

STATE OF RHODE ISLAND

**Department of Administration
Division of Taxation**

TAX EXPENDITURES

REPORT

January, 1999

TAX EXPENDITURES REPORT

INTRODUCTION AND SUMMARY

Overview:

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

The Charge:

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

As mandated, this report contains the analyses of 49 tax preference items - 25% of the list of tax preference items as of December 31, 1997. Also included is a list of the next 49 items chosen for analysis in the report to be issued in 2000.

Prepared By:

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

Report Basics:

As directed in the charge, a "tax expenditure" is any tax credit, deduction, exemption, exclusion, 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 systems of the other New England states, with emphasis on Massachusetts and Connecticut.

(5) determination of the beneficiary's state tax burden.

(6) to the extent allowable by law, identification of similar taxpayers or industries that do not enjoy the exemption."

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

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

Without identifying individual beneficiaries, it is virtually impossible to present each beneficiary's state burden. The process is further complicated by businesses or individuals that have a number of available preference items. In taxes such as the Sales tax, the preference would

reduce the burden to all consumers but the effect on each consumer would vary widely depending on income or circumstances. This request does not appear possible under current law and with the current resources.

The analyses performed on the 49 tax preference items chosen for this report include the following: (1) a legal citation to the Rhode Island General Laws [as amended]; (2) an estimate of the reliability of the revenues foregone for the preference item; (3) a description of the tax preference item; (4) the source of the information about the revenues foregone; (5) the dollar amount of revenues foregone presented rounded to the nearest thousand [\$,000]; (6) the number of taxpayers claiming the preference item; and (7) a capsule version of the comparative information for the 5 other New England states.

Report Structure:

This summary is 1 of the 6 major parts into which the report is divided. The other 5 are: the Personal Income Tax section; the Sales and Use Tax section; the Business Corporation Tax section; the Other Taxes and Miscellaneous Tax Preference Items section; and the listing of tax preference items chosen for analysis in the 2000 report.

Results Summary:

The results of the analysis of the 49 items in this year's report are that the revenues foregone total more than \$141 million 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 rounded to the nearest thousand are:

Personal Income Tax	10 items	\$100,313,000.
Sales and Use Tax	13 items	40,254,000.
Business Corporation Tax	6 items	0.
Miscellaneous Taxes	17 items	1,049,000.
Other Preference Items	3 items	0.
<u>GRAND TOTAL ALL ITEMS</u>		<u>\$141,616,000.</u>

The tables following give the additional details.

STATE OF RHODE ISLAND
DIVISION OF TAXATION

1999 TAX EXPENDITURES REPORT
RESULTS SUMMARY BY TAX

Tax and Preference Item Selected	\$	Reliability
<u>Personal Income</u>		
1. Artists' modifications	0	4
7. Credit for artwork exhibition	0	2
8. Modification for family education accounts	0	4
24. Federal adjustment - alimony paid	1,000,000	3
25. Federal deduction - standard	66,000,000	2
28. Federal credit - child/dependent care	2,359,000	3
29. Federal credit - elderly or disabled	30,000	
30. Federal credit - foreign taxes	2,934,000	3
31. Federal credit - general business	605,000	3
32. Federal credit - earned income	27,385,000	3
TOTAL THIS TAX = 10 items	<u>\$ 100,313,000</u>	
<u>Sales and Use</u>		
13. Demonstration boats	0	N/A
16. School meals	73,000	5
24. Prosthetic and orthopedic appliances	0	5
26. Motor vehicles to nonresidents	5,233,000	4
30. Nursing homes/hospitals rental charges	34,880,000	3
32. Motor vehicles for paraplegics	58,000	2
44. Boats to nonresidents	0	N/A
48. Flags	0	5
49. Amputee veterans' motor vehicle/equipment	10,000	2
55. Trade-in on boats	0	N/A
57. Coins	0	5
61. Tangible personalty for jewelry display	0	5
69. Sales by artists	0	5
TOTAL THIS TAX = 13 items	<u>\$ 40,254,000</u>	
<u>Business Corporation</u>		
13. Treatment as a DISC	0	5
14. Treatment as a FSC	0	5
17. Exclusion - dividends of local banks	0	5
18. Exclusion - dividends of local corporations	0	5
19. Exclusion - interest from local utilities	0	5
22. Allocation/apportionment of brokerage services	0	3
TOTAL THIS TAX = 6 items	<u>\$ 0</u>	
<u>Other Taxes and Miscellaneous Preference Items</u>		
<u>Alcoholic Beverages</u>		
3. Rhode Island manufacturer ships out of state	0	4
TOTAL THIS TAX = 1 item	<u>\$ 0</u>	

