sales Tax Model (based upon 1999-the last year that can be modeled)

Revenues foregone: \$400,000.

Number of Taxpayers: 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.

Law Comparison:

Connecticut: Connecticut's provisions include any items sold exclusively for use in agricultural production by a farmer engaged in such production as a business as evidences by the Farmer's Tax Exemption Permit as issued by Connecticut Department of Revenue Services.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412 (63)

Massachusetts: Massachusetts' provisions include sales of machinery of replacement parts use directly and exclusively in agricultural production.

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

Maine: No similar provision found.

New Hampshire: No similar provisions found.

Vermont: Vermont's provisions include exemption for sales of agricultural machinery and equipment for use or consumption directly and exclusively except for isolated or occasional uses, in the production for sale of tangible personal property on farms and including stock, dairy, poultry, fruit and truck farms, orchards, nurseries, or in greenhouses or in similar structures used primarily for the raising of agricultural or horticultural commodities for sale.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 233, Section 9741(25).

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

This exemption applies to compressed air.

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

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

46. Flags:
Cite: 44-18-30(35)
Reliability estimate: 5

This exemption applies to sales of United States, Rhode Island or POW-MIA flags.

Source: Excise Tax Section

Revenues foregone: Estimated as minimal but revenue loss not reliably estimable.

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.

Law Comparison:

Connecticut: Connecticut's provisions include only flags of the United States and the State of Connecticut.

Connecticut Law Cite: Title 12, Section 12-412(23)

Massachusetts: Massachusetts' provisions include only flags of the United States.

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

Maine: No similar provisions found.

New Hampshire: No similar provision.

Vermont: Vermont's provisions exempt sales of the flag of the United States to and by veterans' organizations which are exempted under Vermont Law.

Vermont Law Cite: Chapter 233, Title 32, Subsection 974(33)

47. Amputee veterans' motor vehicle/equipment:

Cite: 44-18-30 (36)

Reliability estimate: 2

This exemption applies to the sale of motor vehicles purchased by and specially equipped for use by paraplegics and amputee veterans.

Source: Estimates are based on information from the Rhode Island Division of Motor Vehicles.

Revenues foregone: \$15,000.

Number: 8

Law Comparison:

Connecticut: Connecticut's provisions include only exemption for the specially adaptive equipment installed in a motor vehicle for the exclusive use of a person with disabilities.

Connecticut Law Cite: Title 12, Chapter 219, Section 408(80)

Massachusetts: Massachusetts' provisions include a broad exemption for sales of motor vehicles to disabled persons.

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

Maine: Maine's provisions include exemption of sales of motor vehicles to amputee veterans who have been granted free registration of such vehicles by the Secretary of State.

Maine Law Cite: Part 3, Chapter 211, Section 1760(22)

New Hampshire: No similar provision.

Vermont: No similar provision found.

48. Textbooks:
Cite: 44-18-30 (37)
Reliability estimate: 2

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

Source: Rhode Island Office of Higher Education

Revenues foregone: \$1.5 million

Number of Taxpayers: 77,699

Law Comparison: Only Massachusetts has a similar provision.

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

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

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

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

Source: Excise Tax Section

Revenues Foregone: Revenue loss not reliably estimable.

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

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

50. Literature of boat manufacturers:
Cite: 44-18-30 (39)

Reliability estimate: 4

This exemption applies to boat manufacturers' promotional and product literature if it is shipped to points outside of Rhode Island accompanying the product sold, shipped to out-of-state dealers for use in the sale of the product or mailed free to customers.

Source: Estimated using Tax Division Field Audit Section information.

Revenues foregone: \$20,000.

Number of Taxpayers: 29

Law Comparison: No similar provisions found in the New England states.

51. **Food Stamp Items:**
Cite: 44-18-30 (40)
Reliability estimate: 3

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

Source: Rhode Island Department of Human Services.

Revenues foregone: \$1.7 million

Number of Taxpayers: 71,696 people participate in the federal Food Stamp Program in Rhode Island.

Law Comparison:

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

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

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

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

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

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

New Hampshire: No similar provision found.

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

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

52. Transportation Charges - Motor Carriers:

Cite: 44-18-30 (41)

Reliability estimate: 5

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

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison: No similar provisions found in the New England states.

53. Trade-in on boats:

Cite: 44-18-30(42)

Reliability estimate: 5

This exemption applies to the trade in allowance on a boat given in trade in the purchase of a new or used boat and the insurance proceeds received from a claim for a stolen or damaged boat when used in the purchase of a new or used boat by the owner.

Source: Excise Tax Section statistics not available; sales of boats are generally exempted by 44-18-30(49).

Revenues foregone: See comment above on boat exemption.

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.

Law Comparison: Only Massachusetts and Maine have similar provisions.

Massachusetts: Massachusetts' provisions include a reduction in the sale price for the amount allowed on a boat as a trade-in on the sale.

Massachusetts Law Cite: Section 27A, Chapter 64H

Maine: Maine's provisions generally exempt the trade in of one water craft when traded in toward another of the same kind.

Maine Law Cite: Part 3, Chapter 211, Section 1765 Number 3

54. **Equipment for Research and Development:**

Cite: 44-18-30 (43)

Reliability estimate: 5

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

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison: Only Connecticut and Massachusetts have similar provisions.

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

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

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

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

55. **Coins:**

Cite: 44-18-30 (44)

Reliability estimate: 5

This exemption applies to sales of coins having numismatic or investment value.

Source: Excise Tax Section

Revenues foregone: Estimated as minimal and revenue loss is not reliably estimable.

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.

Law Comparison: Only Connecticut and Massachusetts have similar provisions.

Connecticut: Connecticut's provisions include exemptions for gold or silver bullion, legal tender of any nation, rare and antique coins and coins traded according to value as a precious metal; however, the exemption is limited to transactions in which the total value of the sale is less than \$1,000.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412(45)

Massachusetts: Massachusetts' exemption for sales of \$1,000 or more of items traded or sold according to their value as precious metals such as rare coins of numismatic value, gold or silver bullion or coins; and gold or silver tender of any nation except the Republic of South Africa.

Massachusetts Law Cite: Section 6(11); Chapter 64H

56. Farm structure construction materials:

Cite: 44-18-30 (45)

Reliability estimate: 5

This tax exemption applies to lumber, hardware and other materials used in the new construction of farm structures including production facilities and other structures used in connection with commercial fishing.

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison: No similar provisions found in the New England states.

57. Telecommunications Carrier Access Services:

Cite: 44-18-30 (46)

Reliability estimate: 5

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

Source: Excise Tax Section

Revenues Foregone: Revenue loss not reliably estimable.

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

Law Comparison: Only Vermont has a similar provision.

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

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

58. Boats for storage and repair:

Cite: 44-18-30 (47)

Reliability estimate: 5

This tax exemption applies to boats brought into this state between October 1st and April 30th exclusively for winter storage, maintenance, repair or sale. Boats are generally exempted under R.I.G.L. 44-18-30 (49).

Source: Excise Tax Section

Revenues foregone: See comment above on boat exemption.

Number of Taxpayers: 0

Law Comparisons: Only Connecticut has a similar provision.

Connecticut: Connecticut's provisions include exemption from use tax for vessels brought into the state exclusively for storage, maintenance or repair.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-413 (a)

59. Tangible personalty for jewelry display:

Cite: 44-18-30 (48)

Reliability estimate: 5

This tax preference item exempted the sale of tangible personal property used to display any jewelry product, provided that title to said jewelry product is transferred by the jewelry manufacturer or seller and said jewelry display product is shipped out of state for use solely outside the state and is not returned to the manufacturer or seller.

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

Number of Taxpayers: 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.

Law Comparison: No similar provisions were found in the New England states.

60. Boats:

Cite: 44-18-30 (49)

Reliability estimate: 5

This exemption applies to the sale and to the storage, use of other consumption in this state of any new or used boat.

Source: N/A

Revenues foregone: \$0

Number of Taxpayers: 0

Law Comparison: N/A

61. **Investment Companies Toll Free calls:**

Cite: 44-18-30(50)

Reliability estimate: 5

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

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

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

62. **Mobile and manufactured homes:**

Cite: 44-18-30A (a)

Reliability estimate: 2

This tax exemption applies to mobile and / or manufactured homes.

Source: Statistics derived from the Manufactured Housing Institute.

Revenues foregone: \$119,000.

Number of Taxpayers: 35

Law Comparison: Only Maine and Vermont have similar provisions.

Maine: Maine's provisions include sales of mobile or modular homes including new or used mobile or modular homes but limited to all costs other than materials included in the sale price but not to exceed 50% of the sales price.

Maine Law Cite: Title 36, Park 3, Chapter 211, Section 1760 (40)

Vermont: Vermont's provisions include exclusion for 40% of the receipts from the sale of mobile homes and modular housing when they are resold as tangible personal property.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 233, Section 974 (32)

63. **Taxes Paid Elsewhere:**

Cite: 44-18-30A (a)

Reliability estimate: 5

This use tax preference item exempts property on which the purchaser has

already lawfully paid a sales or use tax to another state if the rate of tax was greater than or equal to the Rhode Island rate. If the rate was less than the Rhode Island rate, the amount of tax due Rhode Island is reduced by the amount of out of state tax paid.

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison:

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

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

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

Massachusetts Law Cite: Chapter 64I, Section 7.

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

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

New Hampshire: No similar provision found.

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

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

64. Vehicles of nonresident armed forces personnel:

Cite: 44-18-30A (b)

Reliability estimate: 5

This use exemption applies to motor vehicles of US armed forces service personnel brought into Rhode Island if the purchaser is stationed outside Rhode Island and has paid a sales or use tax to another state in an amount greater than or equal to Rhode Island.

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

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

65. Sales to Federal Government:

Cite: 44-18-31

Reliability estimate: 4

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

Source: Excise Tax Section

Revenues foregone: \$8,500,000.

Number of Taxpayers: Statistics not available.

Law Comparison:

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

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

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

Massachusetts Law Cite: Chapter 64H, Section 6.

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

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

New Hampshire: No similar provision found.

