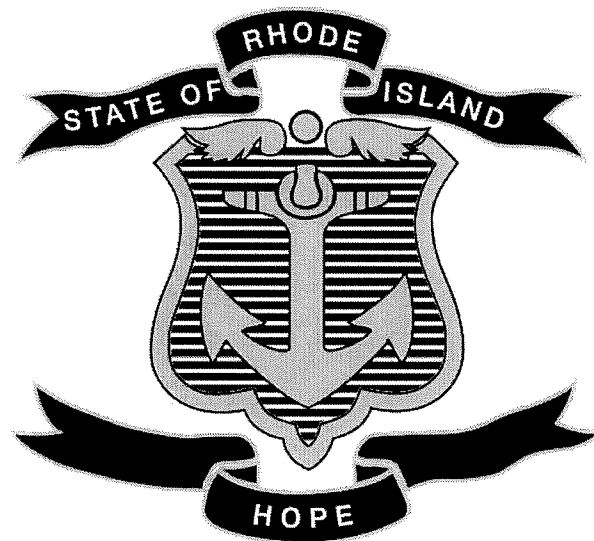


***STATE OF RHODE ISLAND***

***Department of Administration  
Division of Taxation***



***January, 2004***

***TAX EXPENDITURES REPORT  
ADDENDUM***

JANUARY 2004

TAX EXPENDITURES REPORT  
ADDENDUM

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 was issued in January 1997.

Prepared By:

This report addendum was prepared by Cecilia C. Tavares - Revenue Analyst.

Report Addendum Summary:

This report addendum includes changes for three tax preference items due to updated estimates or recent tax reviews, which were not included in the original report. Also added, is a report index with the reporting estimates tax year.

Report Addendum Changes:

**BUSINESS CORPORATION TAX**

1. **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 who 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 Business Corporation Tax estimate.

Revenues foregone: \$30,000.

Number of taxpayers: 6

TAX PREFERENCE ITEMS APPLICABLE TO MORE THAN ONE TAX

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: \$ 23,000.

Taxpayers: 14

Total Revenues foregone: \$662,000.

Total number of taxpayers: 165

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: \$ 372,000.

Taxpayers: 15

Total revenues foregone: \$2,910,000.

Total number of taxpayers: 277

Results Summary and Reliability Estimate with addendum changes:

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	30,000.
Miscellaneous Taxes	49 items	27,880,800.
Other Preference Items	28 items	24,822,700.
<b>GRAND TOTAL ALL ITEMS</b>	<b>211 Items</b>	<b><u>\$1,392,083,982.</u></b>

***REPORT INDEX***

STATE OF RHODE ISLAND  
DIVISION OF TAXATION

Tax Expenditures Report  
Details by Tax and Reliability Estimate

**REPORT INDEX**  
(with reporting estimates tax year)

<b>Tax and Preference Items</b>	<b>Tax Year</b>	<b>Page Number</b>
<b>Personal Income</b>		
1. Artists' Modifications	N/A	11
2. Political check-off	2002 calendar	11
3. Amortization air/water pollution control	N/A	12
4. Interest on federal obligations	N/A	12
5. Credit for other states' taxes	2002 calendar	12
6. Credit to trust beneficiary for distribution	N/A	13
7. Credit for artwork exhibition	N/A	14
8. Modification for family education accounts	N/A	14
9. Credit for qualifying widow(er)	2002 calendar	15
10. Exclusion for nonresident military pay	N/A	15
11. Allocation for nonresident partnership income	N/A	16
12. Credit for trust beneficiary	N/A	16
13. Credit - lead paint removal	2002 calendar	17
14. Credit/refund property tax relief	2002 calendar	18
15. Credit for historical residence renovations	2002 calendar	18
16. Modification - Enterprise zone business owner	N/A	19
17. Exclusion for income and preference items for qualifying employee's ownership in qualifying corporation	2001 calendar	19
18. Exclusion for gain from stock options in computer companies.	N/A	20
19. *Federal adjustment - IRA deduction	2003 calendar	20
20. *Federal adjustment - moving expenses	2003 calendar	21
21. *Federal adjustment - 1/2 self employment	2001 calendar	22
22. *Federal adjustment - self employment health insurance	2003 calendar	22
23. *Federal adjustment - Keogh plan and SEP	2003 calendar	23
24. *Federal adjustment - alimony paid	2003 calendar	24
25. *Federal deduction - standard	2003 calendar	25
26. *Federal deduction - itemized	2003 calendar	26
27. *Federal exemption	2003 calendar	26
28. *Federal credit - child/dependent care	2001 calendar	27
29. *Federal credit - elderly or disabled	2001 calendar	28
30. *Federal credit - foreign taxes	2001 calendar	28
31. *Federal credit - general business	2001 calendar	29
32. *Federal credit - earned income	2001 calendar	29