STATE OF RHODE ISLAND
DIVISION OF TAXATION

1999 TAX EXPENDITURES REPORT
RESULTS SUMMARY BY TAX

Bank Deposits Tax		
3. Franchise Tax paid	0	2
TOTAL THIS TAX = 1 item	<u>\$ 0</u>	
Bank Excise Tax		
3. Securities loss writedown	0	5
4. Dividend exclusion	0	5
TOTAL THIS TAX = 2 items	<u>\$ 0</u>	
Beverage Containers		
1. Constitutional exemption	0	3
TOTAL THIS TAX = 1 item	<u>\$ 0</u>	
Cigarette Tax		
1. 10 packs of out of state cigarettes	0	5
3. Holding period for unstamped items	0	5
TOTAL THIS TAX = 2 items	<u>\$ 0</u>	
Franchise Tax		
2. Corporations specifically exempted	0	5
TOTAL THIS TAX = 1 item	<u>\$ 0</u>	
Gasoline		
3. Sales to US Government	272,000	2
4. Railroad transportation equipment	0	3
5. Special use refunds	392,000	2
TOTAL THIS TAX = 3 items	<u>\$ 664,000</u>	
Litter Fee		
1. New business Class A permit	0	5
2. Constitutional exemption	0	4
TOTAL THIS TAX = 2 items	<u>\$ 0</u>	
Motor Carrier Fuel Use		
1. Refunds of taxes paid to Rhode Island	385,000	2
TOTAL THIS TAX = 1 item	<u>\$ 385,000</u>	
Public Utilities		
1. Narragansett Pier Railroad	0	1
2. Company subject to Business Corporation Tax	0	5
6. Merchandise sold	0	4
TOTAL THIS TAX = 3 items	<u>\$ 0</u>	
TOTAL ALL OTHER TAXES	<u>\$ 1,049,000</u>	
Other preference items for more than one tax		
Apprenticeship Credit [*actual = \$384.]	*0	2
Hydroelectric Power Credit	0	1
Adult Education Credit	0	4
TOTAL THESE ITEMS = 3 items	<u>\$ 0</u>	
GRAND TOTAL ALL ITEMS CHOSEN FOR 1999		<u>\$ 141,616,000</u>

STATE OF RHODE ISLAND
 Division of Taxation
 January 1999

TAX EXPENDITURES COMPARISON

Comparison Of Other New England States

Items below are only those reported in January 1999.

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

	<u>CT</u>	<u>MA</u>	<u>ME</u>	<u>NH</u>	<u>VT</u>
<u>PERSONAL INCOME</u>					
1. Artists' Modifications.....	x	x	x	x	x
7. Credit for artwork exhibition.....	x	x	x	x	x
8. Modification for family education accounts.....	x	x	x	x	x
24. Federal adjustment-alimony paid.....	S	S	S	x	S
25. Federal deduction-standard.....	x	x	S	x	S
28. Federal credit-child/dependent care.....	x	x	x	x	S
29. Federal credit-elderly or disabled.....	x	x	x	x	S
30. Federal credit-foreign taxes.....	x	x	x	x	x
31. Federal credit-general business.....	x	x	x	x	x
32. Federal credit-earned income.....	x	S	x	x	S
<u>SALES AND USE</u>					
13. Demonstration boats.....	x	x	x	x	x
16. School meals.....	S	S	S	x	S
24. Prosthetic and orthopedic appliances.....	S	S	S	x	S

STATE OF RHODE ISLAND
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TAX EXPENDITURES COMPARISON

Comparison Of Other New England States

	<u>CT</u>	<u>MA</u>	<u>ME</u>	<u>NH</u>	<u>VT</u>
26. Motor vehicles to nonresidents.....	S	S	S	x	x
30. Nursing homes/hospitals rental charges.....	S	x	S	x	x
32. Motor vehicles for paraplegics.....	S	S	x	x	x
44. Boats to nonresidents.....	x	S	S	x	x
48. Flags.....	S	S	x	x	S
49. Amputee veterans' motor vehicle/ equipment.....	S	S	S	x	x
55. Trade-in on boats.....	x	S	S	x	x
57. Coins.....	S	S	x	x	x
61. Tangible personalty for jewelry display.....	x	x	x	x	x
69. Sales by artists.....	x	x	x	x	x
<u>BUSINESS CORPORATION</u>					
13. Treatment as DISC.....	S	x	x	S	x
14. Treatment as FSC.....	x	x	x	x	x
17. Exclusion-dividends of local banks.....	x	x	x	x	x
18. Exclusion-dividends of local corps.....	x	x	x	S	x
19. Exclusion-interest from local utilities.....	x	x	x	x	x
22. Allocation/apportionment of brokerage services.....	x	x	x	x	x

