

***STATE OF RHODE ISLAND***

**Governor Daniel J. McKee**



# **Economic Development Tax Incentives Evaluation Act:**

*Evaluation of  
“Exemption from Tax for  
Writers, Composers and Artists”*

**(R.I. Gen. Laws § 44-30-1.1)**

*Tax Years 2019 through 2021*

**Office of Revenue Analysis**

**August 16, 2024**

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## **Foreword**

The evaluation of the “Exemption from Tax for Writers, Composers and Artists,” *Tax Years 2019 through 2021* was prepared at the request of Matthew McCabe, Chief of the Rhode Island Department of Revenue, Office of Revenue Analysis in accordance with Rhode Island General Laws § 44-48.2-4. Anoushka Mohnot, Senior Economic & Policy Analyst in the Office of Revenue Analysis was the project leader for the production and writing of this report, under the guidance of Madiha Zaffou, Ph.D., Deputy Chief in the Office of Revenue Analysis.

Much of the information needed to complete the analysis contained in this report was provided by the Rhode Island Department of Revenue, Division of Taxation, under the direction of Neena Sinha Savage, Esq., State Tax Administrator. The compilation of the data that was provided to the Office of Revenue Analysis was due to the tremendous efforts of Tracy Wunder, Data Analyst III in the Taxation. Tracy was assisted in this task by Donna Dube, Assistant Tax Chief, Forms, Credits, and Incentives.

## **Executive Summary**

This report is the third evaluation of the “Exemption from Tax for Writers, Composers and Artists” (“artist modification”) conducted by the Department of Revenue, Office of Revenue Analysis (ORA) in accordance with Rhode Island General Laws (R.I. Gen. Laws) Chapter 44-48.2.<sup>1</sup> The report provides descriptive statistics on the usage of this tax incentive for tax years 2019 - 2021. ORA relied primarily on data provided by the Department of Revenue, Division of Taxation (Taxation) to conduct the analysis. The following is a summary of this evaluation:

### **The Tax Incentive Provision:**

The artist modification allows a modification reducing federal adjusted gross income (AGI) for the purposes of computing the tax imposed by R.I. Gen. Laws Ch. 44-30 (“Personal Income Tax”), equal to the profits or gains arising from the publication, production, or sale of a work or works. The tax modification is available to artists, writers and composers that reside and derive income within designated economic development zones in Providence, Pawtucket, Woonsocket, Warwick, Westerly, Newport, Tiverton, Little Compton, and Warren.<sup>2</sup> Taxpayers claiming this modification must submit a schedule showing the source and amount of income claimed to be exempt.

- A work is defined in R.I. Gen. Laws § 44-30-1.1(a) “an original and creative work whether written, composed, created or executed” that falls into one of the following categories: (1) a book or other writing; (2) a play or the performance of said play; (3) a musical composition or the performance of said composition; (4) a painting or other like picture; (5) a sculpture; (6) traditional and fine crafts; (7) the creation of a film or the acting of said film; or (8) the creation of a dance or the performance of said dance.

### **The Main Goals and Objectives of the Tax Incentive:**

Statutory and programmatic goals and the intent of the tax incentive are not defined in the enabling statute.

### **The Report’s Key Findings:**

- Rhode Island has a higher concentration of arts employment compared to neighboring states and the nation.
- According to Taxation, a total of 265 individuals received the artist modification over tax years 2019 through 2021, with an average of \$748,991 and a total of \$2.25 million being deducted from federal AGI prior to the computation of Rhode Island personal income tax liability.
- In 2019 through 2021, there was an average of \$12,810 in forgone revenue each year due to this modification, resulting in an average tax savings for recipients of \$145 per year.
- The total revenue forgone in 2019 through 2021 due to the modification was \$38,431.

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<sup>1</sup> Previous evaluations of this program can be accessed at <https://dor.ri.gov/revenue-analysis/reports>

<sup>2</sup> See Appendix A for the definition of Economic Development Zones according to R.I. Gen Laws § 44-30-1.1(a) through § 44-30-1.1(b).

- Of those claiming the modification in tax years 2019 through 2021, 20.8% of taxpayers had ZIP Codes within municipalities that did not contain any economic development zones. However, this does not necessarily mean noncompliance with the requirements of the modification, and these taxpayers only accounted for \$6,008 in forgone revenue.
- Due to the due to the relatively insignificant amount of modification claimed, ORA did not conduct a “breakeven” analysis to estimate the minimum percentage of the net economic activity associated with individuals that received the artist modification that would have to be new to the Rhode Island economy, and thus, would not exist without the availability of the artist modification, in order for the tax modification to “pay” for itself.” ORA assumes negligible economic impact.

**Overall Assessment and Recommendations:**

ORA recommends that the artist modification be modified as follows:

- Add a sunset provision, which is a tax incentive best practice.
- Add clear program goals to the statute to aid evaluation.
- Create a standardized schedule for artists to report sources of income that qualify for the modification.

## Part I: Introduction

Pursuant to Rhode Island General Laws (R.I. Gen. Laws) § 44-48.2-4, titled *Rhode Island Economic Development Tax Incentives Evaluation Act of 2013*, the Chief of the Office of Revenue Analysis (ORA) is required to produce a report that contains analyses of economic development tax incentives as listed in R.I. Gen. Laws § 44-48.2-3(1). According to R.I. Gen. Laws § 44-48.2-4(1), the report “[s]hall be completed at least once between July 1, 2014, and June 30, 2017, and no less than once every three (3) years thereafter.”

The additional analysis as required by R.I. Gen. Laws § 44-48.2-4(1) shall include, but not be limited to the following items as indicated in R.I. Gen. Laws § 44-48.2-5(a):

- 1) A baseline assessment of the tax incentive, including, if applicable, the number of aggregate jobs associated with the taxpayers receiving such tax incentive and the aggregate annual revenue that such taxpayers generate for the state through the direct taxes applied to them and through taxes applied to their employees;
- 2) The statutory and programmatic goals and intent of the tax incentive, if said goals and intentions are included in the incentive's enabling statute or legislation;
- 3) The number of taxpayers granted the tax incentive during the previous twelve-month (12) period;
- 4) The value of the tax incentive granted, and ultimately claimed, listed by the North American Industrial Classification System (NAICS) Code associated with the taxpayers receiving such benefit, if such NAICS Code is available;
- 5) An assessment and five-year (5) projection of the potential impact on the state's revenue stream from carry forwards allowed under such tax incentive;
- 6) An estimate of the economic impact of the tax incentive including, but not limited to:
  - i. A cost-benefit comparison of the revenue forgone by allowing the tax incentive compared to tax revenue generated by the taxpayer receiving the credit, including direct taxes applied to them and taxes applied to their employees;
  - ii. An estimate of the number of jobs that were the direct result of the incentive; and
  - iii. A statement by the Chief Executive Officer of the Commerce Corporation, as to whether, in his or her judgment, the statutory and programmatic goals of the tax benefit are being met, with obstacles to such goals identified, if possible;<sup>3</sup>
- 7) The estimated cost to the state to administer the tax incentive if such information is available;
- 8) An estimate of the extent to which benefits of the tax incentive remained in state or flowed outside the state, if such information is available;
- 9) In the case of economic development tax incentives where measuring the economic impact is significantly limited due to data constraints, whether any changes in statute would facilitate data collection in a way that would allow for better analysis;

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<sup>3</sup> Public Law 2023, ch. 294, § 7 and ch. 295, § 7 removed the requirement for a statement from the CEO of the Commerce Corporation. ORA intends to voluntarily include these statements in this round of analysis and exclude them going forward.