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

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

66. Sales to Common Carriers for use outside the state:

Cite: 44-18-33

Reliability estimate: 5

This sales tax exclusion applies to sales of items to a common carrier if

actually shipped by the seller (via the carrier) to a point outside Rhode Island for use by the common carrier as part of its business.

Source: Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparison: Only Maine has a similar provision.

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

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

67. Sales by artists:
Cite: 44-18-30B
Reliability estimate: 5

This exemption applies to the sale of a "work" as defined as an original and creative work, whether written, composed, created or executed for "one of a kind, limited" production, which falls into one of eight listed categories. The sale of such work applies only when the work is sold by the writer, composer or artist residing in an economic development zone and when the work is sold from the writer, composer or artist's place of business in the zone.

Source: Excise Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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.

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

68. Property Purchased from Federal Government:
Cite: 44-18-35
Reliability estimate: 5

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

Source: Excise Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison:

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

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

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

Massachusetts Law Cite: Chapter 64H, Section 6.

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

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

New Hampshire: No similar provision found.

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

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

69. Property Bought Elsewhere by Nonresident:

Cite: 44-18-36 (2)

Reliability estimate: 5

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

Source: Excise Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison: Only Vermont has a similar provision.

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

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

70. Property Otherwise Exempted:
Cite: 44-18-36 (3)
Reliability estimate: 5

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

Source: Excise Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison: Only Connecticut has a similar provision.

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

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

71. Trucks, Busses and Trailers in Interstate Commerce:
Cite: 44-18-40
Reliability estimate: 3

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

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

Revenues foregone: \$1.8 million

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

Law Comparison: Only Connecticut has a similar provision.

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

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

72. Certain Energy Products:
Cite: 44-18-40.1
Reliability estimate: 1

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

Source: Rhode Island Economic Development Corporation

Revenues foregone: \$ 0 (The sole source of energy produced by RIEDC is no longer in operation.)

Number of Taxpayers: 0

Law Comparison: No similar provisions found in the other New England states.

73. Alternative fueled vehicles:

Cite: 44-18-30 (53)

Reliability estimate: N/A

This exemption expired on January 1, 2003.

This exemption is for use or consumption in this State for the purchase price paid for a new dedicated alternative fueled vehicle or the purchase price paid for a converted gasoline or diesel-fueled motor vehicle and all costs associated with the construction of filling stations dispensing alternative fuel and motor vehicle electric recharging stations.

Source: N/A

Revenues foregone: N/A

Number of Taxpayers: N/A

Law Comparison: Only Connecticut has a similar provision.

Connecticut: Connecticut's provision allows as exemption, prior to July 1, 2004 of equipment incorporated into or used in a compressed natural gas or hydrogen filling or electric recharging stations for vehicles powered by clean alternative fuel.

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

74. Building materials to rebuild after disaster:

Cite: 44-18-30(54)

Reliability estimate: 5

This exempts the sale, storage, use or other consumption in this state of lumber, hardware, and other building materials used in the reconstruction of a manufacturing business facility which suffers a disaster. The exemption does not apply to the cost of the reconstruction material which are reimbursed by insurance.

Source: Excise Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison: No similar provisions found in the other New England states.

75. **Florist supplies:**
Cite: 44-18-30(55)
Reliability estimate: 5

This exemption applies to florists, garden centers and other like producers or vendors of flowers, purchasing tangible personal property and supplies used in the processing or preparation of floral products and floral arrangements.

Source: Excise Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison: No similar provisions found in the other New England states.

76. **Renewable energy systems:**
Cite: 44-56-1
Reliability estimate: 2

This law provides a refund for any sales tax paid resulting from the sale of a qualifying photovoltaic systems, solar domestic hot water system, solar space heating system or wind generating system.

Source: Excise Tax Section

Revenues foregone: \$1,000.

Number of taxpayers: 3

Law Comparison: No similar provisions found in the other New England states.

77. **Horse food:**
Cite: 44-18-30 (56)
Reliability estimate: 5

This exemption applies to the sale the storage, use or consumption of horse food products purchased by a person engaged in the business of the boarding of horses.

Source: Excise Tax Section

Revenues foregone: Revenue loss is not reliably estimable and assumed to be minimal.

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

Law Comparison: Only Connecticut has a similar provision.

Connecticut: Connecticut includes an exemption under Sales and Use Tax for "agricultural production", which includes the raising, feeding, caring for, shearing, training or management of livestock, including horses.

Connecticut Law Cite: Title 12, Chapter 219, Section 12-412 (63) (C).

2004

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 and has 25 available direct tax preference items of various types in this chapter.

Additionally, 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 2004 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. **Exclusion for financial institutions:**

Cite: 44-11-1 (a)

Reliability estimate: 5

This tax preference item is an exclusion and excludes from the definition of a corporation (and therefore from this tax) financial institutions such as state banks, mutual savings banks, federal savings banks, trust companies, national banking associations, building and loan associations, credit unions, and loan and investment companies. These financial institutions are taxable under other chapters of the General Laws.

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison:

Connecticut: Connecticut's provisions include only an exemption for those companies which are exempted by the federal corporate net income tax.

Connecticut Law Cite: Section 12-214(a) of the General Statutes

Massachusetts: Massachusetts' provisions include an exemption for corporations which are tax exempt for federal income tax purposes under Section 501 of the Internal Revenue Code; and banks and other financial corporations are exempt from the corporate excise tax but are subject to the bank excise tax.

Massachusetts Law Cite: Section 30(1) and (2), chapter 63 of the General Laws.

Maine: Maine's provisions include a general exclusion for most financial institutions due to the definition of the term "corporation". These financial institutions pay a state franchise tax measured by both net income and assets.

Maine Law Cite: Title 36, Section 5102(6)

New Hampshire: No similar provision found.

Vermont: Vermont's provisions include exemption specifically for credit unions only; banking corporations and loan associations which are subject to the franchise tax are exempted from corporate income tax.

Vermont Law Cite: Title 32, Section 5811

2. **Exclusion for public service companies:**

Cite: 44-11-1 (a)

Reliability estimate: 5

This subsection is an exclusion for public service corporations (usually called utilities) from tax under 44-11 since these companies are taxed under the Public Service Corporation Chapter of the Rhode Island General Laws.

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably determinable.

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

Law Comparison: Only Massachusetts has a similar provision.

Massachusetts: Massachusetts' provisions specify that utility corporations are only subject to the Public Utilities' Franchise Tax in lieu of the Corporate Excise Tax.

Massachusetts Law Cite: Chapter 63; Section 30 (1) and (2)

3. Exclusion for public service companies:

Cite: 44-11-1 (a) (3)

Reliability estimate: 5

This tax preference item excludes insurance and surety companies from being taxed under the Business Corporation Tax since they are taxed under 44-17, the Insurance Premiums Tax.

Source: Business Corporation Tax

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison:

Connecticut: Connecticut's provisions include exemption from the Corporation Business Tax for domestic insurance companies or those organized or incorporated under the laws of any other state or foreign government.

Connecticut Law Cite: Title 12, Chapter 208, Part I, Section 12-214 (2)

Massachusetts: Massachusetts' provisions include exemption for insurance companies from the corporate excise tax but provide that such companies are subject to a tax on premiums.

Massachusetts Law Cite: Chapter 63, Section 30 (1) and (2)

Maine: Maine's provisions include exemption from the Maine corporate income tax for insurance companies by definition.

Maine Law Cite: Title 36, Section 5102, (6).

New Hampshire: No similar provisions found.

Vermont: No similar provisions found.

4. **Exclusion for nonprofits:**

Cite: 44-11-1 (a) (4)

Reliability estimate: 5

This section of the Business Corporation Tax excludes from this tax most normal nonprofit corporations, such as colleges, schools, incorporated hospitals and other classes of companies designated as "nonprofit companies".

Source: Business Corporation Tax Section and number of taxpayers provided by the Secretary of State's Office.

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison:

Connecticut: Connecticut's provisions include exemption for organizations exempt under IRC 501 (a) or under any other section of the Internal Revenue Code, however, such organizations are likewise taxed on their unrelated business income.

Connecticut Law Cite: Section 12-214 (a), Title 12, Chapter 208, Part I

Massachusetts: Massachusetts' provisions include exemption for corporations which are tax exempt for federal income tax purposes under section 501 of the Internal Revenue Code.

Massachusetts Law Cite: Chapter 63, Section 30 (1) and (2)

Maine: Maine's provisions include exemption that a corporation which is exempt from federal income tax is generally exempt from the Maine corporate income tax by definition.

Maine Law Cite: Title 36, Section 5102 (6)

New Hampshire: New Hampshire's provisions include exemption from the business enterprise tax for organizations exempt from federal tax under 501 (c)(3) and regulated investment companies.

New Hampshire Law Cite: Section 77-E:1, III

Vermont: No similar provision found.

5. **Exclusion for fraternal benefit societies:**

Cite: 44-11-1 (2) (5)

Reliability estimate: 5

This section of the Business Corporation Tax excludes fraternal benefit societies set out in Title 27, Chapter 25, Section 1 from being taxed as business corporations.

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison: Only Connecticut and Massachusetts have similar provisions.

Connecticut: Connecticut's provisions include this exemption by virtue of the exemption for companies which are exempted from federal income tax; one exemption of which is for fraternal benefit societies.

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

Massachusetts: Massachusetts' provisions include exemption for those corporations which are tax exempt for federal income tax purposes under Section 501 of the Internal Revenue Code.

Massachusetts Law Cite: Chapter 63, Section 30 (1) and (2)

6. **Exclusion for special charter exemption:**

Cite: 44-11-1 (a) (6)

Reliability estimate: 5

This portion of the Business Corporation Tax law excludes any corporation which is expressly exempt from taxation from charter. This would include all those corporations specifically chartered by the Legislature which have within them specific provisions to prevent the Business Corporation Tax from being applied.

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison: No similar provision found for any other New England state.

7. **Exclusion for common ownership corporations (passive investment corporations):**

Cite: 44-11-1(vii)(A)

Reliability estimate: 5

An exclusion is provided under Business Corporation Tax to corporations which together with all corporations under direct or indirect common ownership, which employ not less than five full-time equivalent employees and that also satisfy other RI law requirements.