STATE OF RHODE ISLAND
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TAX EXPENDITURES COMPARISON

Comparison Of Other New England States

	<u>CT</u>	<u>MA</u>	<u>ME</u>	<u>NH</u>	<u>VT</u>
<u>MISCELLANEOUS TAX PREFERENCE ITEMS</u>					
<u>Alcoholic Beverages</u>					
3. RI manufacturer ships out of state.....	x	x	x	x	x
<u>Bank Deposits Tax</u>					
3. Franchise tax paid.....	x	x	x	x	x
<u>Bank Excise Tax</u>					
3. Securities loss write down.....	x	x	x	x	x
4. Dividend exclusion.....	x	x	x	x	x
<u>Beverage Containers</u>					
1. Constitutional exemption.....	x	x	x	x	x
<u>Cigarette Tax</u>					
1. 10 packs out of state cigarettes.....	x	x	S	x	x
3. Holding period for unstamped items.....	S	x	x	x	S
<u>Franchise Tax</u>					
2. Corporation specifically exempted.....	x	x	x	x	x
<u>Gasoline Tax</u>					
3. Sales to US Government.....	S	S	S	S	S
4. Railroad transportation equipment.....	x	x	x	x	x
5. Special use refunds.....	S	S	S	x	S

STATE OF RHODE ISLAND
 Division of Taxation
 January 1999

TAX EXPENDITURES COMPARISON

Comparison Of Other New England States

	<u>CT</u>	<u>MA</u>	<u>ME</u>	<u>NH</u>	<u>VT</u>
<u>Litter Fee</u>					
1. New business Class A permit.....	x	x	x	x	x
2. Constitutional exemption.....	x	x	x	x	x
<u>Motor Carrier Fuel Use</u>					
1. Refunds of taxes paid to RI.....	S	S	S	S	S
<u>Public Utilities</u>					
1. Narragansett Pier Railroad.....	x	x	x	x	x
2. Company subject to Business Corp. Tax.....	x	x	x	x	x
6. Merchandise sold.....	S	x	x	x	x
<u>Other preference itmes for more than one tax</u>					
5. Apprenticeship credits.....	S	x	x	x	x
6. Hydroelectric power credit.....	x	x	x	x	x
14. Adult education credit.....	x	x	x	x	x

TOTAL SELECTED FOR 1999 = 49

T A X E X P E N D I T U R E S R E P O R T

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

SUMMARY

The Personal Income Tax is one of the three largest revenue sources for the State of Rhode Island. The 1997 Tax Expenditures report showed that there were 17 direct tax preference items and 15 indirect tax preference items in this chapter and 7 of these items were reported on in the 1998 report. This 1999 Tax Expenditures report focuses on 10 items.

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

DESCRIPTION OF TAX

Who Is Subject to the Tax

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

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

TAX PREFERENCE ITEMS

INTRODUCTION:

The details of the Personal Income tax direct preference items included in this 1999 report are presented by showing: (1) a legal citation to the Rhode Island General Laws [as amended], (2) an estimate of reliability of the revenues 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.

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

DIRECT TAX PREFERENCE ITEMS

1. Artists' Modifications:

Cite: 44-30-1.1

Reliability estimate: 4

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 only art economic development zone was in the city of Providence.

Source: The information for artists' modifications was derived from the personal income taxes filed with the Division during 1998 for tax year 1997.

Revenues foregone: \$ 0 No gains of this type were noted.

Number of taxpayers: 0 No taxpayers claimed this preference item.

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

7. Credit for artwork exhibition:

Cite: 44-30-24

Reliability estimate: 2

This credit against the Rhode Island tax 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. No Board of Curators has ever awarded any certification.

Source: The information for artists' modifications was derived from the personal income taxes filed with the Division during 1998 for tax year 1997.

Revenues foregone: \$ 0 No taxpayers claimed this preference item; see comment on Board of Curators above.

Number of taxpayers: 0 No taxpayers claimed this preference item; see comment on Board of Curators above.

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

8. **Modification for family education accounts:**

Cite: 44-30-25

Reliability estimate: 4

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 1998 for tax year 1997.

Revenues foregone: \$ 0 No taxpayers used this preference item.

Number of taxpayers: 0 No taxpayers used this preference item.

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

24. **Federal adjustment - alimony paid:**

Cite: Internal Revenue Code Section 215

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 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 Tax Model

Revenues foregone: \$ 1,000,000.

Number of taxpayers: Statistics not furnished by the Tax Model.

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 adjusted 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 found.

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: State of Rhode Island Tax Model

Revenues foregone: \$ 66,000,000.

Number of taxpayers: Statistics not furnished by the Tax Model.

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.

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*, Volume 17, Number 4

Revenues foregone: \$ 2,359,000.

Number of taxpayers: 24,682

Comparison: Only Vermont has a similar provision.

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: Chapter 151

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 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 \$ 1, 125 if he/she is a qualifying individual and his/her income is within certain, federally-determined limits.

Source: Statistics of Income Bulletin, Volume 17, Number 4

Revenues foregone: \$ 30,000.

Number of taxpayers: 701

Comparison: Only Vermont has a similar provision.

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: Chapter 151

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.

Source: Statistics of Income Bulletin, Volume 17, Number 4

Revenues foregone: \$ 2,934,000.

Number of taxpayers: 8,699

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, alcohol fuels credit, Indian employment credit, orphan drug credit, Trans-Alaska pipeline liability credit and others] and is limited to certain percentages of the federal tax liability.

Source: *Statistics of Income Bulletin*, Volume 17, Number 4

Revenues foregone: \$ 605,000

Number of taxpayers: 1, 155

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

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*, Volume 17, Number 4

Revenues foregone: \$ 27,385,000.