- 10) Whether the effectiveness of the tax incentive could be determined more definitively if the General Assembly were to clarify or modify the tax incentive's goals and intended purpose;
- 11) A recommendation as to whether the tax incentive should be continued, modified, or terminated; the basis for such recommendation; and the expected impact of such recommendation on the state's economy;
- 12) The methodology and assumptions used in carrying out the assessments, projections and analyses required pursuant to subdivisions (1) through (8) of this section.

The current report is one part of a series of reports of the tax incentives required to be analyzed. This report concerns R.I. Gen. Laws § 44-30-1.1 entitled “Exemption from Tax for Writers, Composers and Artists” (“artist modification”) and measures the economic impact associated with the tax incentive during tax years 2019 through 2021. This report is divided into five sections. Part I provides a detailed description of the tax incentive and its statutory programmatic goals and intent. Part II presents some background regarding this tax incentive. Part III presents a description of the data provided and used in the analysis by ORA. Part IV discusses the economic impact generated under the artist modification. Part V discusses relevant policy recommendations that could help in the decision process as to whether the tax credit should be continued, modified, or terminated.

## 1. Description of the Incentive

An individual to whom this exemption applies is entitled to have the profits or gains arising from the publication, production, or sale of a work or works be taken as a modification reducing federal adjusted gross income (AGI) for the purposes of computing the personal income tax.<sup>4</sup> The tax modification is available to artists, writers and composers that reside and derive income within designated economic development zones in Providence, Pawtucket, Woonsocket, Warwick, Westerly, Newport, Tiverton, Little Compton, and Warren.<sup>5</sup> Taxpayers claiming this modification must submit a schedule showing the source and amount of income claimed to be exempt.<sup>6</sup>

A work is defined in R.I. Gen. Laws § 44-30-1.1(a) as “an original and creative work whether written, composed, created or executed” that falls into one of the following categories: (1) a book or other writing; (2) a play or the performance of said play; (3) a musical composition or the performance of said composition; (4) a painting or other like picture; (5) a sculpture; (6) traditional and fine crafts; (7) the creation of a film or the acting of said film; or (8) the creation of a dance or the performance of said dance.

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<sup>4</sup> While R.I. Gen. Laws § 44-30-1.1 is titled “*Exemption* from Tax for Writers, Composers, and Artists” [emphasis added], the text of the section describes this tax benefit as a *modification*, or reduction to a taxpayer’s Rhode Island AGI, rather than an exemption, which is a provision designating that a certain portion of a taxpayer’s income shall not be subject to tax. This report refers to the tax benefit program as the “artist modification.”

<sup>5</sup> See Appendix A for the definition of Economic Development Zones according to R.I. Gen Laws § 44-30-1.1(a) through § 44-30-1.1(b).

<sup>6</sup> See Appendix B for an excerpt of the RI 1040 instructions form related to the Exemption from Tax for Writers, Composers and Artists.

The Exemption from Sales Tax for Sales by Writers, Composers and Artists per R.I. Gen. Laws § 44-18-30B and the Exemption from Tax for Writers, Composers and Artists were established by R.I. Pub. Laws 1996, ch. 432, § 1. While historically linked, the two tax benefit programs have diverged over time. Originally, eligibility criteria of both programs were narrowly defined to include only residents of selected zones within the City of Providence. Over time, various zones in cities and towns throughout the state were added. Between 1996 and 2013, geographic eligibility for both the sales tax and personal income tax exemption programs expanded in unison; bills submitted to expand to include new zones in new municipalities typically made identical revisions to both statutes. In 2013, the programs diverged when R.I. Pub. Laws 2013, ch. 144, art. 9, § 15 expanded the sales tax exemption to the entire state, but no such change was made to the artist modification.

## **2. Statutory and Programmatic Goals and Intent of the Tax Incentive**

This information is unavailable. Statutory and programmatic goals and the intent of the tax incentive are not defined in the enabling statute.



## Part II: Benchmarking and Background

The following benchmarking and background analysis provides some historical and national context for the analysis of the Rhode Island artist modification. This section describes different economic factors that may facilitate the understanding of the arts activity in Rhode Island as well as in comparison states and the nation.

For the purposes of this benchmarking analysis, ORA examined employment and wages data provided by the United States Department of Labor, Bureau of Labor Statistics (BLS) for different art-related occupations in Rhode Island. The following table summarizes this information for calendar years 2019 through 2021.

### Rhode Island Occupational Employment Statistics:

#### Art-Related Occupations

(Average, Calendar Years 2019 – 2021)

Occupation Code	Occupation Title	Total Employment	Jobs per Thousand Workers	Location Quotient <sup>a</sup>	Hourly Wages
27-1011	Art Directors	70	0.15	0.52	\$40.09
27-1022	Fashion Designers	43	0.10	0.68	\$30.91
27-1024	Graphic Designers	903	1.96	1.35	\$30.97
27-2042	Musicians and Singers	203	0.44	1.88	\$39.23
27-3043	Writers and Authors	177	0.38	1.16	\$33.81
27-4021	Photographers	220	0.47	1.53	\$25.40
<b>Total</b>		<b>1,617</b>	<b>3.51</b>		
<i>Average</i>				<i>1.27<sup>b</sup></i>	<i>\$33.40</i>

**Source:** U.S. Department of Labor, Bureau of Labor Statistics

#### Notes:

<sup>a</sup> The location quotient represents the ratio of an occupation's share of employment in each area to that occupation's share of employment in the U.S. as a whole. For example, an occupation that makes up 10 percent of employment in a specific state compared with 2 percent of U.S. employment would have a location quotient of 5 for the state in question.

<sup>b</sup> This average was calculated using the "weighted harmonic mean" method which is the result of dividing the number of observations by the sum of reciprocals of the observations, weighted by total employment. This method is generally preferable when calculating an average for rates and ratios and is equivalent to calculating the combined location quotient for all occupations included in the table.