Source: Business Corporation tax section.

Revenues foregone: Revenue loss is not reliably estimable.

Number of taxpayers: 26

Law Comparison:

Connecticut: Connecticut provides an exclusion to a "passive investment company" which is a related person to a financial service company or to an insurance company and must also satisfy other requirements similar to Rhode Island.

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

8. Special Provisions for Security Companies:

Cite: 44-11-2 (b)

Reliability estimate: 5

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

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

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

9. Special Provisions for Investment Companies:

Cite: 44-11-2 (c)

Reliability estimate: 5

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

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison: Only Connecticut and Maine have similar provisions.

Connecticut: Passive investment companies are exempt.

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

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

Maine Law Cite: Chapter 817, Section 5202A.

10. **Exclusion for 1120S Corporations:**

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

Reliability estimate: 5

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

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

Number of taxpayers: 17,794 corporations file on this basis.

Law Comparison:

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

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

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

Massachusetts Law Cite: Chapter 63, Section 32D.

Maine: No similar provision found.

New Hampshire: No similar provision found.

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

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

11. **Consolidation Provisions:**

Cite: 44-11-4

Reliability estimate: 5

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

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss not reliably estimable.

Number of taxpayers: 363 corporations file on a consolidated basis.

Law Comparison:

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

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

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

Massachusetts Law Cite: Chapter 63, Section 32B.

Maine: Consolidate reporting is allowed under specific conditions.

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

New Hampshire: No such provision found.

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

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

12. Interest on Federal Obligations:

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

Reliability estimate: 5

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

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law Comparisons: Although this exemption applies in all states under federal law, only Massachusetts has a similar provision.

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

Massachusetts Law Cite: Chapter 62, Section 2.

13. **Net Operating Loss Deductions:**

Cite: 44-11-11 (b)

Reliability estimate: 5

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

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss not reliably estimable.

Number of taxpayers: 2,420 corporations take this deduction.

Law Comparison:

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

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

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

Massachusetts Law Cite: Chapter 63, Section 30.

Maine: No similar provision found.

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

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

Vermont: No similar provision found.

14. **Treatment as DISC:**

Cite: 44-11-11(c)

Reliability estimate: 5

This tax preference item allows eligible corporations which have elected to be treated for federal purposes as domestic international sales corporations to be exempted from the business corporation tax calculated 44-11-2(a).

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison:

Connecticut: Connecticut's provisions allow the same treatment as allowed federally for domestic international sales corporations.

Connecticut Law Cite: Section 12-214(a)

Massachusetts: Massachusetts' provisions allow a deduction in determining net income subject to tax equal to the credit allowed under the Federal International Revenue Code.

Massachusetts Law Cite: Chapter 63, Section 38I

New Hampshire: New Hampshire's provision allow special treatment for the distributions from domestic international sales corporations when made to the parent if the profits from the DISC have already been subjected to taxation by New Hampshire under the same chapter for the same taxable year.

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

Vermont: No similar provision found.

15. Treatment as FSC:
Cite: 44-11-11(d)
Reliability estimate: 5

This tax preference item allows an eligible corporation which has elected to be treated for federal purposes as a foreign sales corporation to be exempted from the business corporation tax calculated by 44-11-2(a) to the same extent the corporation would be exempted if it were an electing small business corporation [1120S].

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

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

16. Rapid Amortization of air and water pollution control facilities:
Cite: 44-11-11.1
Reliability estimate: 5

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: Revenue loss is not reliably estimable.

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

Law Comparison: Only Massachusetts has a similar provision.

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

17. Acceleration amortization deducted for certain manufacturers:

Cite: 44-11-11.3

Reliability estimate: 5

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: Revenue loss is not reliably estimable.

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

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

18. Exclusion - dividends of banks:

Cite: 44-11-12(1)(i)

Reliability estimate: 5

This tax preference item allows for the exemption of any dividends received from a bank which files under the Rhode Island Bank Excise tax provisions [44-14].

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

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

19. **Exclusion - dividends of corporations:**

Cite: 44-11-11(1)(ii)

Reliability estimate: 5

This tax preference item allows for the exemption of any dividends received from a bank which files under the Rhode Island Bank Excise Tax provisions [44-14].

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison: Only New Hampshire has similar provisions.

New Hampshire: New Hampshire's provisions include a deduction equal to the amount of dividends received from another corporation which have previously been included in the payor corporation's taxable enterprise value tax base and subject to taxation.

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

20. **Exclusion - interest from utilities:**

Cite: 44-11-12

Reliability estimate: 5

This tax preference item allows for the exemption of any dividends or interest received from a public utility subject to tax under the Gross Earnings Tax [441-13].

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

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

21. **Apportionment of Net Income:**

Cite: 44-11-14

Reliability estimate: 5

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

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

Number of taxpayers: 5,639 taxpayers use apportionment.

Law Comparison:

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

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

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

Massachusetts Law Cite: Chapter 63, Section 38.

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

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

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

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

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

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

22. 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: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

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

23. Allocation/apportionment of brokerage services:

Cite: 44-11-14.2

Reliability estimate: 5

This tax preference item provides an election for a specialized method of apportionment of income for regulated investment companies and brokerage services. Apportionment is based on an average of two fractions one of which is based on Rhode Island receipts and the other is based on the number of shares owned by Rhode Island investors.

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Comparison: Only Connecticut has a similar provision.

Connecticut: Connecticut provisions allows receipts to be determined by multiplying the receipts from the rendering of management distribution or administrative services to or on behalf of each separate regulated investment company by a fraction. Apportionment which is based on the number of shares owned by the shareholders of regulated investment companies then domiciled in Connecticut and the average number of shares that are owned by shareholders of such regulated investment companies.

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

24. Exclusion for International Investment Services:

Cite: R.I.G.L. 44-11-14.5

Reliability Estimate: 5

This tax preference item provides an exclusion from net income to any qualified taxpayer located within Rhode Island, which sells international investment management services to non-U.S. persons or non-U.S. investment funds for any income derived directly or indirectly from the sale of international investment management services.

Source: RI Division of Taxation; Business Corporation Tax Section

Revenues foregone: Revenue loss not reliably estimable.

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

Law comparison: No similar provision found in any other New England state.

25. Credit for International Standard Organization (ISO) certification:

Cite: R.I.G.L. 44-11-42
Reliability Estimate: 2

This item entitles a tax credit to any taxpayer which receives a quality standard certificate from the International Standard Organization equal to the cost incurred to obtain the quality standard certificate.

Source: RI Tax Division and RI Economic Development Corp.

Revenues foregone: \$875,000.

Number of taxpayers: 175

Law comparison: No similar provision found in any other New England state.

2004

TAX EXPENDITURES REPORT

MISCELLANEOUS TAX PREFERENCE ITEMS AND OTHER PREFERENCE ITEMS FOR MORE THAN ONE TAX

SUMMARY

This miscellaneous tax preference section of the 2004 Tax Expenditures Report contains 49 tax preference items, which are included in this report.

Additionally, this section of the report contains 28 other tax preference items which are available to more than one tax.

TAX PREFERENCE ITEMS

INTRODUCTION:

The details of the other taxes and miscellaneous tax preference items included in this 2003 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, (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, (6) the number of taxpayers claiming the tax preference, and (7) a capsule version of the comparative information for the five other New England states.

MISCELLANEOUS TAXES AND THEIR PREFERENCE ITEMS

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:

<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)	.30 per gallon
Still wines	.60 per gallon
Sparkling wines	.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 (beverage)	7.50 per gallon
Ethyl alcohol (non-beverage)	.08 per gallon

Tax Preferences:

1. Sacramental wines purchased by clergy:

Cite: 3-10-1

Reliability estimate: 5

This preference item exempts sacramental wines if sold directly to a member of the clergy for use by the purchaser, or his or her congregation for sacramental or other religious purposes.

Source: Excise Tax Section:

Revenues foregone: Revenue loss assumed to be minimal.

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

Law Comparison: No similar provisions found in any other state.

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

Cite: 3-10-1-(c)

Reliability estimate: 5

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: Revenue loss is not reliably determinable.

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

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

3. **RI Manufacturer ships out of state:**

Cite: 3-10-2

Reliability estimate: 5

A tax exemption for manufacturers for alcoholic beverages shipped out of this state where the beverage will be consumed outside this state.

Source: Excise Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

Number of taxpayers: There are 16 alcoholic beverage manufacturers in this state.

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

Banking Institutions -Excise Tax:

Cite: 44-14

For the privilege of existing as a banking institution during any part of the year, each state bank, trust company, or loan and investment company in the state must annually pay an excise tax to the Tax Administrator measured by:

- 1) 9% of its net income for the preceding year or
- 2) \$2.50 per \$10,000 or fraction thereof its authorized capital stock as of the last day of the preceding calendar year.

The tax payable is the higher of the two. A national bank within this state must only pay the excise tax measured by #1 above. The minimum tax payable is \$100. The tax is self-assessed and must be filed and paid on or before March 15 of each year. Banks which have their principal place of business or a branch in Rhode Island will apportion their net income under the Tax Administrator's rules and regulations.

Tax Preferences:

1. **Gain/loss on sale property which is not securities:**

Cite: 44-14-11

Reliability estimate: 5

Bank Excise Tax, by definition excludes from gross income, the gain, profits and any kind of income from the sale or disposal of property other than securities. This means that the sale of such items as realty and tangible personalty owned by the bank are excluded from the tax.

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

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

2. Gain/loss on sale of securities (special basis for 1941 securities):

Cite: 44-14-12

Reliability estimate: 5

This portion allows for a special treatment for the basis in the calculation of gain or loss for securities held by the bank, which were acquired prior to January 1, 1941.

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

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

3. Securities loss write-down:

Cite: 44-14-14

Reliability estimate: 5

This tax preference item allows the financial institution a special deduction from the Bank Excise tax for any write-down in security values mandated by a regulatory authority.