Number of taxpayers: 81,391

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, Part 3, 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.

TAX EXPENDITURES REPORT

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

SUMMARY

The Sales and Use Tax is one of the three largest revenue sources for the State of Rhode Island. The 1997 Tax Expenditures report showed that there were 76 available tax items of various types for this chapter. Included in these 76 are 2 items noted as not considered to be preference items for purposes of reporting - items bought by nonresidents before 7/1/47 and items excluded if subject the use tax. Of the remaining 74 items, 13 were reported on in the 1998 report. This 1999 Tax Expenditures Report focuses on 13 items.

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 the retailer collects from his or her customers all or a part of the tax which he or she pays to the state.

Use Tax

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

TAX PREFERENCE ITEMS

INTRODUCTION:

The details of the Sales and Use Tax direct preference items included in this 1999 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

13. **Demonstration Boats:**

Cite: 44-18-26.1

Reliability estimate: N/A

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: \$0 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.

16. **School Meals**

Cite: 44-18-30 (3)

Reliability estimate: 5

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 : Revenues foregone were 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: \$ 73,000.

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

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 12-412(9)

Massachusetts: Massachusetts' provision includes only meals served to students at schools, colleges and universities but does not include meals served to faculty members or other individuals.

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

Maine: Maine's provisions include meals served to students and teachers by schools, colleges, universities, student organizations and parent-teacher organizations.

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

New Hampshire: No similar provision found.

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

Vermont Law Cite: Title 32, Section 9741(a)(13)

24. **Prosthetic and orthopedic appliances:**

Cite: 44-18-30 (11)

Reliability estimate: 5

This exemptions 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: \$ 0 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.

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: Sec 12-412(19), GS

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 (l)

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

New Hampshire: No similar provision found.

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

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

26. **Motor vehicles to nonresidents:**

Cite: 44-18-30 (13)

Reliability estimate: 4

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: Automobile Dealer Statements [T336] submitted to the Tax Division.

Revenues foregone: \$ 5,233,000. for calendar year 1998

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.

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 if 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.

30. **Nursing homes/hospitals rental charges:**

Cite: 44-18-30 (13)

Reliability estimate: 3

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: \$ 34,880,000.

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

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

32. **Motor vehicles for paraplegics:**

Cite: 44-18-30 (19)

Reliability estimate: 2

This exemption applies to the 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: Estimates based on a 6 month sample of information from the Rhode Island Division of Motor Vehicles exemption log.

Revenues foregone: \$ 58,000. for calendar 1998

Number: There were 20 claims for this exemption in the sample period.

Comparison: Only Connecticut and Massachusetts have similar provisions.

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

44. **Sale of boats to nonresidents:**

Cite: 44-18-30(31)

Reliability estimate: N/A

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 44-18-30(49).

Revenues foregone: \$ 0 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.

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

48. **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: \$ 0 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.

Comparison:

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

Connecticut Law Cite: Title 12, Section 12-408(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 found.

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 9741(33)

49. **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 amputee veterans.

Source: Estimates based on a 6 month sample of information from the Rhode Island Division of Motor Vehicles exemption log.

Revenues foregone: \$ 10,000. for calendar 1998.

Number: There were 4 claims in the 6 month sample period.

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 found.

Vermont: No similar provision found.

55. **Trade-in on boats:**

Cite: 44-18-30(42)

Reliability estimate: N/A

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 buyer.

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

Revenues foregone: \$ 0 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.

Comparison: Only Massachusetts and Maine have similar provisions.

Massachusetts: Massachusetts' provisions include a reduction in the sales 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

57. **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: \$ 0 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.

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 12-408(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

61. **Tangible personalty for jewelry display:**

Cite: 44-18-30 (48)

Reliability estimate: 5

This tax preference item exempts 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: \$ 0 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.

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

69. **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: \$ 0 No sales of this type were noted.

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.

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

T A X E X P E N D I T U R E S R E P O R T

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

SUMMARY

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

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

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 1999 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, (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.

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

13. **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: \$ 0. No corporations electing this treatment.

Number of taxpayers: There are no corporations electing this type of treatment.

Comparison: Only Connecticut and New Hampshire have similar provisions.

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

Connecticut Law Cite: Section 12-214(a)

New Hampshire: New Hampshire's provisions 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

14. **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: \$ 0 No corporations elected this treatment.

Number of taxpayers: There are no corporations electing this type of treatment.

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

17. **Exclusion - dividends of local 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: \$ 0 Revenue loss not reliably estimable.

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

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

18. **Exclusion - dividends of local corps:**

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

Reliability estimate: 5

This tax preference item allows for the exemption of any dividends received from a corporation which files under the Business Corporation Tax provisions [44-11].

Source: Business Corporation Tax Section

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

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

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

19. **Exclusion -dividends and interest from local utilities:**

Cite: 44-11-12(2)

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 [44-13].