The occupations included in the table above represent a variety of occupations assumed by ORA to be eligible for the modification and for which data were available. This table is not intended to be a comprehensive listing of all modification-eligible individuals or a full accounting of all arts-related employment. Instead, this table is intended to provide additional information regarding the concentration and characteristics of some typical arts-related occupations in Rhode Island.

The location quotients provided in the table indicate whether the relative concentration of each occupation in Rhode Island is higher or lower than that of the nation. A location quotient of 1.0 indicates that concentration of local employment in that industry as a percentage of the total local workforce is the same as it is for the country. A quotient greater than 1.0 indicates a higher concentration of local employment relative to the national average, and less than 1.0 indicates a

lower concentration of local employment vis-à-vis the U.S. average. Rhode Island has a higher concentration of employment for four of the six selected arts-related occupations. Concentration of employment across all eight occupations outpaces the national average with a ratio of 1.27 - in other words, there is 27% more employment in selected arts-related occupations in Rhode Island when compared to the national average.

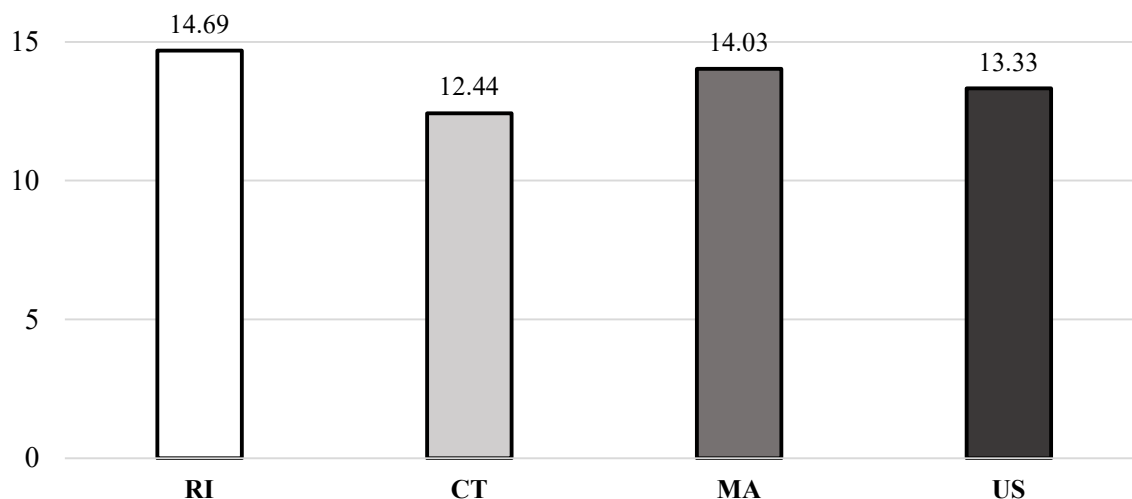
The table above also includes the average wages in each occupation and the overall average. The table indicates that the average hourly wage in selected arts-related occupations in Rhode Island was \$33.40 during the period of calendar years 2019 through 2021. For purposes of comparison, the average hourly wage in Rhode Island for all occupations was \$28.78 and nationwide for all occupations it was \$26.93 for the same period.

In addition, using data from BLS, ORA selected the “Arts, Design, Entertainment, Sports, and Media Occupations” (Occupation Code: 27-0000) to represent a broad category of art occupations, and compared the employment activity for these occupations in Rhode Island and other states. ORA is aware that this category may include some occupations that are not related those defined in R.I. Gen. Laws § 44-30-1.1(a)<sup>7</sup>, however, ORA determined this category to be the most suitable option for capturing arts-related occupational employment in multiple states for comparison purposes. ORA encountered significant data non-availability due to small sample populations when analyzing more specific occupational categories. The selected comparison states are Rhode Island’s two neighbors, Massachusetts and Connecticut. Additionally, the table provides a comparison to the national average. The following bar graph shows employment in the Arts, Design, Entertainment, Sports, and Media Occupations as a portion of the total workforce:

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<sup>7</sup> R.I. Gen. Laws § 44-30-1.1(a) states that:” For the purposes of this section, a "work" means an original and creative work, whether written, composed, created or executed for "one-of-a-kind, limited" production, before or after the passing of this section, which falls into one of the following categories: (1) a book or other writing; (2) a play or the performance of said play; (3) a musical composition or the performance of said composition; (4) a painting or other like picture; (5) a sculpture; (6) traditional and fine crafts; (7) the creation of a film or the acting of said film; (8) the creation of a dance or the performance of said dance. For purposes of this section, a "work" does not apply to any piece or performance created or executed for industry-oriented or related production.”

**Jobs per Thousand Workers:**  
**Arts, Design, Entertainment, Sports, and Media Occupations\***  
 (Average, Calendar Years 2019 – 2021)



**Source:** U.S. Department of Labor, Bureau of Labor Statistics

\*Jobs per thousand workers calculated as total employment in private sector Arts, Design, Entertainment, Sports, and Media Occupations (Occupation Code: 27-0000) divided by total employment in all private sector industries x 1,000

The bar graph shows that Rhode Island has a concentration of Arts, Design, Entertainment, Sports, and Media jobs that is higher than the national average and neighboring states of Connecticut and Massachusetts.<sup>8</sup>

With respect to the quality of Arts, Design, Entertainment, Sports, and Media jobs, ORA examined hourly wage and location quotient for these occupations in the Rhode Island, comparison states, and nationwide. The following table presents this information using a three-year average for calendar years 2019 through 2021:

<sup>8</sup> It should be noted that this data provides slightly different information when compared to the data presented in the previous table. The data in the bar graph shows that arts, design, entertainment, sports, and media occupations employment in Rhode Island outpaces the nation by about 10.2%, while the previous table indicates that Rhode Island arts related occupations employment outpaced the nation by 27%. This discrepancy is because the “Arts, Design, Entertainment, Sports, and Media Occupations” is a broader category containing more jobs than the six categories representing arts related occupations. The other states included in this chart did not have the same level of detail as Rhode Island in their occupational data available to allow for a comparison of arts related occupations as presented in the table.

**Location Quotient & Hourly Wage:**  
**Arts, Design, Entertainment, Sports, and Media Occupations**

(Average, Calendar Years 2019 – 2021)

	RI	CT	MA	US
<b>Location Quotient</b>	1.10	0.93	1.05	1.00
<b>Hourly Wage</b>	\$31.30	\$34.28	\$33.49	\$30.84

**Source:** U.S. Department of Labor, Bureau of Labor Statistics

The table shows that the Arts, Design, Entertainment, Sports, and Media jobs pay less in Rhode Island when compared to Connecticut, Massachusetts but higher nationwide. In addition, the location quotient, which represents the ratio of the Arts, Design, Entertainment, Sports and Media occupations' share of total state employment compared to those same occupations' share of total employment in the U.S., shows that the three-state region displays a very similar concentration of Arts, Design, Entertainment, Sports and Media occupations as the U.S. as a whole. Connecticut has the lowest location quotient of the three states.