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

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

4. Dividend Exclusion:

Cite: 44-14-15

Reliability Estimate: 5

This tax preference item allows exclusion from the bank's excise tax of any dividends received from any of the following entities: (1) corporations if more than 50% of the corporation's net income was apportioned to Rhode Island under 44-11; (2) utilities if more than 50% of the gross earnings were apportioned to Rhode Island under 44-13; (3) any banking institutions which pays taxes under 44-15; and (4) any corporation which is a regulated investment company filing under 44-11-1(1)(vii).

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably determinable.

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

Law Comparison: No similar provisions found in any other New England state. Connecticut and Massachusetts have similar provisions under the business corporation tax.

Beverage Containers

Cite: 44-44-3.6

A tax of 4 cents per case is imposed on each case of beverage containers sold by a beverage wholesaler (including any brewer, manufacturer, or bottler) to a beverage retailer or consumer in this state.

"Beverage" means carbonated soft drinks, soda water, mineral water and beer or other malt beverages. "Beverage container" is defined as any sealable bottle, can, jar or carton which contains a beverage.

On or before the 25th day of each month, the beverage wholesaler is required to file a return for the previous calendar month with the Tax Administrator and pay the amount of tax due.

Tax Preferences:

1. **Constitutional exemption:**

Cite: 44-44-3.6

Reliability estimate: 5

This exemption covers any taxes, fees, and any measure on which the state is prohibited from taxing the U.S. Constitution.

Source: Excise Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

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

2. **Refillable and reusable containers exempted:**

Cite: 44-44-3

Reliability Estimate: 1

This tax preference item exempts reusable and refillable beverage containers from the tax imposed on beverage containers.

Source: RI Division of Taxation; Excise Tax Section

Revenues foregone: \$11,400.

Number of taxpayers: 5

Law comparison: No similar provision found in any other New England State.

Cigarette Tax:

Cite: 44-20

A tax of 85.5 mills per cigarette is imposed on each cigarette and on each sheet of cigarette rolling paper sold or held for sale within Rhode Island (\$1.71 per package of twenty). Payment of the tax is evidenced by affixing the tax indicia to the bottom of packages. Distributors purchase indicia stamps at a discount to compensate them for stamping the packages.

Tax Preferences:

1. 10 Pack out of state cigarettes:

Cite 44-20-16

Reliability estimate: 1

This tax preference item allows an exemption for 10 packs of cigarettes [as commonly defined] to be brought in "on the person" of the purchaser.

Source: Excise Tax Section

Revenues foregone: Revenue loss is assumed to be minimal.

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

Law Comparison: Only Maine has similar provisions.

Maine: Maine's provisions allow an unlicensed individual to transport cigarettes for personal use not to exceed 2 cartons as commonly defined.

Maine Law Cite: Title 36, Part 7, Chapter 703, Section 4366-B

2. Stamping discount:

Cite: 40-20-19

Reliability estimate: 1

Cigarette distributors purchase indicia (tax stamps or meter impressions) at a discount to compensate them for stamping the packages.

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

Revenues foregone: \$1,536,000.

Number of stamping distributors: 29

Law 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 2½% 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 ¾% of the indicia's face value up to \$500,000; 2 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.

3. Holding period for unstamped items:

Cite: 44-20-14 and 44-20-29

Reliability Estimate: 5

This preference item allows the person in possession of unstamped items to hold them as unstamped for twenty-four hours.

Source: RI Division of Taxation, Excise Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

Number of Taxpayers: 3 ("Class A" resident stamping cigarette distributors)

Law comparison: Only Connecticut and Vermont have similar provisions.

Connecticut: Connecticut's provisions allow a 24 hour holding period before unstamped cigarettes must have indicia affixed by dealers.

Connecticut Law Cite: Title 12, Chapter 214, Part I, Section 12-303

Vermont: Vermont's provisions allow a 24 hour holding period before unstamped cigarettes must have indicia affixed by retailers.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 205, Section 7775

Franchise Tax:

Cite: 44-12

Every corporation chartered in Rhode Island or qualified to do business here must pay a tax of \$2.50 for each \$10,000 of authorized capital stock. No par stock is valued at \$100 per share. The minimum franchise tax is \$250.

Inactive corporations and those not engaged in business here during the taxable year taxed: \$250, where such stock does not exceed \$1,000,000, and \$12.50 per additional \$1,000,000 or part thereof. This tax is payable only when it is more than the business corporation tax.

Tax Preferences:

1. **Franchise Tax - Corporations Taxed under 44-11:**

Cite: 44-12-1(b)

Reliability estimate: 5

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

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

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

2. **Corporations specifically exempted:**

Cite: 44-12-11

Reliability estimate: 5

This preference item allows exemption from franchise tax for specifically listed hospitals and schools, insurance and surety companies, public utilities taxed under 44-13 RIGL, and other corporations which are exempt from taxation by charter.

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

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

Gasoline Tax:

Cite: 31-36

This tax is imposed on the distributor wherever located and imports or causes fuels to be imported into Rhode Island a tax cannot be less than 30 cents per gallon.

Tax Preference:

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

Cite: 31-36-1(d)

Reliability estimate: 5

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

Source: Excise Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

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

2. Sales to US Government:

Cite: 31-36-13

Reliability estimate: 1

This tax preference item allows fuels to be sold to the United States Government without tax and provides that any person who purchases fuels with the tax included and subsequently sells fuels to the United States Government to have the tax refunded.

Source: Excise Tax Section

Revenue foregone: \$144,000.

Number of Taxpayers: 98

Law Comparison:

Connecticut: Connecticut's provision allow an exemption for motor vehicle fuels sold to the United States Government.

Connecticut Law cite: Title 12, Chapter 221, Section 12-458(3)(A)

Massachusetts: Massachusetts' provisions allow sales exempted by federal law.

Massachusetts Law Cite: Chapter 64A, Section 12

Maine: Maine's provisions include an exemption for special fuels sold or used where the tax is precluded by operation of federal law.

Maine Law Cite: Title 36, Part 5, Chapter 459, Section 3204

New Hampshire: New Hampshire imposes a road toll tax and exempts sales to the United States, its agencies and instrumentalities.

New Hampshire Law Cite: Title XXI, Chapter 260, Section 260:32,1

Vermont: Vermont's provisions allow an exception to the tax on diesel fuel for state, municipal, school district, fire district, or other governmentally owned vehicles for official purposes [including those of the United States Government].

Vermont Law Cite: Title 23, Chapter 27, Section 3003(3)

3. **Railroad transportation equipment:**

Cite: 31-36-13

Reliability Estimate: 1

This tax preference item allows an exemption and refund for fuels purchased and used solely for the operation of railroad transportation equipment on fixed rails or tracks.

Source: RI Tax Division; Excise Tax Section

Revenues foregone: \$0 (No claims)

Number of taxpayers: 0

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

4. **Alternative Fuels exempted:**

Cite: 31-36-1; 44-39.2-2

Reliability Estimate: 1

This tax item excludes alternative fuels, as defined pursuant to the Energy Policy Act of 1992, within the definition of motor fuel tax, used by fleets of ten or more alternative fueled vehicles, provided that the alternative fuels are separately metered. This tax preference item had been repealed effective January 1, 2003 and then reinstated.

Source: RI Tax Division statistics

Revenues forgone: \$0 (This item will expire on January 1, 2008.)

Number of taxpayers: 0

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

Generation Skipping Transfer Tax:

Cite: 44-40

This tax is imposed on every generation skipping transfer for which a credit is allowable under the Federal Code (26 U.S.C. Subsection 2602). The tax is imposed in an amount equal to the allowable Federal credit.

Tax Preferences:

1. Realty or personalty in another state:

Cite: 44-40-3

Reliability estimate: 1

This is a direct reduction in the tax where some or all of the property transferred has a taxable situs in another state. The reduction takes a form or a ratio of out-of-state property transferred to gross property transferred.

Source: Tax Division statistics

Revenues foregone: \$0 (no claims)

Number of Taxpayers: 0 (no claims)

Law Comparison: Only Connecticut has similar provisions.

Connecticut: Connecticut's provision include, as part of Uncodified Legislation, a reduction in the tax based on a fraction using the total amount of transferred realty and the amount of transferred realty outside Connecticut.

Connecticut Law Cite: Section 10(a) and (b) of the Uncodified Legislation

Insurance Premiums Tax:

Cite: 44-17

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

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

Tax Preferences:

1. Ocean Marine Insurance Exclusion:

Cite: 44-17-1

Reliability estimate: 5

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

Source: Business Corporation Tax Section

Revenues foregone: A negligible amount annually.

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

Law Comparison: Only Connecticut has a similar provision.

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

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

2. **Fraternal Benefit Societies:**

Cite: 44-17-1

Reliability estimate: 5

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

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison: No similar provisions found for the other New England states.

3. **Premiums Unabsorbed or Returned:**

Cite: 44-17-2

Reliability estimate: 5

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

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

Number of taxpayers: Approximately 1250 insurance companies.

Law Comparison: No similar provisions found for the other New England states.

4. **Retaliatory Provisions:**

Cite: 44-17-1

Reliability estimate: 5

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

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

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison: No similar provisions found for the other New England states.

Jai Alai Betting and Breakage Taxes:

Cite: 44-7-6

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 (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 ½% of the amount contributed.

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

Revenues foregone: \$1,337,000.

Number of Taxpayers: 1

Law 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).

Litter fee:

Cite: 44-44

All persons, corporations or other business entities selling or offering for retail sale of food or beverages for immediate consumption and/or packaged food or beverages for sale on a take out or to go basis are required to obtain a "litter control participation permit" on or before August 1 of each year. When issued, the permit will run on a calendar year from January 1 through December 31. A litter control

participation permit is required for each place of business in which the retailer makes taxable sales of food and/or beverages.

Tax Preferences:

1. New Business Class A permit:

Cite: 44-44-3.1

Reliability estimate: 5

This tax preference item allows a new business to obtain its first permit as a class A for that location only at the minimum fee of \$25.

Source: Excise Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

Number of taxpayers: No way to determine the number of new businesses under this preference item, since new and existing class A permittees are grouped together.

Law Comparison: No similar provisions were found for the other New England states.