Source: Business Corporation Tax Section

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

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

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

22. **Allocation/apportionment of regulated investment companies and brokerage services**

Cite: 44-11-14.2

Reliability estimate: 3

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: \$ 0 Revenue loss not reliably estimable.

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

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

OTHER TAX PREFERENCE ITEMS

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

TAX EXPENDITURES REPORT

OTHER TAXES AND MISCELLANEOUS TAX PREFERENCE ITEMS

INTRODUCTION:

This section of the 1999 Tax Expenditures Report contains the 10 taxes [other than Personal Income tax, Sales and Use tax and Business Corporation tax reported in the other 3 sections] from which 17 tax preference items were selected for analysis.

Additionally, this section of the report contains the 3 tax preference items available to more than one tax which were selected for analysis.

TAX PREFERENCE ITEMS

INTRODUCTION:

The details of the other taxes and miscellaneous tax preference items included in this 1999 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

1. Alcoholic Beverage Tax and Importation Service Charge:

Cite: 3-10

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

Beverage	Tax or Service Charge
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
Ethyl alcohol (beverage)	7.50 per gallon
Ethyl alcohol (nonbeverage)	.08 per gallon

Tax Preferences:

RI manufacturer ships out of state:

Cite: 3-10-2

Reliability estimate: 4

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: \$ 0 Revenue loss not reliably estimable.

Number of taxpayers: There are 6 alcoholic beverage manufacturers in this state.

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

2. **Banking Institutions -- Tax On Interest-Bearing Deposits:**

Cite: 44-15

An annual tax is imposed on every banking institution at .0695 (for banking institutions with total deposits in excess of \$150,000,000) or at .0625 (for those institutions with total deposits of \$150,000,000 or less) on each \$100 of the daily average of the deposits during the calendar year. For the period January 1, 1997 through December 31, 1997, the .0695 rate shall be reduced to .0348. For the period beginning January 1, 1998 and thereafter, the rate shall be 0%.

An annual tax is imposed on every credit union with total deposits in excess of \$150,000,000 at .0695 on each \$100 of the daily average of deposits with the credit union during the calendar year. For credit unions with total deposits of \$150,000,000 or less, the rate is .0625 on each \$100 of the daily average of deposits. "Credit Union" means a credit union with its principal place of business here.

A report must be filed by January 15 of each year showing the tax that will be due the following June 15. A tax return with payment must be filed and paid by June 15 of each year. The amount of franchise tax paid by any building and loan association or savings and loan association in the same year shall be credited against this tax.

This tax was phased out in 1997 at 50% and 1998 the rate was 0.

Tax Preferences:

Franchise tax paid:

Cite: 44-15-4

Reliability estimate: 2

This tax preference item allows the bank or credit union to have a credit for any Rhode Island Franchise tax [44-12] paid.

Source: Business Corporation Tax Section

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

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

3. **Banking Institutions -- Excise Tax:**

Cite: 31-36

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 of 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:

Securities loss writedown:

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: \$0 No taxpayers used this special deduction.

Number of taxpayers: No taxpayers used this special deduction.

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

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 institution 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: \$ 0 Revenue loss not reliably estimable.

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

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

4. **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:

Constitutional exemption:

Cite: 44-44-3.6

Reliability estimate: 3

This exemption covers any taxes, fees, and any measure on which the state is prohibited from taxing by the U.S. Constitution.

Source: Excise Tax Section

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

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

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

5. **Cigarette tax:**

Cite: 44-20

A tax of 35 1/2 mills per cigarette is imposed on each cigarette and on each sheet of cigarette rolling paper sold or held for sale within Rhode Island (71 cents 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:

10 packs out of state cigarettes:

Cite: 44-20-16

Reliability estimate: 5

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: \$ 0 No revenue impact.

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

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

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 24 hours.

Source: Excise Tax Section

Revenues foregone: \$ 0 No revenue impact

Number of taxpayers: There are 4 class A stamping distributors.

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

6. **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 \$250.00

Inactive corporations and those not engaged in business here during the taxable year are taxed: \$250.00 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:

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: \$ 0 Revenue loss not reliably estimable.

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

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

7. **Gasoline Tax:**

Cite: 31-36

This tax is imposed on the distributor at 11% of the average wholesale selling price of a gallon of fuel and the tax cannot be less than 25 cents per gallon.

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

Tax Preferences:

Sales to US Government:

Cite: 31-36-13

Reliability estimate: 2

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: \$ 272,000. for fiscal year ended 6/30/98

Number of taxpayers: There are 85 distributors reporting.

Comparison:

Connecticut: Connecticut's provisions 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-A

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, I

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)

Railroad transportation equipment:

Cite: 31-36-13

Reliability estimate: 3

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: Excise Tax Section

Revenue foregone: \$ 0 No revenue loss.

Number of taxpayers: No taxpayers claim this preference item.