TOTAL THIS TAX = 32 items

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\* 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

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<i>Tax and Preference Items</i>	<i>Tax Year</i>	<i>Page Number</i>
<i>Sales and Use</i>		
1. Cash discounts	N/A	32
2. Refund in 120 days	N/A	32
3. Installation labor	N/A	33
4. Federal taxes	N/A	34
5. Transportation charges	N/A	34
6. Transfers to family members	N/A	35
7. Transfers - business dissolution/liquidation	N/A	35
8. Sales of residential trailers	N/A	36
9. Transferee is exempt	N/A	37
10. Casual sales	N/A	37
11. 120 days total loss or destruction	2003 FYE	37
12. Sales for resale	2003 FYE	38
13. Demonstration boats	N/A	39
14. Sales beyond state constitutional power	N/A	39
15. Newspapers	2003 FYE	40
16. School meals	'01-'02 (academic yr)	41
17. Containers	2003 FYE	42
18. Charitable, educational or religious organizations	N/A	42
19. Gasoline	2003 FYE	43
20. Purchases for manufacturing purposes	2003 FYE	44
21. State or political subdivisions	N/A	45
22. Food products	2003 FYE	45
23. Medicines and drugs	2003 FYE	46
24. Prosthetic and orthopedic appliances	N/A	47
25. Motor vehicles to nonresidents	N/A	48
26. Coffins, caskets and burial garments	N/A	49
27. Sales by the visually impaired	2002 FYE	50
28. Air/water pollution control facilities	N/A	50
29. Camps	N/A	50
30. Nursing homes/hospitals rental charges	N/A	51
31. Educational institutions rental charges	N/A	52
32. Motor vehicles and adaptive equipment for persons with disabilities	N/A	52
33. Heating fuel for residences	2003 FYE	53
34. Electricity and gas for residences	2003 FYE	54

STATE OF RHODE ISLAND  
DIVISION OF TAXATION

Tax Expenditures Report  
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**Tax and Preference Items**