2. Constitutional Exemption:

Cite: 44-44-3.6

Reliability Estimate: 5

This tax preference item allows an exemption for fees and taxes imposed by the Litter Fee within which any measure would be prohibited from taxation under the United States Constitution.

Source: RI Division of Taxation; Excise Tax Section

Revenues foregone: Minimal and revenue loss is not reliably estimable.

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

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

Motor Carrier Fuel Use:

Cite: Title 31, Chapter 36.1

A tax is imposed on motor carriers at the rate of twenty-eight cents (\$0.28) per gallon on the use of fuel for the propulsion of vehicles weighing over 26,000 lbs. gross vehicle weight; having 3 or more axles regardless of weight; or are used in combination and the gross weight of the combined vehicles exceeds 26,000 lbs. on public highways in Rhode Island.

Effective July 1, 1996 the State of Rhode Island became a participant in the International Fuel Tax Agreement (IFTA). Fundamental to IFTA is the concept of "base stating". "Base stating" allows a motor carrier to be licensed in one state for the purpose of fuel tax reporting rather than licensing and filing in every state in which the carrier

operates. This applies to any motor carrier (individual, corporation, partnership, association, trust or other entity) based in Rhode Island and operating 1 or more qualified vehicles.

Tax Preferences:

1. Refunds of taxes paid to RI:

Cite: 31-36.1-15

Reliability Estimate: 2

This tax preference item allows a motor carrier to have a credit/refund on its tax equivalent to the rate per gallon for the tax in effect on motor fuel purchased by the carrier in Rhode Island for use outside Rhode Island.

Source: Excise Tax Section special refund statistics for FYE 6/30/98

Revenues foregone: \$352,400.

Number of taxpayers: 280

Law Comparison: All the other 5 New England states are signatories of the International Fuel Tax Agreement and, therefore, all have similar provisions.

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 5.5% of the amounts contributed to the mutuel pool and one half (1/2) the breakage to the dime. The licensee must pay, in addition to the aforementioned tax, 1.5% of all monies wagered on multiple pools and 2% of all monies wagered on so-called straight (win, place or show) wagering.

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 into the pari-mutuel pools and wagers.

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

Revenues foregone: \$4.4 million

Number of taxpayers: 2

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

Public Utilities:

Cite 44-13

The law imposes an annual excise tax payable March 1 on public service corporations and public service companies engaging in the same business as public service corporations. The tax is measured by gross earnings for the proceeding calendar year and is computed as follows:

- 1) Cable corporations - 8%
- 2) Electric companies, telegraph companies, and express companies doing business on steamboats - 4%
- 3) Gas companies - 3%
- 4) Common carrier steamboat, ferryboat, street railway, dining car, sleeping car, chair car or parlor car corporations and water and toll bridge companies - 1 ¼%
- 5) Telecommunications corporations- 5%

Tax Preferences:

1. Narragansett Pier RR:

Cite: 44-13-1(a)

Reliability: 1

This tax preference item allows the Narragansett Pier Railroad to be exempt from gross earnings tax.

Source: Business Corporation Tax

Revenues foregone: No revenue impact.

Number of taxpayers: 0 Taxpayer is no longer in operation

Law Comparison: No similar provisions were found for the other New England states.

2. Company subject to Business Corporation Tax:

Cite: 44-13-2.1

Reliability: 5

This tax preference item allows public utilities which are subject to tax under the Gross Earnings Tax provisions [44-13] to be exempted from paying tax under the Business Corporation Tax Law [44-11].

Source: RI Division of Taxation; Business Corporation Tax

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison: No similar provisions were found for the other New England States.

3. **Carrier access fees:**
Cite: 44-13-1 (b)
Reliability estimate: 5

This section allows for a deduction from the gross earning of the "user" company for connecting fees, switching charges, and carrier access fees included in the gross earning of the "provider" company.

Source: Tax Division Field Audit Statistics

Revenues foregone: Revenue loss not reliably estimable

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

Law Comparison: No similar provisions were found for the other New England states.

4. **Electricity sold for resale:**
Cite: 44-13-4 (b)
Reliability estimate: 5

This provision allows for a deduction of gross receipts for the sale of electricity sold to other public utility corporations or municipal utilities for resale to the ultimate consumer.

Source: Business Corporation tax section.

Revenues foregone: Revenue loss is not reliably determinable.

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

Law Comparison: Only New Hampshire has a similar provision.

New Hampshire: New Hampshire's provisions include exemption for sales of electricity for use outside the state and receipts for sales of electricity to another public utility which is subject to the New Hampshire tax.

New Hampshire Law Cite: Title V, Chapter 83-C, IV

5. **Telecommunication companies non-voice services:**
Cite: 44-13-4 (d)
Reliability estimate: 5

This is an exclusion for value added non-voice services in which computer processing applications are used to act on the form, content, code, and protocol of the information being transmitted.

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison: No similar provisions were found for the other New England states.

6. **Merchandise Sold:**

Cite: 44-13-5

Reliability: 4

This tax preference item allows a deduction from gross earnings for the sales of merchandise as measured by the net invoice price of such merchandise plus the transportation costs of such merchandise.

Source: Business Corporation Tax Section returns filed.

Revenues foregone: Revenue loss is not reliably determinable.

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

Law Comparison: Only Connecticut has a similar provision.

Connecticut: Connecticut's provisions allow deduction from the Utilities Companies' Tax for sales of appliances which use water, steam, gas or electricity for the net invoice price plus transportation costs of such appliances.

Connecticut Law Cite: Title 12, Chapter 212, Section 12-265(b)(i)(c)

7. **Apportionment:**

Cite: 44-13-10

Reliability estimate: 5

The gross earnings of every public service corporation doing business both within and without this state is allowed to be equitably apportioned to this state by various means such as wire-miles, miles of pipeline, miles or railroad track or other similarly based methods, depending on the nature of the business.

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably determinable.

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

Law Comparison: Only Connecticut and Massachusetts have similar provisions.

Connecticut: Connecticut's provisions include apportionment of gross earnings by lines, routes, lines-facilities, apparatus and auxiliary equipment operated in the state to the total amount of such items operated everywhere.

Connecticut Law Cite: Title 12, Chapter 211, Section 12-258

Massachusetts: Massachusetts' provisions include apportionment by means of the sum of a property factor, a sales factor and a payroll factor which is then divided by 3 to yield a percentage.

Massachusetts Law Cite: Chapter 63, Section 52A

8. Sale of alternative fuels exempted:

Cite: 44-39.2-2

Reliability estimate: 5

This exemption is for use or consumption in this State for the purchase price paid for a new dedicated alternative fueled vehicle or the purchase price paid for a converted gasoline or diesel-fueled motor vehicle and all costs associated with the construction of filling stations dispensing alternative fuel and motor vehicle electric recharging stations.

Source: Business Corporation Tax Section

Revenues foregone: Revenue loss is not reliably determinable.

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

Law Comparison: No similar provisions were found for the other New England states.

Real Estate Conveyance Tax:

Cite: 44-25

This tax is imposed on each deed, instrument or writing by which interests in real estate are conveyed to a purchaser. The consideration for the conveyance must be more than \$100 and, if no consideration is paid, the deed must state that no documentary stamps are required.

The tax is imposed at \$2.00 per \$500 (or fraction thereof) of the purchase price of the property including any liens or encumbrances remaining at the time of sale. Unless otherwise agreed, the tax is paid by the grantor. Payment of the tax is shown by the recorder affixing a stamp to the original instrument.

Tax Preferences:

1. Consideration \$100 or less:

Cite: 44-25-1 (a)

Reliability estimate: 5

The tax imposed under the Real Estate Conveyance Tax is for consideration greater than \$100. This is a de minimis provision.

Source: Excise Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparisons:

Connecticut: Connecticut's provisions include exclusion for conveyance of property where the consideration is less than \$2,000.

Connecticut Law Cite: Title 12, Chapter 223, Section 12-498(a) (10).

Massachusetts: Massachusetts' provisions include exclusion for conveyance where the consideration is not more than \$500.

Massachusetts Law Cite: Chapter 64D, Section 1

Maine: No similar provision found.

New Hampshire: New Hampshire's provisions include exclusion for conveyance where the consideration is \$4,000 or less at which time a minimum fee of \$14. is imposed.

New Hampshire Law Cite: Title V, Chapter 78-B, Section 78-B:1

Vermont: Vermont's provisions include exclusion of the first \$100,000 for a conveyance of a principal residence if a guarantee fee is paid to the Vermont Home Mortgage Guaranty Program.

Vermont Law Cite: Title 32, Subtitle 2, Part 5, Chapter 231, Section 9602(1).

2. Statement in lieu of consideration:

Cite: 44-25-1 (b)

Reliability estimate: 5

In the event no consideration is actually paid for the transfer of real estate, the Law requires that a statement to the effect that the consideration is such that no documentary real estate stamps are required. This item is included for completeness only since the tax is levied only when there is actual consideration for the realty.

Source: Excise Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison: No similar provisions were found for the other New England states.

3. Grantor is United States, State of Rhode Island or political subdivisions:

Cite: 44-25-2 (b)

Reliability estimate: 5

The tax is imposed under this chapter does not apply to any conveyances wherein the United States, the state of Rhode Island or political subdivisions which are designated the grantor. This is included for completeness since most such transfers would involve the taxation of a tax exempt entity.

Source: Excise Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison: Only Connecticut and Main have similar provisions.

Connecticut: Connecticut's provisions include exemption for those deeds for which Connecticut is prohibited from taxation under the US Constitution or related laws.

Connecticut Law Cite: Title 12, Chapter 223, Section 12-498

Maine: Maine's provisions include all deed to property transferred to or by the US government, the state of Maine and any of its subdivisions, other than the Department of Transportation and the Maine Turnpike Authority.

Maine Law Cite: Title 36, Part 7, Chapter 711-A

4. Capital Center Project:

Cite: 44-25-2 (c)

Reliability estimate: N/A

This section provides that no documentary stamps are required for conveyances pursuant to the Capitol Center Project.

Source: Excise Tax Section

Revenues foregone: Revenue loss is not reliably estimable

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

Law Comparison: No similar provisions were found for the other New England states.