### **Part III: Report Data Description**

The analysis of the artist modification in this report required an analysis of micro-level taxpayer data. To gain sufficient access to data while respecting confidentiality concerns, ORA entered Memoranda of Understanding (MOU) with the Rhode Island Department of Revenue, Division of Taxation (Taxation), Rhode Island Department of Labor and Training (DLT), and Rhode Island Commerce Corporation (CommerceRI). These MOUs sought to preserve the confidentiality of individually identifiable taxpayers consistent with the statutory mandates regarding secrecy and confidentiality of taxpayer information. In this context, ORA relied on data provided by Taxation for tax years 2019 - 2021, to the extent such information were provided, as required by R.I. Gen. Laws § 44-48.2-5(b). The data provided by Taxation consist of the following:

- Modification amounts in each tax year subject to the current analysis.
- ORA Personal Income Tax Simulation Model (PIT Model). The PIT Model is constructed using the most recent personal income tax return data made available by the Taxation. At the time of analysis, the most recent personal income tax return data made available to ORA was for tax year 2021.
- Cost of tax incentive administration.

ORA did not independently verify the accuracy of the data provided and made minimal corrections to the data to be able to execute specific calculations for the report. The data included in this report are unaudited and reported as compiled.

#### **1. Number of Taxpayers Granted Tax Benefit**

According to the Taxation a total of 265 individuals received the artist modification over tax years 2019 through 2021, with a total of \$2.25 million being deducted from federal AGI prior to the computation of Rhode Island personal income tax liability. Effectively, this means that in the tax year 2019 through tax year 2021 period, \$2.25 million of income received from the production or execution of “an original and creative work” was received free from the burden of the state personal income tax. The following table provides a breakdown of the program recipients and the corresponding modification amounts received by tax year and by residency status:

**Artist Modification:**  
**Modification Amounts and Number of Recipients**

(Tax Years 2019 – 2021)

	TY 2019	TY 2020	TY 2021	Average	Total
<b>RI Residents</b>					
Count of Taxpayers	72	71	88	77	231
Modification Amount	\$551,664	\$597,978	\$885,154	\$678,266	\$2,034,797
<b>RI Non-Residents and Part-Year Residents*</b>					
Count of Taxpayers	ND	ND	17	11	34
Modification Amount	\$16,424	\$124,732	\$71,021	\$70,726	\$212,177
<b>Total</b>					
Count of Taxpayers	ND	ND	105	88	265
Modification Amount	\$568,089	\$722,710	\$956,175	\$748,991	\$2,246,974

**Source:** ORA PIT model simulation using data provided by Taxation

**Note:**

\* “RI Non-Residents” includes both non-residents, who did not reside in the state for any portion of the year, as well as part-year residents, who resided in the state for a portion of the year.

It should be noted that the modification is available for Rhode Island residents and part-year residents only. Individuals who did not live in the state for the entire tax year are eligible to take the modification reducing their federal AGI when filing a non-resident tax return, provided they met the eligibility criteria defined under R.I. Gen Laws § 44-30-1.1 during the time they lived in the state. ORA assumes that non-residents, who did not live in the state for any portion of the tax year, would be ineligible to take the modification.<sup>9</sup>

In addition, ORA calculated the Rhode Island tax liability for each taxpayer under tax years 2019 – 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years. The results for both calculations were summed across all taxpayers. Revenue forgone is determined by taking the difference between the two tax liability calculations. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal AGI.

The following table provides a description of the number of taxpayers receiving the tax incentive and the corresponding forgone revenue amounts in each tax year:

<sup>9</sup> One possible explanation for this outcome is that full-year or part-year Rhode Island income tax filers who were bona fide residents of eligible designated economic development zones in Providence, Pawtucket, Woonsocket, Warwick, Westerly, Newport, Tiverton, Little Compton, and Warren submitted their Rhode Island income tax returns from business addresses located outside of the state or used paid preparers who filed these tax filers tax returns from a business office outside of the state.

**Artist Modification:**  
**Revenue Forgone and Number of Recipients**

(Tax Years 2019 – 2021)

	TY 2019	TY 2020	TY 2021	Average	Total
<b>RI Residents</b>					
Count of Taxpayers	72	71	88	77	231
Revenue Forgone	\$9,753	\$13,488	\$13,696	\$12,312	\$36,937
Avg. Tax Savings	\$135	\$190	\$156	\$160	
<b>RI Non-Residents and Part-Year Residents*</b>					
Count of Taxpayers	ND	ND	17	11	34
Revenue Forgone	\$45	\$164	\$1,285	\$498	\$1,494
Avg. Tax Savings	ND	ND	\$76	\$44	
<b>Total</b>					
Count of Taxpayers	ND	ND	105	88	265
Revenue Forgone	\$9,798	\$13,652	\$14,981	\$12,810	\$38,431
Avg. Tax Savings	ND	ND	\$143	\$145	

**Source:** ORA PIT model simulation using data provided by Taxation

**Note:**

\* As noted previously, RI Non-Residents includes both non-residents, who did not reside in the state for any portion of the year, as well as part-year residents, who resided in the state for a portion of the year.

## 2. Direct Taxes Paid by Recipients

ORA used the PIT model simulation to retrieve data on personal income tax paid by artist modification recipients for tax years 2019 through 2021. The following table describes the breakdown of this information by taxpayer's residency status.

**Artist Modification:**  
**Personal Income Taxes Paid by Recipients**

(Tax Years 2019 – 2021)

	TY 2019	TY 2020	TY 2021	Average	Total
<b>RI Residents</b>					
Count of Taxpayers	72	71	88	77	231
Taxes Paid	\$121,035	\$100,562	\$98,418	\$106,672	\$320,015
Avg. Taxes Paid	\$1,681	\$1,416	\$1,118	\$1,385	
<b>RI Non-Residents and Part-Year Residents*</b>					
Count of Taxpayers	ND	ND	17	11	34
Taxes Paid	\$4,516	\$2,377	\$9,551	\$5,481	\$16,444
Avg. Taxes Paid	ND	ND	\$562	\$484	
<b>Total</b>					
Count of Taxpayers	ND	ND	105	88	265
Taxes Paid	\$125,551	\$102,939	\$107,969	\$112,153	\$336,459
Avg. Taxes Paid	ND	ND	\$1,028	\$1,270	

**Source:** ORA PIT model simulation using data provided by Taxation

**Note:**

\* As noted previously, RI Non-Residents includes both non-residents, who did not reside in the state for any portion of the year, as well as part-year residents, who resided in the state for a portion of the year.