	<b>Tax Year</b>	<b>Page Number</b>
35. Manufacturer's machinery and equipment	2003 FYE	54
36. Motor vehicle trade-in	N/A	55
37. Precious metal bullion	N/A	56
38. Commercial vessels 50T	N/A	57
39. Commercial fishing vessels	N/A	57
40. Clothing and footwear	2003 FYE	58
41. Water for residential use	2003 FYE	58
42. Boats to nonresidents	N/A	59
43. \$20. sales of certain nonprofit	N/A	60
44. Farm equipment	2003 FYE	60
45. Compressed air	N/A	61
46. Flags	N/A	61
47. Amputee veterans' motor vehicles and equipment	N/A	62
48. Textbooks	'01-'02 (academic yr)	63
49. Supplies for hazardous waste treatment	N/A	63
50. Literature for boat manufacturers	2003 FYE	63
51. Food stamp items	2002 calendar	64
52. Transportation charges motor carriers	N/A	65
53. Trade-in on boats	N/A	65
54. Equipment for research and development	N/A	66
55. Coins	N/A	66
56. Farm structure construction materials	N/A	67
57. Telecommunications carrier access service	N/A	67
58. Boats for storage and repair	N/A	67
59. Tangible personalty for jewelry display	N/A	68
60. Boats	N/A	68
61. Investment companies' toll free calls	N/A	69
62. Mobile and manufactured homes	2003 FYE	69
63. Taxes paid elsewhere	N/A	69
64. Vehicles of nonresident armed forces personnel	N/A	70
65. Sales to federal government	2003 FYE	71
66. Sales to common carriers	N/A	71
67. Sales by artists	N/A	72
68. Property purchased from federal government	N/A	72
69. Property bought elsewhere by nonresident	N/A	73
70. Property otherwise exempted	N/A	74
71. Trucks, buses in interstate commerce	2003 FYE	74
72. Certain energy products	N/A	74
73. Alternative fueled vehicles	N/A	75
74. Building materials to rebuild after disaster	N/A	75
75. Florist supplies	N/A	76
76. Renewable energy systems	2003 FYE	76



STATE OF RHODE ISLAND  
DIVISION OF TAXATION

*Tax Expenditures Report  
Details by Tax and Reliability Estimate*

**REPORT INDEX**  
*(with reporting estimates tax year)*

**Tax and Preference Items**

		<b>Tax Year</b>	<b>Page Number</b>
77.	<i>Horse food</i>	<i>N/A</i>	76
<i>TOTAL THIS TAX = 77 ITEMS</i>			

**Business Corporation**

1.	<i>Exclusion for financial institution</i>	<i>N/A</i>	79
2.	<i>Exclusion for public service company</i>	<i>N/A</i>	79
3.	<i>Exclusion for insurance companies</i>	<i>N/A</i>	80
4.	<i>Exclusion for nonprofit</i>	<i>N/A</i>	81
5.	<i>Exclusion for fraternal benefit societies</i>	<i>N/A</i>	81
6.	<i>Exclusion for special chartered corporations</i>	<i>N/A</i>	82
7.	<i>Exclusion for common ownership corporations</i>	<i>N/A</i>	82
8.	<i>Special provisions for security companies</i>	<i>N/A</i>	83
9.	<i>Special provisions for investment companies</i>	<i>N/A</i>	83
10.	<i>Exclusion for 1120S</i>	<i>N/A</i>	84
11.	<i>Consolidation provisions</i>	<i>N/A</i>	84
12.	<i>Interest on federal obligations</i>	<i>N/A</i>	85
13.	<i>Net operating loss deductions</i>	<i>N/A</i>	86
14.	<i>Treatment as DISC</i>	<i>N/A</i>	86
15.	<i>Treatment as FSC</i>	<i>N/A</i>	87
16.	<i>Rapid amortization of air/water facility</i>	<i>N/A</i>	87
17.	<i>Accelerated depreciation for manufacturers</i>	<i>N/A</i>	88
18.	<i>Exclusion - dividends of local banks</i>	<i>N/A</i>	88
19.	<i>Exclusion - dividends of local corporations</i>	<i>N/A</i>	89
20.	<i>Exclusion - interest from local utilities</i>	<i>N/A</i>	89
21.	<i>Apportionment of net income</i>	<i>N/A</i>	89
22.	<i>Special apportionment of USFDA facilities</i>	<i>N/A</i>	90
23.	<i>Allocation/apportionment of brokerage services</i>	<i>N/A</i>	91
24.	<i>Exclusion for international investment services</i>	<i>N/A</i>	91
25.	<i>Credit for ISO certification</i>	<i>2003 FYE</i>	<i>2004 addendum</i>

*TOTAL THIS TAX = 25 ITEMS*

STATE OF RHODE ISLAND  
DIVISION OF TAXATION

*Tax Expenditures Report  
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**REPORT INDEX**  
(with reporting estimates tax year)