Telephone Company Property Tax:

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

1. Limited Depreciation Allowance:

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

Reliability estimate: 5

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

Source: Department of Administration, Office of Municipal Affairs

Revenues foregone: Revenue loss is not reliably estimable.

Number of taxpayers: 28

Comparison: No similar provisions were found for the other New England states.

Hard-To-Dispose Material Tax:

Cite: 44-44

The hard-to-dispose material tax includes: tax of five cents (\$0.05) per quart (32 oz.) or five and 3/10th cent (\$0.053) per liter on lubricating oils; ten cents per gallon or two and 64/100th cents (\$0.0264) per liter on antifreeze; one fourth of one cent (\$0.0025) per gallon or (\$0.000066) per liter on organic solvents; and fifty cents (\$0.50) per tire. For new motor vehicles, a fee of \$3.00 per vehicle is paid to the Registry of Motor Vehicles in conjunction with the titling of the new vehicle.

Tax Preferences:

1. Constitutional exemption

Cite: 44-44-3.6

Reliability estimate: 5

This section is included for completeness since such taxes and fees cannot be levied under the U.S. Constitution.

Source: Excise Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison: No similar provisions were found for the other New England states.

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:

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: \$10.2 million

Number of taxpayers: 2

Comparison: No similar provisions were found for the other New England states.

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: \$2.6 million

Number of taxpayers: 54

Law 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: \$4.5 million

Number of taxpayers: 50

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:

Restricted fund within the General Fund

Cite: 46-12.7-2.1

Reliability: 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: \$2.8 million

Number of taxpayers: 15

Law Comparison: 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

Mobile or Manufactured Homes Conveyance Tax:

Cite: 31-44

A tax is imposed on the conveyance of a mobile or manufactured home when the consideration paid exceeds \$100.

The tax is imposed at the rate of \$1.40 for each \$500 or fractional part thereof paid for the mobile or manufactured home. This does not include modular homes outside of a mobile and / or manufactured home park. Payment of the tax is made to the Recorder of Deeds of the city and evidence of the tax paid is shown by the Recorder of Deeds affixing a stamp to the original instrument of conveyance. Unless otherwise agreed, the tax is paid by the grantor.

Tax Preferences:

1. **Consideration \$100 or less:**

Cite: 31-44-16 (a)

Reliability estimate: 5

The tax imposed under the Mobile or Manufactured Homes Tax is for consideration greater than \$100. This is a de minimis provision.

Source: Excise Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison: No similar provisions were found for the other New England states.

2. **Statement in lieu of consideration:**

Cite: 31-44-16 (b)

Reliability estimate: 5

In the event no consideration is actually paid for the mobile or manufactured home, the instrument of conveyance would contain a statement to the effect that the consideration is such that no documentary stamps are required. This item is included for completeness only since the tax is levied only when there is actual consideration for the mobile or manufactured home.

Source: Excise Tax Section

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison: No similar provisions were found for the other New England states.

TAX PREFERENCE ITEMS APPLICABLE TO MORE THAN ONE TAX

This portion of the 2004 Tax Expenditures, items applicable to more than one tax has 27 tax preference items, which are included for analysis in this 2004 Tax Expenditure 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) 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, (6) the number of taxpayers claiming the tax preference and (7) a capsule version of the comparative information for the five other New England states.

- 1) **Juvenile Restitution Credit:**
Cite: 14-1-22.1
Reliability Estimate: 1

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.

Source: Family Court Information

Revenues Foregone: \$ 0 (no claims)

Number of taxpayers: 0

Law Comparison: No similar provisions were found for the other New England states.

2. **Enterprise Zone donations credit:**

Cite: 42-64.3-7.1
Reliability Estimate: 1

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.

Source: Tax Division statistics from tax returns

Revenues foregone:

Personal Income: \$639,000.	Taxpayers: 151
Corporations: \$373,000.	Taxpayers: 14

Total Revenues foregone: \$1,012,000.

Total number of taxpayers: 165

Law Comparison: No similar provisions were found for the other New England states.

3. **Enterprise Zone Wage tax credit:**

Cite: 42-64.3-6
Reliability Estimate: 1

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 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.

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: \$2,538,000.	Taxpayers: 262
Corporations: \$ 415,000.	Taxpayers: 15

Total revenues foregone: \$2,953,000.

Total number of taxpayers: 277

Law Comparison:

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:

Cite: 42-64.3-8.1

Reliability Estimate: 1

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.

Source: Tax Division statistics from tax returns

Revenues foregone:

Personal Income:	\$191,200.	Taxpayers: 10
Corporations:	\$ 0.	Taxpayers: 0

Total revenues foregone: \$191,200.

Total number of taxpayers: 10

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

5. **Apprenticeship credit:**

Cite: 44-11-4.1

Reliability estimate: 1

A taxpayer who is an employer and employs a machine tool, metal trade apprentice or plastic process technician apprentice enrolled and registered under the terms of a qualified program will be allowed a credit against the tax imposed by Chapter 11 of Title 44. The number of apprenticeships for which tax credit is allowed must exceed the average number of apprenticeships begun during the 5 preceding years. The amount of the credit is 50% of the actual wages paid to the qualifying apprentice or \$4,800 whichever is less. The credit is not refundable and amounts of credit not deductible in the taxable year may not be carried over to the following year.

Source: Statistics taken from actual personal income tax returns filed in 2001 for tax year 2000; corporate information was not available.

Revenues foregone: \$ 1,400.

Number of taxpayers: 1

Law Comparison: Only Connecticut has a similar provision.

Connecticut: Connecticut's provisions include credit for apprenticeships in machine tool, metal, plastics and plastic-related trades.

Connecticut Law Cite: Title 12, Chapter 208, Part 1, Section 12-217g

6. **Hydroelectric Power Credit:**

Cite: 44-30-22

Reliability Estimate: 5

A hydroelectric power developer will be allowed a credit for the installation costs of a small hydroelectric power production facility at an existing dam site in Rhode Island.

Source: Personal income tax filings and Business Corporation Tax Section records.

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison: No similar provisions were found for the other New England states.

7. **Investment Tax Credit:**

Cite: 44-31

Reliability Estimate: 1

A credit is allowed against the taxes imposed by Chapters 44-11, 44-14, 44-17 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 seven year carryover.

Source: RI Tax Division statistics

Revenues foregone:

Personal Income:	\$2,700,000.	Taxpayers:	666
Corporations:	\$5,300,000.	Taxpayers:	163
Insurance Cos.:	\$800,000.	Taxpayers:	3

Total revenues foregone: \$8,800,000.

Total number of taxpayers: 832

Law Comparison:

Connecticut: Connecticut's provisions include a credit against the tax imposed for any corporation for a percentage of the acquisition of any new fixed capital. A carry forward of any tax not used in the income year is allowed for the five years immediately succeeding income years.

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

Massachusetts: Massachusetts provisions include only manufacturers; corporations engaged primarily in research and development; or in agriculture or commercial fishing. The credit is three percent of the cost of other basis of the property including buildings and leased tangible personalty and has a three year carryover of unused credit.

Massachusetts Law Cite: Chapter 63, Section 31A

Maine: Maine's provisions include two areas of credit. The one percent machinery and equipment investment credit is limited to tangible personalty used directly and sold or leased for final consumption and is limited to \$25,000 plus 75% of the taxpayer's tax over \$25,000. The jobs and investment tax credit requires that the corporation have a qualified investment in Maine of at least \$5 million; create at least 100 new jobs in the 24 months prior to placing the property in service; and an increase in Maine wages \$700,000 over the highest amount it paid in Maine wages during any of the 3 prior years. The jobs and investment tax credit is determined under the former federal investment tax credit provisions and has a maximum of \$500,000.

Maine Law Cite: Investment Tax Credit: Title 36, Part 8, Chapter 822, Section 5219-E.

Jobs and Investment Tax Credit: Title 36, Part 8, Chapter 822, Section 5215.

New Hampshire: No similar provision found.

Vermont: Vermont's provisions allow a credit against Vermont corporate income tax for the first tax year in which the qualified manufacturer has made qualified capital expenditures and is available for the first tax year in which the qualified capital expenditures are made. Any unused credit may be carried forward to reduce the manufacturer's Vermont income tax liability in succeeding tax years ending on or before June 30, 2005.

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

8. Research and Development - Property Credit:

Cite: 44-32-2

Reliability Estimate: 1

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.

Source: Tax Division statistics from tax returns

Personal Income: \$ 21,000.	Taxpayers: 11
Corporations: \$ 861,000.	Taxpayers: 7

Total revenues foregone: \$882,000.

Total number of taxpayers: 18

Law Comparison: No similar provisions were found for the other New England states.

9. Research and Development - Expense credit:

Cite: 44-32-3

Reliability Estimate: 1

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.

Source: Tax Division statistics from tax refunds

Revenues foregone:

Personal Income: \$592,000.	Taxpayers: 26
Corporations: \$755,000.	Taxpayers: 6

Total revenues foregone: \$ 1,347,000.

Total number of Taxpayers: 32

Law Comparison:

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 71/2% 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.

Vermont Law Cite: Title 32, Subtitle 2, Part 3, Chapter 151, Subchapter 11E, Section 5930d

10. Educational Assistance and Development Credit:

Cite: 44-42

Reliability Estimate: 5

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.

Source: Tax Division Business Corporation Section

Revenues foregone:

Personal Income Tax: \$0 (no claims)

Number of Taxpayers: 0

Business Corporation Tax: not estimable

Number of Taxpayers: not estimable

Total revenue foregone: \$0

Total Taxpayers: 0

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

Law 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:**

Cite: 44-43-2

Reliability Estimate: 5

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.

Source: Tax Division statistics from tax returns

Revenues foregone: Revenue loss is not reliably estimable.

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

Law Comparison: Only Vermont has a similar provision

Vermont: Vermont's provisions include a credit rather than a modification in accordance with venture capitol [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:**

Cite: 44-43-5

Reliability Estimate: 5

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.

Source: Tax Division statistics from tax returns

Revenues foregone: Revenue loss not reliably estimable

Total number of taxpayers: No way to reliably determine the number of taxpayers.