The previous two tables provide some insight into the scope of the taxes saved and the taxes paid by users of the modification. What is interesting to note is the ratio of the tax savings a user receives to the user's final tax liability. For TY 2019, the ratio of average tax savings to average taxes paid by all filers is 0.0780 meaning that the average tax savings from the tax incentive was about 7.8% of the average taxes paid by recipients of the incentive. For TY 2020 the comparable ratio is 0.1326 while for TY 2021 it is 0.1388. On average over the TY 2019 through TY 2021 period, the ratio of average tax savings to average taxes paid is 0.1142 indicating that the tax savings from the tax incentive was just under 15% of the average taxes paid by recipients of the incentive.

### 3. Cost of Administration

ORA surveyed the Taxation to ascertain the cost for the administration of the artist modification. The table below provides information on the direct cost incurred by the Taxation during tax years 2019 through 2021 to administer this tax incentive.

**Artist Modification:**  
**Cost of Administration**

(Tax Years 2019 – 2021)

Cost-Incurring Entity	TY 2019	TY 2020	TY 2021	Average	Total
Taxation	\$31,314	\$13,043	\$16,808	\$20,388	\$61,165

**Source:** Taxation



#### **4. Measuring the Extent to Which Benefits Remained in the State**

R.I. Gen. Laws § 44-48.2-5(a)(8) requires that this analysis report on the extent to which benefits associated with the tax incentive remained in the state, if such information is available. In consideration of this requirement, ORA has presented tables on taxes paid by recipients by resident vs. non-resident status throughout this report.

#### **5. Additional Data Analysis**

- *Artist Modification by Geographical Areas*

Under R.I. Gen Laws § 44-30-1.1, the artist modification is available only for individuals that reside within designated economic development zones in Providence, Pawtucket, Woonsocket, Warwick, Westerly, Newport, Tiverton, Little Compton, and Warren.<sup>10</sup> Using data provided by Taxation on recipients of the modification, ORA matched each tax modification recipient's ZIP Code to the corresponding city/town name.<sup>11</sup> ORA assumed that any taxpayer living in a town that contained a designated economic development zone met modification eligibility criteria with respect to residency.<sup>12</sup> Additionally, some of the ZIP Codes provided were not valid and therefore no match for city or town was found. The following table presents a detailed description of the tax modification amount, the personal income taxes (PIT) paid by recipients, and the count of taxpayers by geographical areas for tax years 2019 through 2021:

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<sup>10</sup> In addition to the requirement that taxpayers must reside in a designated economic development zone, the amount of the modification is limited to income derived from sources within the zone. ORA did not have access to data and therefore was unable to verify the extent to which taxpayers claiming the modification had income derived from sources within designated economic development zones.

<sup>11</sup> The ORA Personal Income Tax Simulation Model is anonymized and includes only selected fields from each tax return. While ZIP Code is insufficient for determining whether a taxpayer resided within a qualified Economic Development Zone, it is the most precise determination of taxpayer address available to ORA.

<sup>12</sup> It should be noted that Economic Development Zones generally only comprise a portion of each municipality, so it is possible that ORA assumed that some taxpayers were residents of the Economic Development Zone when in fact that they lived inside the municipality containing the zone but not within the boundaries of the zone. In the absence of more precise address data, ORA chose to liberally assume taxpayer compliance. Furthermore, it is possible that a taxpayer could have listed a non-eligible ZIP Code on their tax return but have been eligible for the credit nonetheless (e.g., a taxpayer moved between two locations within Rhode Island, a head of household filing on behalf of dependents, a taxpayer providing the address of a business or tax preparer, etc.)

**Artist Modification:**  
**Breakdown of Data by Geographical Areas**

(Tax Years 2019 – 2021)

	Identified Taxpayers Potentially Residing in Designated Areas <sup>a</sup>	Identified Taxpayers Potentially Residing Outside Designated Areas <sup>b</sup>	Non-Identified Taxpayers	Total
<b>Modification Amount</b>				
Amount in (\$)	\$1,805,845	\$209,783	\$231,346	<b>\$2,246,974</b>
Percent of the Total	80.4%	9.3%	10.3%	<b>100.0%</b>
<b>PIT Paid</b>				
Amount in (\$)	\$216,766	\$87,664	\$32,029	<b>\$336,459</b>
Percent of the Total	64.4%	26.1%	9.5%	<b>100.0%</b>
<b>Forgone Revenue</b>				
Amount in (\$)	\$30,049	\$6,008	\$2,375	<b>\$38,431</b>
Percent of the Total	78.2%	15.6%	6.2%	<b>100.0%</b>
<b>Count of Taxpayers</b>				
Amount in (\$)	172	55	38	<b>265</b>
Percent of the Total	64.9%	20.8%	14.3%	<b>100.0%</b>

**Source:** ORA calculations using data provided by Taxation

**Note:**

<sup>a</sup> A taxpayer is considered “potentially residing in designated areas” if they provided a ZIP Code on their tax return located in a municipality containing a designated economic development zone as outlined in R.I. Gen. Laws § 44-30-1.1. In cases in which the designated economic development zone included only a portion of a municipality, ORA was unable to verify whether the taxpayer resided in the portion of the municipality that was within the designated economic development zone.

<sup>b</sup> A taxpayer is considered “potentially residing outside designated areas” if they provided a ZIP Code on their tax return located in a municipality that did *not* contain a designated economic development zone. While unusual, an ineligible ZIP does not by itself indicate that a taxpayer is violating the modification eligibility criteria (e.g., a taxpayer moved between two locations within Rhode Island, a head of household filing on behalf of dependents, a taxpayer providing the address of a business or tax preparer, etc.)

The data in the table above show that, during tax years 2019 through 2021, 64.9% of the total modification recipients were identified as potentially residing in the designated economic development zones as defined in the governing statute, claiming 80.4% of the total modification amount and paying 64.4% of the total taxes paid during the three-year period. The remaining 35.1% of recipients, claiming 19.6% of the total modification amount and 35.6% of personal income taxes paid, are comprised of taxpayers identified as potentially living outside designated zones or for whom residence location could not be identified.

- *Artist Modification by Modified Federal AGI*

Furthermore, ORA divided the data provided by the Taxation into four quartiles based on taxpayers modified federal AGI in order to draw comparisons between income groups. Each quartile contains 25% of the total data based on income that was ordered from lowest to highest. The following table defines the top, middle, and bottom of the income distribution and describes taxpayers’ average modification amount received and average tax saving associated with each income quartile.