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

Special use refunds:

Cite: 31-36-15

Reliability estimate: 2

This tax preference item allows a refund for fuel taxes paid when the fuel is used in specific manners including but not limited to: fuels used by commercial fishermen to propel fishing boats; fuels used by lumbermen who use the fuel to operate stationary engines, tractors and non-highway use vehicles for lumbering; fuels used by water well drillers for engines or drilling apparatus; fuels used by farmers for engines, tractors, and farm vehicles; etc.

Source: Excise Tax Section special refund statistics for fye 6/30/98.

Revenue foregone: \$ 392,000.

Number of taxpayers: 40 refund claims.

Comparison:

Connecticut: Connecticut's provisions include refunds for specific uses such as but not limited to: farming uses, livery service vehicles, school busses, hospital ambulances, approved, non-profit civic organizations, and delivery vehicles used exclusively for delivery of meals to senior citizens.

Connecticut Law Cite: Title 12, Chapter 221, Section 12-459

Massachusetts: Massachusetts' provisions include refund of taxes paid for fuels used in a manner other than in the operation of a motor vehicle over highways.

Massachusetts Law Cite: Chapter 64A, Section 7

Maine: Maine's provisions include an exemption for fuels sold for the purposes of generating power for resale or for manufacturing.

Maine Law Cite: Title 36, Part 5, Chapter 459, Section 3204-A

New Hampshire: No similar provision found.

Vermont: Vermont's provisions include exceptions from the imposition of tax for uses for agricultural purposes not conducted on Vermont highways; off-highway uses by any vehicle; and uses by farm trucks bearing special registrations.

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

8. **Litter fee:**

Cite: 44-44

All persons, corporations or other business entities selling or offering for retail sale 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:

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 a fee of \$25.00.

Source: Excise Tax Section

Revenues foregone: \$ 0 No revenue impact.

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.

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

Constitutional exemption:

Cite: 44-44-3.6

Reliability estimate: 4

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: Excise Tax Section

Revenues foregone: \$ 0 No impact on revenue.

Number of taxpayers: N/A

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

9. **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.

Any motor carrier (individual, corporation, partnership, association, trust or other entity) based in Rhode Island and operating 1 or more qualified vehicles

Tax Preferences:

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: \$ 385,000

Number of taxpayers: 1,593

Comparison: All the other 5 New England states are signatories of the International Fuel Tax Agreement and, therefore, all have similar provisions.

10. **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 preceding calendar year and is computed as follows:

- 1) Cable corporations - 8%
- 2) Electric companies, telegraph companies, and express companies doing business on steamboats - 4%
 - a) For manufacturing customers:
 - Effective July 1, 1994 the rate will be 3%
 - Effective July 1, 1995 the rate will be 2%
 - Effective July 1, 1996 the rate will be 1%
 - Effective July 1, 1997 the rate will be 0%
- 3) Gas companies - 3%
 - a) For manufacturing customers:
 - Effective July 1, 1994 the rate will be 2%
 - Effective July 1, 1995 the rate will be 1%
 - Effective July 1, 1996 the rate will be 0%
- 4) Common carrier steamboat, ferryboat, street railway, dining car, sleeping car, chair car or parlor car corporations and water and toll bridge companies - 1 1/4%
- 5) Telecommunications corporations - 5% effective July 1, 1997.
The minimum tax payable is \$100.00

Tax Preferences:

Narragansett Pier RR:

Cite: 44-13-1(a)

Reliability: 1

This tax preference item allows the Narragansett Pier Railroad to be exempted from gross earnings tax .

Source: Business Corporation Tax

Revenues foregone: \$ 0 No revenue effect.

Number of taxpayers: 0 Taxpayer is no longer in operation.

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

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: Business Corporation Tax Section; and RI Department of Business Regulation, Public Utilities Commission.

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

Number of taxpayers: There are 8 corporations filing under 44-13.

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

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: \$ 0 No such deductions were taken

Number of taxpayers: There are 8 corporations filing under 44-13.

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

TAX PREFERENCE ITEMS APPLICABLE TO MORE THAN ONE TAX

This portion of the 1999 Tax Expenditures Report covers those tax preference items which are available to more than one tax.

The 1997 Tax Expenditures Report listed 19 such items of which 3 were chosen for the 1999 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.

5. **Apprenticeship credits:**

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.

Cite: 44-11-41

Reliability Estimate: 2

Source: Statistics taken from actual personal income tax returns filed in 1998 for tax year 1997; corporate information was not available.

Revenues foregone: \$ 384.00 (actual amount)

Number of taxpayers: 1 taxpayer

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:**

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.

Cite: 44-30-22

Reliability Estimate: 1

Source: Personal income tax filings and Business Corporation Tax Section records.

Revenues foregone - 0 No credits claimed

Total Number of taxpayers: 0 No taxpayers claimed this item.

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

14. **Adult Education Credit:**

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 educational 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.

Cite: 44-46-1

Reliability Estimate: 4

Source: Statistics taken from actual personal income tax returns filed in 1998 for tax year 1997; corporate information was not available.

Revenues foregone - 0 No claims

Total number of taxpayers: 0 No taxpayers claimed this item.