Law Comparison: No similar provisions were found for the other New England states.

13. SBA Loan Guaranty Fee Credit:

Cite: 44-43.1

Reliability Estimate: 1

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.

Source: Tax Division statistics from tax returns

Revenues foregone:

Personal Income:	\$458,000.	Taxpayers:	335
Corporations:	\$ 80,000.	Taxpayers:	23

Total revenues foregone: \$538,000.

Total number of taxpayers: 358

Law Comparison: 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].

14. Adult Education Credit:

Cite: 44-46-1

Reliability Estimate: 1

This chapter provides that an employer is allowed a credit against the tax imposed by Chapters 11, 13, 14, 15, 17 and 30 of Title 44 for 50% of the costs incurred solely and directly for non-worksite or worksite-based adult education programs as specifically defined. The employee for whose adult education programs credit is claimed by the employer must remain in the employ of the business for a minimum period of 13 consecutive weeks and a minimum of 455 hours of paid employment before the employer can become eligible for the credit. The maximum credit per employee under the new provisions is \$300 and the maximum overall credit per taxable year per employer is \$5,000.

Source: Statistics taken from actual personal income tax returns filed in 2001 for tax year 2002; corporate information was not available.

Revenues foregone: \$7,400.

Total number of Taxpayers: 7

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

15. Daycare credit:

Cite: 44-47

Reliability Estimate: 1

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.

Source: Tax Division statistics from tax returns

Revenues foregone:

Personal Income:	\$52,000.	Taxpayers: 12
Corporations:	\$31,000.	Taxpayers: 3

Total revenues foregone: \$83,000.

Total number of taxpayers: 15

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 carry forward of 15 years or a carry back of 3 years.

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

16. Elective Deduction for Research and Development:

Cite: 44-32

Reliability Estimate: 1

A one-year write off [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 provision for carry over.

Source: RI Tax Division statistics

Revenues foregone:

Personal Income:	\$31,000.	Taxpayers: 5
Corporations:	\$47,000.	Taxpayers: 4

Total revenues foregone: \$78,000.

Total number of taxpayers: 9

Comparison: No similar provisions were found for the other New England states.

17. **Welfare Bonus program:**

Cite: 44-39.1

Reliability Estimate: 5

Any employer participating in the Bonus Program under Title 40, Chapter 6.3 is entitled to apply for the credit of \$250 per eligible participant when a participant has worked twenty-four consecutive months for the employer, 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.

Source: RI Division of Taxation; Business Corporation Tax

Revenues foregone: Revenue loss not reliably estimable.

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

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

18. **Jobs development rate reduction:**

Cite: 42-64.5

Reliability Estimate: 1

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%.

Source: Tax Division Business Corporation statistics

Revenue foregone: \$4.1 million

Number of Taxpayers: 13

Comparisons: No similar provisions were found for the other New England states.

19. Jobs training credit:

Cite 42-64.6

Reliability Estimate: 1

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.

Source: Statistics taken from actual personal income tax returns filed in 2001 for tax year 2002; corporate information was not available.

Revenue foregone: \$310,000.

Number of Taxpayers: 57

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

20. Credit for construction of alternative fuel filling stations:

Cite: 44-39.2-2

Reliability Estimate: 5

This tax preference item allows a credit against the tax liability imposed on a taxpayer pursuant to Chapters 44-11, 44-13 or 44-30, equal to 50% of the capital, labor and equipment costs incurred for the construction of any filling station or improvements to any existing filling station in order to provide alternative fuel or for the construction or improvements of any recharging station for the recharging of electrical vehicles. This section also provides a credit equal to 50% of the incremental costs incurred by the taxpayer for purchase of alternative fueled motor vehicles or the capital, labor and equipment cost of the conversion of motor vehicles for alternative fuel use.

Source: RI Tax Division, Excise Tax Section

Revenues foregone: Revenue loss not reliably estimable

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

Law comparison: Only Connecticut and Maine have similar provisions.

Connecticut: Connecticut's provision provides for a credit equal to 50% of the capital, labor and equipment costs incurred by the taxpayer directly for the construction of existing filling stations, recharging stations or improvements in order to provide for the recharging of electric vehicles.

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

Maine: Maine provides a credit against the income tax in an amount equal to the qualifying percentage of expenditures paid or incurred by the taxpayer for the construction, installation of or improvements to any filling station or charging station for the purpose of providing "clean fuels".

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

21. Credit for accommodations under American's with Disabilities Act (ADA):

Cite: 44-54-1

Reliability Estimate: 1

This law provides a tax credit imposed by Chapters 11 and 13, equal to ten percent of the total amount expended (not exceeding the sum of one thousand dollars), to a small business taxpayer that incurs expenses to provide access to persons with disabilities.

Source: RI Division of Taxation statistics

Revenues foregone: \$0 (no claims)

Number of taxpayers: 0

Law comparison: Only Vermont has a similar provision.

Vermont: Vermont's law provides a rehabilitation tax credit for bringing a building into compliance with the Vermont accessibility law with the Americans with Disabilities Act.

Vermont Law Cite: Title 32, Subtitle 2, Part 3, Chapter 151, subchapter 11G, Section 5930p.

22. Deduction / modification for hiring the unemployed or welfare recipients:

Cite: 44-55-2

Reliability Estimate: 5

This tax preference item is a tax deduction or modification in the amount of forty percent (40%) of the eligible employee's first year wages, up to a maximum of two thousand four hundred dollars (\$2,400) per eligible employee. This incentive was established for businesses which employ and retain Rhode Island employees who have been previously unemployed for a period of at least twenty-six consecutive calendar weeks and domiciled RI residents for at least fifty-two consecutive calendar weeks.

Source: RI Division of Taxation

Revenues foregone: Revenue loss not reliably estimable.

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

Law comparison: No similar provisions were found for the other New England states.

23. **Specialized mill building investment credit:**

Cite: 42-64.7-7

Reliability estimate: 5

A certified building owner may be allowed a specialized investment tax credit of ten percent (10%) of the rehabilitation and reconstruction costs of a certified building, which has been substantially rehabilitated.

Source: RI Division of Taxation

Revenues foregone: Revenue loss not reliably estimable.

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

Law comparison: No similar provisions found in the other New England states.

24. **Interest credit for loans to mill building owners:**

Cite: 42-64.7-9

Reliability estimate: 5

A tax credit as defined in R.I.G.L.42-64.6-4 is allowed against taxes due for interest earned and paid on loans made to eligible businesses solely and exclusively for expenditures within the certified building.

Source: RI Division of Taxation

Revenues foregone: Revenue loss not reliably estimable.

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

Law comparison: No similar provisions found in the other New England states.

25. **Wage credit for employers in mill buildings:**

Cite: 42-64.7-8

Reliability estimate: 1

A taxpayer who owns and operates an eligible business within a certified building is allowed a credit against the tax imposed equal to one hundred percent (100%) of the total amount of Rhode Island salaries and wages as are paid to qualified employees in excess of Rhode Island salaries and wages as are paid to the same employees in the prior calendar year. The maximum credit allowed per taxable year under the provisions of this subsection is three thousand dollars (\$3,000) per qualified employee.

Source: Statistics taken from actual personal income tax returns filed in 2001 for tax year 2002; corporate information was not available.

Revenues foregone: \$0 (no claims)

Number of Taxpayers: 0

Law comparison: No similar provisions found in the other New England states.

26. Credit for qualified film production companies:

Cite: 44-31.1-1

Reliability estimate: 1

A twenty-five percent (25%) tax credit is provided for the total qualifying production budget for investments for a film production business provided the business is located within the state of Rhode Island; whose primary locations for the film production are within the state of Rhode Island; and whose total production budget is a minimum of three hundred thousand dollars (\$300,000) but does not exceed five million dollars (\$5,000,000).

Source: Statistics taken from actual personal income tax returns filed in 2001 for tax year 2002; corporate information was not available.

Revenues foregone: \$0 (no claims)

Number of Taxpayers: 0

Law comparison: No similar provisions found in the other New England states.

27. Credit for renewable energy systems:

Cite: 44-56-1

Reliability estimate: 1

A nonrefundable tax credit is provided for an eligible person who pays all or part of the cost of an eligible renewable energy system, which is installed in a dwelling for a principal or secondary residence. Qualifying systems receive specific credit percentages depending upon the system type and the year the credit is claimed.

Source: Statistics taken from Tax Division records for personal income tax filed in 2001 for tax year 2002; corporate information was not available.

Revenues foregone: \$12,700.

Number of Taxpayers: 7

Law comparison: Only Massachusetts has a similar provision.

Massachusetts: Massachusetts provides a credit to any owner or tenant of residential property or owner/occupant of a newly constructed residence as the

principal residence, the lesser amount of 15% of the net expenditure for a renewable energy source property or one thousand dollars.

Massachusetts Law Cite: Chapter 62, Section 6 (d)

28. Credit for Historic Structures:

Cite: 44-33.2-3

Reliability estimate: 1

A credit in an amount equal to 30% of the qualified rehabilitation expenditures is allowed against the taxes imposed by 44-11, 44-12, 44-13, 44-14, 44-17 or 44-30 for the redevelopment and reuse of Rhode Island's historic structures which are certified by the Rhode Island Historical Preservation and Heritage Commission.

Source: RI Historical Preservation and Heritage Commission

Revenues foregone: \$4,900,000.

Number of Taxpayers: 8

Law Comparison: Maine has a similar provision.

Maine: Maine's provision allows a credit for expenditures incurred after December 31, 1999 for a certified historic structure located in the State of Maine. The credit is nonrefundable and limited to \$100,000 annually per taxpayer.