<b>Tax and Preference Items</b>	<b>Tax Year</b>	<b>Page Number</b>
<b>Alcoholic Beverages</b>		
1. Sacramental wine by clergy	N/A	94
2. First 100,000 bbl beer	N/A	94
3. RI Manufacturer ships out of state	N/A	95
<i>TOTAL THIS TAX = 3 ITEMS</i>		
<b>Bank Excise Tax</b>		
1. Gain/loss on sale property not securities	N/A	95
2. Gain/loss on sale of securities	N/A	96
3. Securities loss write-down	N/A	96
4. Dividend exclusion for US obligations	N/A	96
<i>TOTAL THIS TAX = 4 ITEMS</i>		
<b>Beverage Containers</b>		
1. Constitutional exemption	N/A	97
2. Refillable and reuseable containers exempted	2003 FYE	97
<i>TOTAL THIS TAX = 2 ITEMS</i>		
<b>Cigarette Tax</b>		
1. 10 pack out of state cigarettes	N/A	98
2. Stamping discount	2003 FYE	98
3. Holding period for unstamped items	N/A	99
<i>TOTAL THIS TAX = 3 ITEMS</i>		
<b>Franchise Tax</b>		
1. Taxed under 44-11	N/A	100
2. Corporations specifically exempted	N/A	100
<i>TOTAL THIS TAX = 2 ITEMS</i>		
<b>Gasoline Tax</b>		
1. Exclusion for lubricating oils, etc.	N/A	101
2. Federal and State taxes excluded	N/A	101
3. Sales to US Government	2003 FYE	101
4. Railroad transportation equipment	N/A	102
5. Alternative fuels exempted	N/A	102
<i>TOTAL THIS TAX = 5 ITEMS</i>		

STATE OF RHODE ISLAND  
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<b>Tax and Preference Items</b>	<b>Tax Year</b>	<b>Page Number</b>
<b>Generation Skipping Transfer Tax</b>		
1. Realty or personalty in another state	N/A	103
TOTAL THIS TAX = 1 ITEM		
<b>Insurance Premiums Tax</b>		
1. Ocean marine insurance exclusion	N/A	103
2. Fraternal benefit societies	N/A	104
3. Premiums returned	N/A	104
4. Retaliatory provisions	N/A	104
TOTAL THIS TAX = 4 ITEMS		
<b>Jai Alai Betting and Breakage</b>		
1. Licensee Commission	2002 calendar	105
TOTAL THIS TAX = 1 ITEM		
<b>Litter Fee</b>		
1. New business Class A permit	N/A	106
2. Constitutional exemption	N/A	106
TOTAL THIS TAX = 2 ITEMS		
<b>Motor Carrier Fuel Use</b>		
1. Refunds of taxes paid to RI	2003 FYE	107
TOTAL THIS TAX = 1 ITEM		
<b>Pari-Mutual Betting/Breakage</b>		
1. Licensee's commission	2002 calendar	107
TOTAL THIS TAX = 1 ITEM		
<b>Public Utilities</b>		
1. Narragansett Pier RR	N/A	108
2. Company subject to Business Corp. Tax	N/A	108
3. Carrier Access fees	N/A	109
4. Electricity for resale	N/A	109
5. Telecommunications non-voice service	N/A	109
6. Merchandise sold	N/A	110
7. Apportionment	N/A	110
8. Sale of alternative fuels exempted	N/A	111
TOTAL THIS TAX = 8 ITEMS		
<b>Real Estate Conveyance Tax</b>		
1. Consideration of \$100 or less	N/A	111
2. Statement in lieu of consideration	N/A	112
3. Grantor - US government or subdivision	N/A	112
4. Capitol Center project	N/A	113
TOTAL THIS TAX = 4 ITEMS		