**Artist Modification:**  
**Descriptive Statistics**

(Tax Years 2019 – 2021)

	<b>Modified Fed AGI Range</b>	<b>Average Modified Fed AGI *</b>	<b>Average Modification Amount</b>	<b>Average Tax Saving</b>
<b>Quartile 1</b>	Less than \$10,000	<b>(\$11,000)</b>	\$22,957	\$203
<b>Quartile 2</b>	\$10,000 - \$26,000	\$18,000	\$3,691	\$116
<b>Quartile 3</b>	\$26,000 - \$64,000	\$41,000	\$3,277	\$99
<b>Quartile 4</b>	More than \$64,000	\$136,000	\$3,773	\$161

**Source:** ORA calculations using data provided by Taxation

**Note:**

\*Amounts are rounded to the nearest \$1,000 to protect taxpayers' confidentiality.

During tax years 2019 through 2021, the range of income levels that took a writers, composers, and artists modification reducing federal AGI was \$(280,000) to \$800,000. The table shows that the bottom fourth quartile of taxpayers had an average modified federal AGI of \$(11,000) and claimed a higher average modification amount and higher average tax savings when compared to the other groups.

## Part IV: Evaluation of the Economic Impact of the Tax Credit

This section of the report addresses two major objectives defined in R.I. Gen. Laws § 44-48.2-5: first, to provide a projection of the potential impact of the artist modification on state revenues from projected future use and carryforward and, second, to produce a breakeven cost-benefit analysis that can determine the net impact on state revenues resulting from the tax incentive.

### 1. Assessment and Five-Year Projection of Revenue

ORA assumes that the issuance of the artist modification under current law will follow historical issuance patterns. Therefore, ORA assumed a three-year moving average in the total amount of revenue forgone from providing the modification that would be assigned in future calendar years. The following table provides the distribution of the anticipated amount of the revenue forgone to be incurred by the state in each tax year.

#### Artist Modification: Revenue Forgone Projections

<b>Tax Year</b>	<b>Amount</b>
2022	\$12,810
2023	\$13,815
2024	\$13,869
2025	\$13,498
2026	\$13,727

**Source:** ORA calculations based on data provided by Taxation

**Notes:** Projections are constructed as a three-year moving average of the revenue forgone by tax year. Most recent three years of historical data included in moving average are tax years 2019 through 2021.

### 2. “Breakeven” Cost-Benefit Analysis

Pursuant to in R.I. Gen. Laws § 44-48.2-5(a)(6) (i), ORA is required to produce “An estimate of the economic impact of the tax incentive including, but not limited to a cost-benefit comparison of the revenue forgone by allowing the tax incentive compared to tax revenue generated by the taxpayer receiving the credit, including direct taxes applied to them and taxes applied to their employees.” ORA assumes negligible economic impact due to the relatively insignificant amount of modification claimed. The paucity and unreliability of data would have further complicated analysis. Therefore, no cost-benefit analysis is completed for the current report.

## Part V: Discussion and Recommendations

### 1. ORA Recommendations

**Finding #1:** The artist modification does not contain a sunset provision, representing a best practice of tax incentive design.

**Related Recommendations:**

- Add a sunset provision.

*Discussion Supporting Finding #1:*

It is generally advisable to determine a specific timeline for the tax incentive program as a part of the original legislation. This will minimize the potential revenue losses suffered by the state that may occur in case the program fails to accomplish its targeted objectives and goals. A sunset provision provides a date certain at which lawmakers must reconsider whether the tax benefit program continues to meet statutory goals.

**Finding #2:** The statutory goals of the artist modification are not defined in R. I. Gen. Laws § 44-30-1.1. Therefore, it is not possible to measure performance against statutory objectives.

**Related Recommendations:**

- Policymakers should determine goals and objective of the tax incentive program in order to provide guidance to evaluators.

*Discussion Supporting Finding #2:*

R.I. Gen. Laws § 44-48.2-5(a)(10) requires the Office of Revenue Analysis to offer recommendations “as to whether the effectiveness of the tax incentive could be determined more definitively if the general assembly were to clarify or modify the tax incentive’s goals and intended purpose.” Such analysis is not possible with respect to the artist modification, because no statutory goals exist.

The success of a tax incentive program is usually related to how much of its goals and objectives was achieved. In this context, the lack of statutory goals makes it very difficult to evaluate the artist modification given that the behavior the program is trying to incentivize is not defined under the program’s governing statute.

Confidentiality concerns prevented the disclosure of certain metrics as required by law. Defining statutory goals could also inform what if any statutory data reporting requirements for the modification beneficiaries could be implemented to improve transparency and accountability.

**Finding #3:** RI 1040 Instructions Form requires that the taxpayers claiming the artist modification submit a schedule showing the source and amount of income claimed to be exempt. However, no standardized schedule is designed for this tax incentive.

**Related Recommendations:**

- Policymakers should consider designing a standardized schedule for taxpayers claiming the artist modification.

*Discussion Supporting Finding #3:*

One option for policymakers to consider is the design of a standardized schedule for the modification that highlights the eligibility requirements of the program as defined in the enabling statute and requires taxpayers to provide information to verify their compliance with eligibility criteria in a standardized format. Currently the tax incentive recipients are required to attach supporting documentation to their personal income tax return submission in the form a non-standardized, taxpayer prepared “schedule.” This may leave some flexibility to taxpayers as to what and how much information to provide. A non-standardized schedule also presents a burden to evaluators as they have to manually enter data into an analyzable format and make subjective judgments when categorizing taxpayer-provided data. A standardized form will ensure the tax incentive rules are easily understood and consistently followed. It will also help eliminate any ambiguity that a taxpayer may have regarding the eligibility requirements of the tax incentive and avoid making mistakes. For example, an important feature that could be captured in a standardized schedule is the place of residency and business of the taxpayers claiming this modification. In fact, ORA was not able to define economic development zones for 14.3% of the recipients because they provided of state ZIP Codes on their tax return forms. A standardized schedule would also streamline any necessary auditing or other compliance actions when enforcing modification eligibility requirements.

The artist sales tax exemption has a clear, concise application where potential recipients of that exemption must itemize (by type of work) the one-of-a-kind or limited edition works that they believe are exempt from sales tax (see Appendix C). This program is not quite analogous to the artist modification, which (unlike the sales tax exemption) is not administered through an application process. However, the type of works that qualify for the artist sales tax exemption are identical to the artist modification. A standardized form could aid in an analysis that considers both programs.

## **2. ORA Conclusions and Overall Recommendation**

When the General Assembly expanded the sales tax exemption for art from designated arts districts to statewide in 2013, it stated that the arts had a unique place in Rhode Island and a statewide arts district would enhance this. Employment data largely supports the state’s reputation as having a higher concentration of artists, although this occupation is a small share of the state’s overall employment.

The artist modification has minimal usage, and the cost to administer the program is high relative to this usage. The average annual revenue forgone as a result of the modification was \$12,810 over the TY 2019 through TY 2021 period. The average annual cost of administration reported by the Taxation over this same period was \$20,388. Therefore, the cost to administer the credit represents 61.4% of the total cost to the state of \$33,198 (i.e., \$12,810 + \$20,388). However, there is a case that this modification enhances Rhode Island's reputation as friendly to the arts at a modest cost.