Maine Law Cite: Title 36, Part 8, Chapter 822

STATE OF RHODE ISLAND
DIVISION OF TAXATION

Tax Expenditures Report
Details by Tax and Reliability Estimate

Items for reporting in January 2006

Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
Personal Income		
1. Artists' Modifications	1	
2. Political check-off	1	
3. Amortization air/water pollution control	5	
4. Interest on federal obligations	5	
5. Credit for other states' taxes	1	
6. Credit to trust beneficiary for distribution	5	
7. Credit for artwork exhibition	1	
8. Modification for family education accounts	5	
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	5	
17. Exclusion for income and preference items for qualifying employee's ownership in qualifying corporation	1	
18. Exclusion for gain from stock options in computer companies.	5	
19. *Federal adjustment - IRA deduction		2
20. *Federal adjustment - moving expenses		2
21. *Federal adjustment - 1/2 self employment		3
22. *Federal adjustment - self employment health insurance		2
23. *Federal adjustment - Keogh plan and SEP		3
24. *Federal adjustment - alimony paid		2
25. *Federal deduction - standard		2
26. *Federal deduction - itemized		2
27. *Federal exemption		2
28. *Federal credit - child/dependent care		3
29. *Federal credit - elderly or disabled		3
30. *Federal credit - foreign taxes		3
31. *Federal credit - general business		3
32. *Federal credit - earned income		3
33. Modification relating to medical savings accounts (Scituate)	5	

TOTAL THIS TAX = 33 items

*

* The tax preference items 19 through 32 listed are indirect items which occur through the adoption of the Internal Revenue Code in the taxpayer's Federal Income tax liability.

STATE OF RHODE ISLAND
DIVISION OF TAXATION

Tax Expenditures Report
Details by Tax and Reliability Estimate

Items for reporting in January 2006

Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
Sales and Use		
1. Cash discounts	5	
2. Refund in 120 days	5	
3. Installation labor	5	
4. Federal taxes	5	
5. Transportation charges	5	
6. Transfers to family members	5	
7. Transfers - business dissolution/liquidation	5	
8. Sales of residential trailers	5	
9. Transferee is exempt	5	
10. Casual sales	5	
11. 120 days total loss or destruction	5	
12. Sales for resale	4	
13. Demonstration boats	5	
14. Sales beyond state constitutional power	5	
15. Newspapers	2	
16. School meals	4	
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	
24. Prosthetic and orthopedic appliances	5	
25. Motor vehicles to nonresidents	4	
27. Coffins, caskets and burial garments	3	
26. Sales by the visually impaired	3	
28. Air/water pollution control facilities	4	
29. Camps	5	
30. Nursing homes/hospitals rental charges	3	
31. Educational institutions rental charges	5	
32. Motor vehicles and adaptive equipment for persons with disabilities	3	
33. Heating fuel for residences	3	
34. Electricity and gas for residences	3	

STATE OF RHODE ISLAND
DIVISION OF TAXATION

Tax Expenditures Report
Details by Tax and Reliability Estimate

Items for reporting in January 2006

Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
35. Manufacturer's machinery and equipment	3	
36. Motor vehicle trade-in	3	
37. Precious metal bullion	5	
38. Commercial vessels 50T	5	
39. Commercial fishing vessels	5	
40. Clothing and footwear	3	
41. Water for residential use	3	
42. Boats to nonresidents	5	
43. \$20. sales of certain nonprofit	5	
44. Farm equipment	5	
45. Compressed air	5	
46. Flags	5	
47. Amputee veterans' motor vehicles and equipment	3	
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	
53. Trade-in on boats	5	
54. Equipment for research and development	5	
55. Coins	5	
56. Farm structure construction materials	5	
57. Telecommunications carrier access service	5	
58. Boats for storage and repair	5	
59. Tangible personalty for jewelry display	5	
60. Boats	5	
61. Investment companies' toll free calls	5	
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	
67. Sales by artists	4	
68. Property purchased from federal government	5	
69. Property bought elsewhere by nonresident	5	
70. Property otherwise exempted	5	
71. Trucks, buses in interstate commerce	3	
72. Certain energy products	2	
73. Building materials to rebuild after disaster	4	
74. Florist supplies	4	
75. Renewable energy systems	3	
76. Horse food	4	

STATE OF RHODE ISLAND
DIVISION OF TAXATION

Tax Expenditures Report
Details by Tax and Reliability Estimate

Items for reporting in January 2006

Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
77. Sprinkler and fire alarm systems	1	
78. Non-motorized recreational vehicles sold to Non-residents	1	

TOTAL THIS TAX = 78 ITEMS

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

TOTAL THIS TAX = 25 ITEMS

STATE OF RHODE ISLAND
DIVISION OF TAXATION

Tax Expenditures Report
Details by Tax and Reliability Estimate

Items for reporting in January 2006

Alcoholic Beverages

1.	Sacramental wine by clergy	5
2.	First 100,000 bbl beer	5
3.	RI Manufacturer ships out of state	5
TOTAL THIS TAX = 3 ITEMS		

Bank Excise Tax

1.	Gain/loss on sale property not securities	5
2.	Gain/loss on sale of securities	5
3.	Securities loss write-down	5
4.	Dividend exclusion for US obligations	5
TOTAL THIS TAX = 4 ITEMS		

Beverage Containers

1.	Constitutional exemption	5
2.	Refillable and reuseable containers exempted	1
TOTAL THIS TAX = 2 ITEMS		

Cigarette Tax

1.	10 pack out of state cigarettes	1
2.	Stamping discount	1
3.	Holding period for unstamped items	5
TOTAL THIS TAX = 3 ITEMS		

Franchise Tax

1.	Taxed under 44-11	5
2.	Corporations specifically exempted	5
TOTAL THIS TAX = 2 ITEMS		

Gasoline Tax

1.	Exclusion for lubricating oils, etc.	5
2.	Federal and State taxes excluded	1
3.	Sales to US Government	1
4.	Railroad transportation equipment	1
5.	Alternative fuels exempted	1
TOTAL THIS TAX = 5 ITEMS		

Generation Skipping Transfer Tax

1.	Realty or personalty in another state	1
TOTAL THIS TAX = 1 ITEM		

Insurance Premiums Tax

1.	Ocean marine insurance exclusion	5
2.	Fraternal benefit societies	5
3.	Premiums returned	5
4.	Retaliatory provisions	5
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 2006

Jai Alai Betting and Breakage

- | | |
|-------------------------|---|
| 1. Licensee Commission | 1 |
| TOTAL THIS TAX = 1 ITEM | |

Litter Fee

- | | |
|--------------------------------|---|
| 1. New business Class A permit | 5 |
| 2. Constitutional exemption | 5 |
| TOTAL THIS TAX = 2 ITEMS | |

Motor Carrier Fuel Use

- | | |
|--------------------------------|---|
| 1. Refunds of taxes paid to RI | 2 |
| TOTAL THIS TAX = 1 ITEM | |

Pari-Mutual Betting/Breakage

- | | |
|--------------------------|---|
| 1. Licensee's commission | 1 |
| TOTAL THIS TAX = 1 ITEM | |

Public Utilities

- | | |
|--|---|
| 1. Narragansett Pier RR | 1 |
| 2. Company subject to Business Corp. Tax | 5 |
| 3. Carrier Access fees | 5 |
| 4. Electricity for resale | 5 |
| 5. Telecommunications non-voice service | 5 |
| 6. Merchandise sold | 4 |
| 7. Apportionment | 5 |
| 8. Sale of alternative fuels exempted | 5 |
| TOTAL THIS TAX = 8 ITEMS | |

Real Estate Conveyance Tax

- | | |
|---|-----|
| 1. Consideration of \$100 or less | 5 |
| 2. Statement in lieu of consideration | 5 |
| 3. Grantor - US government or subdivision | 5 |
| 4. Capitol Center project | N/A |
| TOTAL THIS TAX = 4 ITEMS | |

Telephone Company Property Tax

- | | |
|-----------------------------------|---|
| 1. Limited depreciation allowance | 5 |
| TOTAL THIS TAX = 1 ITEM | |

Hard to Dispose Tax

- | | |
|-----------------------------|---|
| 1. Constitutional exemption | 5 |
| TOTAL THIS TAX = 1 ITEM | |

Simulcast Betting

- | | |
|-------------------------|---|
| 1. Licensee Commission | 1 |
| 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 2006

Rental Vehicle Surcharge

- 1. 50% surcharge retained 1
- TOTAL THIS TAX = 1 ITEM

Environmental Protective Fee

- 1. Fees deposited into restricted account 1
- TOTAL THIS TAX = 1 ITEM

Uniform Oil Response Fee

- 1. Fees deposited into restricted account 1
- TOTAL THIS TAX = 1 ITEM

Mobile or Manufactured Homes Conveyance Tax

- 1. Consideration of \$100 or less 5
- 2. Statement in lieu of consideration 5

TOTAL THIS TAX = 2 ITEMS

TOTAL MISCELLANEOUS TAX ITEMS = 49

Other preference items for more than one tax

- 1. Juvenile Restitution Credit 1
- 2. Enterprise Zone Donations Credit 1
- 3. Enterprise Zone Wage Credit 1
- 4. Enterprise Zone Interest Credits 1
- 5. Apprenticeship Credit 1
- 6. Hydroelectric Power Credit 5
- 7. Investment Credit 1
- 8. Research and Development Property Credit 1
- 9. Research and Development Expense Credit 1
- 10. Educational Assistance and Development Credit 5
- 11. Small Business Investment Modification 5
- 12. Small Business Investment Exemption 5
- 13. SBA Loan Guaranty Fee Credit 1
- 14. Adult Education Credit 1
- 15. Daycare Credit 1
- 16. Elective Deduction for Research and Development 1
- 17. Welfare Bonus Program 5
- 18. Jobs Development Rate Reduction 1
- 19. Jobs Training Credit 1
- 20. Credit for construction of alternative fuel filling stations 5
- 21. Credit for accommodations under ADA 1
- 22. Deduction/modification for hiring the unemployed or welfare recipients 5
- 23. Specialized mill building investment credit 5
- 24. Interest credit for loans to mill building owners 5
- 25. Wage credit for employers in mill buildings 1

STATE OF RHODE ISLAND
DIVISION OF TAXATION

Tax Expenditures Report
Details by Tax and Reliability Estimate

Items for reporting in January 2006

26.	Credit for qualified film production companies	1
27.	Credit for renewable energy systems	1
28.	Credit for historic structures	1

TOTAL OTHER TAX ITEMS = 28

TOTAL FOR JANUARY 2004 REPORT = 213