STATE OF RHODE ISLAND  
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<b>Tax and Preference Items</b>	<b>Tax Year</b>	<b>Page Number</b>
<b>Telephone Company Property Tax</b>		
1. Limited depreciation allowance	N/A	114
TOTAL THIS TAX = 1 ITEM		
<b>Hard to Dispose Tax</b>		
1. Constitutional exemption	N/A	114
TOTAL THIS TAX = 1 ITEM		
<b>Simulcast Betting</b>		
1. Licensee Commission	2002 calendar	115
TOTAL THIS TAX = 1 ITEM		
<b>Rental Vehicle Surcharge</b>		
1. 50% surcharge retained	N/A	115
TOTAL THIS TAX = 1 ITEM		
<b>Environmental Protective Fee</b>		
1. Fees deposited into restricted account	2003 FYE	116
TOTAL THIS TAX = 1 ITEM		
<b>Uniform Oil Response Fee</b>		
1. Fees deposited into restricted account	2003 FYE	116
TOTAL THIS TAX = 1 ITEM		
<b>Mobile or Manufactured Homes Conveyance Tax</b>		
1. Consideration of \$100 or less	N/A	117
2. Statement in lieu of consideration	N/A	117
TOTAL THIS TAX = 2 ITEMS		
TOTAL MISCELLANEOUS TAX ITEMS = 49		
<b>Other preference items for more than one tax</b>		
1. Juvenile Restitution Credit	2003 calendar	118
2. Enterprise Zone Donations Credit	2001 calendar	2004 addendum
3. Enterprise Zone Wage Credit	2001 calendar	2004 addendum
4. Enterprise Zone Interest Credits	2001 calendar	120
5. Apprenticeship Credit	2001 calendar	121
6. Hydroelectric Power Credit	N/A	121
7. Investment Credit	2001 calendar	121
8. Research and Development Property Credit	2001 calendar	123
9. Research and Development Expense Credit	2001 calendar	123
10. Educational Assistance and Development Credit	2001 calendar	124
11. Small Business Investment Modification	N/A	125

STATE OF RHODE ISLAND  
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<i>Tax and Preference Items</i>	<i>Tax Year</i>	<i>Page Number</i>
12. <i>Small Business Investment Exemption</i>	<i>N/A</i>	<i>125</i>
13. <i>SBA Loan Guaranty Fee Credit</i>	<i>2001 calendar</i>	<i>126</i>
14. <i>Adult Education Credit</i>	<i>2001 calendar</i>	<i>126</i>
15. <i>Daycare Credit</i>	<i>2001 calendar</i>	<i>127</i>
16. <i>Elective Deduction for Research and Development</i>	<i>2001 calendar</i>	<i>127</i>
17. <i>Welfare Bonus Program</i>	<i>N/A</i>	<i>128</i>
18. <i>Jobs Development Rate Reduction</i>	<i>2001 calendar</i>	<i>128</i>
19. <i>Jobs Training Credit</i>	<i>2001 calendar</i>	<i>129</i>
20. <i>Credit for construction of alternative fuel filling stations</i>	<i>N/A</i>	<i>129</i>
21. <i>Credit for accommodations under ADA</i>	<i>N/A</i>	<i>130</i>
22. <i>Deduction/modification for hiring the unemployed or welfare recipients</i>	<i>N/A</i>	<i>130</i>
23. <i>Specialized mill building investment credit</i>	<i>N/A</i>	<i>131</i>
24. <i>Interest credit for loans to mill building owners</i>	<i>N/A</i>	<i>131</i>
25. <i>Wage credit for employers in mill buildings</i>	<i>N/A</i>	<i>131</i>
26. <i>Credit for qualified film production companies</i>	<i>N/A</i>	<i>132</i>
27. <i>Credit for renewable energy systems</i>	<i>2001 calendar</i>	<i>132</i>
28. <i>Credit for historic structures</i>	<i>2003 calendar</i>	<i>133</i>

TOTAL OTHER TAX ITEMS = 28

TOTAL FOR JANUARY 2004 REPORT = 211