R.I. Gen. Laws § 44-48.2-5(a)(11) requires the Office of Revenue Analysis to make a recommendation "as to whether the tax incentive should be continued, modified, or terminated." The Office of Revenue Analysis recommends that the program be modified according to the recommendations described in the previous section.

## Appendices

### **Appendix A: Definition of Economic Development Zones by R.I. Gen Laws § 44-30-1.1(a) through § 44-30-1.1(b)**

“(a) This section shall only apply to writers, composers, and artists residing within a section of the defined economic development zone within the city of Providence, Pawtucket, Woonsocket, Warwick, or East Providence, or the economic development zone within the town of Westerly as defined in § 44-18-30B(c)(1)(i), or within the city of Newport or within the town of Tiverton or the town of Little Compton, or within those areas of the town of Warren that are zoned “waterfront district,” “special district,” “village business district,” “manufacturing district,” “business district,” or “Warren historic district,” or a tax pass-through entity wholly owned by one or more such individuals and who create such work while residing in the zone, or in the case of Newport or the town of Little Compton, within those areas of the city or town that are zoned “general business,” “waterfront business,” or “limited business,” or have been designated by the city of Newport as part of the arts district, or in the case of Warren, within those areas of the town that are zoned “waterfront district,” “special district,” “village business district,” “manufacturing district,” “business district,” or “Warren historic district,” or in the case of Tiverton within those areas of the town that are zoned “business commercial,” “business waterfront,” or “village commercial.” For the purposes of this section, a “work” means an original and creative work, whether written, composed, created, or executed for “one-of-a-kind, limited” production, before or after the passing of this section, that falls into one of the following categories: (1) A book or other writing; (2) A play or the performance of said play; (3) A musical composition or the performance of said composition; (4) A painting or other like picture; (5) A sculpture; (6) Traditional and fine crafts; (7) The creation of a film or the acting of said film; (8) The creation of a dance or the performance of said dance. For purposes of this section, a “work” does not apply to any piece or performance created or executed for industry oriented or related production.

(b)(1) This section shall apply to any individual:

(i) Who is a resident within the section of the economic development zone designated as the arts and entertainment district in the downtown areas of the cities of Providence, Woonsocket, Pawtucket or East Providence, and deriving the income exempted from within said district while a resident of said zone, or who is a resident within the section of the arts and entertainment district in the town of Westerly, as defined in § 44-18-30B(c)(1)(i) and who derives the income exempted from within said district while a resident of said zone. For the purposes of this section, the “Providence arts and entertainment district” is defined as the area bounded by Pine Street to the southeast, Dorrance Street to the northeast, Sabin Street to the northwest, and Empire Street to the southwest. Said Providence arts and entertainment district also includes the area beginning at the point of intersection of Acorn Street and Harris Avenue, then turning east onto Atwells Avenue to Service Road 7, then turning southerly onto Service Road 7 to Westminster Street, then turning westerly onto Westminster Street, continuing until Bridgham, then turning south onto Bridgham to Cranston Street, then turning southwesterly onto Cranston Street, then continuing to Messer Street, then turning north onto Messer Street to Westminster Street, turning west onto Westminster Street to US Hwy 6 off ramp, then heading west on US Hwy 6 to Sheridan Street, then heading northeast on Sheridan Street to Aleppo Street, then turning southeast along Aleppo Street to



Pelham Street, then heading northeast on Pelham Street to Manton Avenue, then continuing southeast on Manton Avenue until Delaine Street, then heading northeast on Delaine Street until Appleton Street, then continuing northwesterly on Appleton Street until Bowdoin Street, then heading north on Bowdoin Street until Barstow Street, then heading east on Barstow until Valley Street, then heading northeast on Valley Street to Hemlock Street, then turning southeast on Hemlock Street until Promenade Street, then heading east on Promenade Street to Acorn Street, then heading south on Acorn Street to the intersection of Acorn Street and Harris Avenue. The abovementioned streets shall be included in the district. The “Westerly arts and entertainment district” is defined in § 44-18-30B(c)(1)(i). The “Pawtucket arts and entertainment district” shall be defined as the area beginning at the point of intersection of Dexter Street and the Central Falls line, then east along the Central Falls Line to the Blackstone River, then north along the city boundary on the Blackstone River to the Cumberland line, then west along the Pawtucket city boundary line to I-95, then south along I-95 to Pine Street, then north on Pine Street to AMTRAK Right of Way, then northwest along the AMTRAK Right of Way to Dexter Street, then north on Dexter Street to the Central Falls line. The abovementioned streets shall be included in the district. The “Woonsocket arts and entertainment district” shall be defined as the area beginning at a point of land on the southwest bank of the Blackstone River abutting the bridge for the Providence & Worcester Railroad and proceeding northerly to a point at the intersection of Worrall Street, Clinton Street and Harry S. Truman Drive, then proceeding northwesterly along Worrall Street to its intersection with Social Street, then turning westerly on Social Street proceeding to its intersection with Main Street, Blackstone Street and North Main Street, then turning northwesterly and proceeding along Blackstone Street to its intersection with River Street, then turning northerly and proceeding along River Street to its intersection with the northeast bank of Blackstone River, then following the riverbank southerly to the bridge at Bernon Street and turning easterly crossing the Blackstone River via Bernon Street and proceeding to its intersection with Front Street, then turning northeasterly on Front Street and proceeding to its intersection with Hamlet Avenue, and to include the former Courthouse on the southerly side of Front Street at its intersection with Hamlet Avenue, then turning easterly on Hamlet Avenue and proceeding to its intersection with Manville Road, then turning southeasterly on Manville Road and proceeding to its intersection with Davison Avenue, then turning northeasterly on Davison Avenue and proceeding to a point on the southwest bank of the Blackstone River, then turning northerly, following the southerly riverbank to the point of beginning. The abovementioned streets are included in the district. The Warwick arts district is defined as that area known as Pontiac Village, beginning on Route 5 at the Warwick/Cranston municipal boundary, then south to the intersection of Route 5 and the Pawtuxet River, then following the Pawtuxet River in an easterly and northerly direction to the municipal boundary in the vicinity of Knight Street, then from the intersection of Knight Street and the municipal boundary westerly along the Warwick/Cranston municipal boundary to the intersection of Route 5 and Greenwich Avenue. The above-named streets are included in the district. The “East Providence art district” shall be defined at a point of land on the northeast bank of the Seekonk River abutting the Henderson Bridge and proceeding easterly along Wilmarth Avenue to a point at the intersection of North Broadway, then proceeding southerly to South Broadway and continuing to the intersection of Warren Avenue, then proceeding westerly on the southerly side of Warren Avenue to the intersection with Burgess Avenue, then proceeding southerly to the intersection at Veterans Memorial Parkway, then proceeding westerly to the intersection at Waterfront Drive, including the area known as Bold Point Park, then northerly along the southeast bank of the Seekonk River back to the point of the beginning.”