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

STATE OF RHODE ISLAND
DIVISION OF TAXATION

Tax Expenditures Report
Details by Tax and Reliability Estimate

Items for reporting in January, 2000 are X'd and in bold
Items reported in 1998 and 1999 are underlined and coded "PR"

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

TOTAL THIS TAX = 32 ITEMS

STATE OF RHODE ISLAND
DIVISION OF TAXATION

Tax Expenditures Report
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Items for reporting in January, 2000 are X'd and in bold
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Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
Sales and Use		
X 1. Cash discounts	5	
X 2. Refund in 120 days	5	
3. Installation labor	5	
4. Federal taxes	5	
5. Transportation charges	5	
X 6. Transfers to family members	5	
7. Transfers - business dissolution/ liquidation	5	
X 8. Sales of residential trailers	5	
X 9. Transferee is exempt	5	
10. Casual sales	5	
X 11. 120 days total loss or destruction	5	
12. Sales for resale	4	
<u>13.</u> Demonstration boats	PR	
X 14. Sales beyond state constitutional power.	5	
<u>15.</u> Newspapers	PR	
<u>16.</u> School meals	PR	
<u>17.</u> Containers	PR	
18. Charitable, educational or religious organizations	5	
<u>19.</u> Gasoline	PR	
20. Purchases for manufacturing purposes	3	
21. State or political subdivisions	5	
<u>22.</u> Food products	PR	
<u>23.</u> Medicines and drugs	PR	
<u>24.</u> Prosthetic and orthopedic appliances	PR	
<u>25.</u> Coffins, caskets and burial garments	PR	
<u>26.</u> Motor vehicles to nonresidents	PR	
27. Sales by the visually impaired	4	
X 28. Air/water pollution control facilities	4	
X 29. Camps	5	
<u>30.</u> Nursing homes/hospitals rental charges	PR	
X 31. Educational institutions rental charges	5	
<u>32.</u> Motor vehicles for paraplegics	PR	
<u>33.</u> Heating fuel for residences	PR	
<u>34.</u> Electricity and gas for residences	PR	
35. Manufacturer's machinery and equipment	4	
X 36. Motor vehicle trade-in	3	
X 37. Precious metal bullion	5	
<u>38.</u> Sales by Bicentennial Commission	PR	
X 39. Commercial vessels 50T	N/A	

STATE OF RHODE ISLAND
DIVISION OF TAXATION

Tax Expenditures Report
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Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
X 40. Commercial fishing vessels	N/A	
<u>41.</u> Clothing and footwear	PR	
<u>42.</u> Water for residential use	PR	
<u>43.</u> Bibles	PR	
<u>44.</u> Boats to nonresidents	N/A	
45. \$20. sales of certain nonprofits	5	
X 46. Farm equipment	5	
47. Compressed air	5	
<u>48.</u> Flags	PR	
<u>49.</u> Amputee veterans' motor vehicles and equipment	PR	
50. Textbooks	5	
51. Supplies for hazardous waste treatment	4	
X 52. Literature for boat manufacturers	5	
53. Food stamp items	5	
54. Transportation charges motor carriers	5	
<u>55.</u> Trade-in on boats	PR	
56. Equipment for research and development	5	
<u>57.</u> Coins	PR	
X 58. Farm structure construction materials	5	
59. Telecommunications carrier access service	5	
X 60. Boats for storage and repair	N/A	
<u>61.</u> Tangible personalty for jewelry display	PR	
<u>62.</u> Boats	PR	
63. Investment companies' toll free calls	5	
X 64. Mobile and manufactured homes	2	
65. Taxes paid elsewhere	5	
X 66. Vehicles of nonresident armed forces personnel	3	
67. Sales to federal government	5	
68. Sales to common carriers	5	
<u>69.</u> Sales by artists	PR	
70. Property purchased from federal government	N/A	
71. Property bought elsewhere by nonresident	N/A	
72. Property otherwise exempted	N/A	
73. Trucks, busses in interstate commerce	3	
74. Certain energy products	5	

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

TOTAL THIS TAX = 74 ITEMS

STATE OF RHODE ISLAND
DIVISION OF TAXATION

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

Alcoholic Beverages

X 1. Sacramental wine by clergy	4	
<u>2.</u> First 100,000 bbl beer	PR	
<u>3.</u> RI manufacturer ships out of state	PR	
TOTAL THIS TAX = 3 ITEMS		

Bank Deposits Tax

X 1. Out of state deposits	5	
X 2. Percentage exclusion for US obligations	2	
3. Franchise tax paid	PR	
TOTAL THIS TAX = 3 ITEMS		

