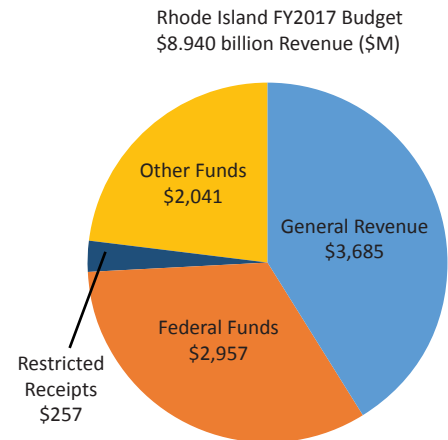


2016 Legislative Highlights

The general assembly enacted a budget for the 2017 fiscal year (July 1, 2016 – June 30, 2017) of \$8.94 billion dollars. This includes \$3.7 billion in general revenue funds, \$3 billion in federal funds, \$2 billion in “other” funds (such as the Unemployment Insurance Fund and the TDI fund) and \$257 million in restricted receipts.

Policymakers made modest investments in programs that help working families such as the state’s Earned Income Tax Credit and child care assistance, and that help people meet basic needs such as affordable housing, transportation and help with health insurance. Progress in these areas was not as strong as it could have been, however. The General Assembly failed to enact an increase in the minimum wage and only partially funded the free-bus pass program for seniors and people with disabilities.



The budget includes several changes to the corporate and personal income tax: A second-year reduction in the corporate minimum tax from \$450 to \$400, and exemption of \$15,000 of retirement income for households with income less than \$80,000 (\$100,000 for a couple). Policymakers continued to provide funds for a variety of tax-related economic development initiatives and postponed the sun-setting of two credits. However, the evaluation of 21 previously enacted economic development tax incentives that the legislature required the Office of Revenue Analysis to begin reporting about June 2015 has yet to be released.

The following provides some budget and legislative highlights:

Supporting Working Families



Earned Income Tax Credit: The state’s EITC is increased from 12.5% to 15% of the federal credit for tax year 2017. This is the second increase in the state’s EITC in as many years. Over 80,000 Rhode Islanders working at lower-wage jobs benefit from this change which costs \$2.7 million in FY2017 and \$5.5 million in FY2018.

Child Care Assistance Program: The “exit income pilot” that allows participating working families to continue to receive child care assistance as income rises up to 225% FPL (\$45,360 for a family of 3) was extended through September 2017. As of May 2016,

418 children, in 293 families, were able to stay enrolled in CCAP as a result of the pilot, with families contributing higher co-payments as income rose. A proposal to expand the “entry income” level from 180% FPL to twice the poverty level was not enacted.

Minimum Wage: The Governor’s proposal to increase the minimum wage from \$9.60 to \$10.10 and separate bills to raise it even higher did not pass. Rhode Island’s minimum wage will lag behind Connecticut (\$11.00) and Massachusetts (\$10.10) beginning in January 2017.

Pay Increases for Direct Care Workers: Direct care workers in nursing homes and programs that serve people with developmental disabilities as well as staff who provide health care and other services for seniors and people with disabilities to enable them to live in the community will see an increase in their paychecks. This is a result of an appropriation of about \$20 million, a shared cost between the state and federal governments through the Medicaid program.

Licenses for Undocumented Immigrants: Despite support from a broad range of stakeholders, bills to allow undocumented immigrants to apply for driving privilege licenses did not pass.

Helping Rhode Islanders Meet Basic Needs

Housing: The budget authorizes the issuance of a \$50.0 million housing bond for affordable housing and blight remediation. The General Assembly added \$10 million to the \$40 million bond proposed in the Governor’s budget. The issuance of the bond requires voter approval in the November 2016 election. This is one of 5 bonds (totaling \$227.5 million) that will appear on the ballot.



Transportation for Seniors and People with Disabilities: The budget includes \$900,000 in general revenue to maintain the free bus-pass program for low-income seniors and people with disabilities through the end of 2016.

RI Works: Bills to simplify the RI Works cash assistance program by repealing the 24 month periodic time limit and retaining a single life-time limit of forty-eight months did not pass. Rhode Island is one of only 9 states that has two time limits in its TANF program.

HealthSource RI: The budget includes \$12.4 million to continue the operation of the state’s health insurance exchange that provides access to affordable health insurance coverage for thousands of Rhode Islanders.

Office of the Health Insurance Commissioner: The \$2.5 million appropriation for OHIC in the FY2017 budget includes \$400,000 for RIREACH, the program that provides direct assistance to consumers who need help understanding and accessing their health coverage.

Taxes and Revenue



Reduction in corporate minimum tax: The yearly corporate minimum tax is reduced for the second year in a row, from \$450 to \$400, at a cost of \$1.6 million in FY2017 and \$3.2 million in FY2018. The corporate minimum tax rate is \$456 in Massachusetts and \$250 in Connecticut.

Retirement income exemption: The first \$15,000 of pension and annuity benefits for Rhode Islanders who have reached the social security retirement age are exempt from taxation if the filer has income less than \$80,000 (individual) or \$100,000 (joint). The cost is \$6.3 million in FY2017 and \$13 million in FY 2018.

Reduction in unemployment insurance tax: Employer unemployment insurance rates were restructured and reduced, resulting in savings to employers (and loss of state revenue) of \$30 million in FY2017.

Economic Development: The budget provides \$25 million for the Rebuild Rhode Island Tax Credit, a real estate development tax credit for construction projects, appropriates \$1.5 million for a new Air Service Development Fund to provide incentives for new or additional flights to Green Airport, and authorizes \$15.4 million to support a number of other economic development credits and grant programs to be administered by the Commerce Corporation.

The budget postpones the sunset of the Motion Picture Tax Credit for two years and the Historic Tax Credit sunset for one year.