STATE OF RHODE ISLAND
DIVISION OF TAXATION

Tax Expenditures Report
Details by Tax and Reliability Estimate

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Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
Bank Excise Tax		
X 1. Gain/loss on sale property not securities	3	
X 2. Gain/loss on sale of securities	3	
<u>3.</u> Securities loss writedown	PR	
<u>4.</u> Dividend exclusion	PR	
TOTAL THIS TAX = 4 ITEMS		
Beverage Containers		
<u>1.</u> Constitutional exemption		PR
TOTAL THIS TAX = 1 ITEM		
Cigarette Tax		
<u>1.</u> 10 packs out of state cigarettes		PR
<u>2.</u> Stamping discount		PR
<u>3.</u> Holding period for unstamped items		PR
TOTAL THIS TAX = 3 ITEMS		
Franchise Tax		
1. Taxed under 44-11		4
<u>2.</u> Corporations specifically exempted		PR
TOTAL THIS TAX = 2 ITEMS		
Gasoline Tax		
1. Exclusion for lubricating oils, etc.	3	
<u>2.</u> Federal and State taxes excluded	PR	
<u>3.</u> Sales to US Government	PR	
<u>4.</u> Railroad transportation equipment	PR	
TOTAL THIS TAX = 4 ITEMS		
Generation Skipping Transfer Tax		
X 1. Realty or personalty in another state	5	
TOTAL THIS TAX = 1 ITEM		
Insurance Premiums Tax		
1. Ocean marine insurance exclusion	5	
2. Fraternal benefit societies	5	
3. Premiums returned	4	
4. Retaliatory provisions	4	
TOTAL THIS TAX = 4 ITEMS		
JaiAlai Betting and Breakage		
<u>1.</u> Licensee Commission		PR
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, 2000 are X'd and in bold
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Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
Litter Fee		
<u>1.</u> New business Class A permit	PR	
<u>2.</u> Constitutional exemption	PR	
TOTAL THIS TAX = 2 ITEMS		
Motor Carrier Fuel Use		
<u>1.</u> Refunds of taxes paid to RI	PR	
TOTAL THIS TAX = 1 ITEM		
Pari-Mutuel Betting/Breakage		
<u>1.</u> Licensee's commission	PR	
TOTAL THIS TAX = 1 ITEM		
Public Utilities		
<u>1.</u> Narragansett Pier RR	PR	
<u>2.</u> Company subject to Business Corp Tax	PR	
X 3. Carrier Access fees	5	
X 4. Electricity for resale	5	
X 5. Telecommunications nonvoice service	5	
<u>6.</u> Merchandise sold	PR	
X 7. Apportionment	5	
TOTAL THIS TAX = 7 ITEMS		
Real Estate Conveyance Tax		
X 1. Consideration of \$100 or less	3	
X 2. Statement in lieu of consideration	5	
X 3. Grantor - US government or subdivision	5	
X 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		
X 1. Constitutional exemption	3	
TOTAL THIS TAX = 1 ITEM		
Simulcast Betting		
<u>1.</u> Licensee Commission	PR	
TOTAL THIS TAX = 1 ITEM		
Retail Tire Fee		
<u>1.</u> Fee deposited into restricted account	PR	
TOTAL THIS TAX = 1 ITEM		

STATE OF RHODE ISLAND
DIVISION OF TAXATION

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Tax and Preference Items	Direct Reliability Estimate	Indirect Reliability Estimate
Rental Vehicle Surcharge		
<u>1.</u> 50% surcharge retained	PR	
TOTAL THIS TAX = 1 ITEM		
Environmental Protective Fee		
<u>1.</u> Fees deposited into restricted account	PR	
TOTAL THIS TAX = 1 ITEM		
Uniform Oil Response Fee		
<u>1.</u> Fees deposited into restricted account	PR	
TOTAL THIS TAX = 1 ITEM		
Mobile or Manufactured Homes Conveyance Tax		
X <u>1.</u> Consideration of \$100 or less	3	
X <u>2.</u> Statement in lieu of consideration	5	
TOTAL THIS TAX = 2 ITEMS		
Other preference items for more than one tax		
<u>1.</u> Juvenile Restitution Credit	PR	
<u>2.</u> Enterprise Zone Donations Credit	PR	
<u>3.</u> Enterprise Zone Wage Credit	PR	
<u>4.</u> Enterprise Zone Interest Credits	PR	
<u>5.</u> Apprenticeship Credit	PR	
<u>6.</u> Hydroelectric Power Credit	PR	
<u>7.</u> Investment Credit	PR	
<u>8.</u> Research and Development Property Credit	PR	
<u>9.</u> Research and Development Expense Credit	PR	
<u>10.</u> Educational Assistance and Development Credit	PR	
<u>11.</u> Small Business Investment Modification	PR	
<u>12.</u> Small Business Investment Exemption	PR	
<u>13.</u> SBA Loan Guaranty Fee Credit	PR	
<u>14.</u> Adult Education Credit	PR	
<u>15.</u> Daycare Credit	PR	
<u>16.</u> Elective Deduction for Research and Development	PR	
<u>17.</u> Welfare Bonus Program	PR	
<u>18.</u> Jobs Development Rate Reduction	PR	
<u>19.</u> Jobs Training Credit	PR	
TOTAL THESE ITEMS = 19		
<u>TOTAL ALL ITEMS = 198</u>		

TOTAL CHOSEN FOR JANUARY, 2000 REPORT = 49