# Appendix B: An Extract of RI Form 1040 Instructions



§ 44-30-12(c)(4) - A modification decreasing federal adjusted gross income may be claimed for any contributions made to a Rhode Island account under the tuition savings program. The maximum modification shall not exceed \$500, \$1,000 if a joint return. (See General Instructions on pg I-3 for more details).

**Line 1h** – Exemptions from tax on profit or gain for writers, composers and artists residing within a section of the defined Economic Development Zone as defined in R.I. Gen. Laws § 44-30-1.1 within the cities of Newport, Providence, Pawtucket, Woonsocket or Warwick, or the Towns of Little Compton, Tiverton, Warren or Westerly and creating artistic works while a resident of the Zone. Taxpayers claiming these modifications must submit a schedule showing the source and amount of income claimed to be exempt.

**Line 1i** – Depreciation that has not been taken for federal purposes because of the bonus depreciation that must be subtracted from Rhode Island income - R.I. Gen. Laws § 44-61-1. (See General Instructions on page I-3 for more details)

**Line 1j** – Depreciation that has not been taken for federal purposes because of the increased section 179 depreciation was not taken originally - R.I. Gen. Laws § 44-61-1.1. (See General Instructions on page I-3 for more details).

**Line 1k** – Allowable modification for performance based compensation realized by an eligible employee under the Rhode Island Jobs Growth Act under R.I. Gen. Laws § 42-64.11-4.

**Line 1l** – Modification for exclusion for qualifying option under R.I. Gen. Laws § 44-39.3 AND modification for exclusion for qualifying securities or investments under R.I. Gen. Laws § 44-43-8.

**Line 1m** – Modification for Tax Incentives for Employers under R.I. Gen. Laws § 44-55-4.1. Attach Form RI-107.

**Line 1n** – Tax credit income claimed on Federal return exempt for Rhode Island purposes: Historic Structures - Tax Credit Income under R.I. Gen. Laws § 44-33.2-3(e)(2), Historic Preservation Tax Credits 2013 income under R.I. Gen. Laws § 44-31.2-9(c), Motion Picture Production Company Tax Credit income or Musical and Theatrical Production Tax Credit income under R.I. Gen. Laws § 44-31.3-2(b)(6), and Stay Invested in RI Wavemaker Fellowship under R.I. Gen. Laws § 42-64.26-8(d).

**Line 1o** – Active duty military pay of Nonresidents stationed in Rhode Island, as well as the income of their nonresident spouses for services performed in Rhode Island. Income for services performed by the servicemember's spouse in Rhode Island would be exempt from Rhode Island income tax only if the servicemember's spouse moves to Rhode Island solely to be with the servicemember complying with military orders sending him/her to Rhode Island. The servicemember and the servicemember's spouse must also share the same non-Rhode Island domicile.

Not all income earned by the servicemember or his/her spouse is exempt from Rhode Island income tax. Non-military pay of the servicemember, as well as business income, gambling winnings or income from the ownership or disposition of real or tangible property earned from Rhode Island by either the servicemember or his/her spouse is still subject to Rhode Island income tax.

Note: The military servicemember and/or his/her spouse may be asked to submit proof of residency to support taking this modification.

**Line 1p** – Contributions to a Solute Medical Savings Account deemed taxable under the Internal Revenue Code, but tax exempt under R.I. Gen. Laws § 44-30-25.1(d)(1).

**Line 1q** - Amounts of insurance benefits for dependents and domestic partners included in Federal adjusted gross income pursuant to chapter 12 under title 36 under R.I. Gen. Laws § 44-30-12(c)(6).

**Line 1r - Rhode Island full-year residents only.** Up to \$10,000 in unreimbursed expenses for travel, lodging and lost wages incurred by an individual as a result of the individual donating one or more of his/her organs to another human being for organ transplantation under R.I. Gen. Laws § 44-30-12(c)(7). Modification can only be taken once during the lifetime of the individual and is taken in the year that the human organ transplantation occurs.

**Line 1s** - Taxable Social Security income under R.I. Gen. Laws § 44-30-12(c)(8). For those taxpayers who have reached full retirement age, use the Social Security Modification worksheet on page 18 of the RI-1040 Resident booklet to determine the amount of taxable social security income allowed as a decreasing modification. Enter your date of birth, and if applicable, your spouse's date of birth, in the space provided on line 1s.

This worksheet can also be found on the Division of Taxation's website: <https://tax.ri.gov/forms/individual-tax-forms/personal-income-tax-forms>

**Line 1t** - Modification up to \$20,000 for taxable retirement income from certain pension plans or annuities under R.I. Gen. Laws § 44-30-12(c)(9). For those taxpayers who have reached full retirement age, if you answer YES to the following two questions, complete the table below to determine how much taxable pension income you can deduct.

1) Were you or your spouse (if applicable) born on or before July 1, 1957?

**NOTE:** Only retirement income received by the taxpayer born on or before July 1, 1957 qualifies for this modification.

AND

2) Is your Federal AGI less than or equal to the amount listed below for your filing status?

Single	\$101,000
Married Joint	\$126,250
Qualifying Widow(er)	\$126,250
Married Separate	\$101,025
Head of Household	\$101,000

If you answered YES to Question 1 AND Question 2, continue to the table in the next column and enter ONLY the information pertaining to the taxpayer born on or before July 1, 1957, as well as ONLY those amounts from Federal Form 1040 or Federal Form 1040-SR, line 5b pertaining to pensions and annuities.

**NOTE:** Pursuant to R.I. Gen. Laws § 44-30-12(c)(11), beginning with tax year 2023, there is a decreasing modification solely for reporting a military service pension. Accordingly, do not include any amount related to a military service pension on this line. Instead use line 1v (see that specific line in these instructions for details).

This decreasing modification amount should NOT include any amounts for IRAs listed on line 4b of your Federal Form 1040 or Federal Form 1040-SR.

	(a) Primary	(b) Spouse
1) Date of birth		
2) For each column, if the date of birth on line 1 is on or before July 1, 1957, enter the amount from Federal Form 1040 or Federal 1040-SR, line 5b attributable to that person AND ONLY attributable to pensions and annuities. DO NOT include any amounts relating to IRAs now being included on the Federal Form 1040 or Federal Form 1040-SR, line 4b.		
3) For each person, enter the amount from line 2 or \$20,000, whichever is less.		
4) Add the amounts from lines 3a and 3b together. Enter this amount and date(s) of birth on Schedule M, line 1t.		

# Appendix C: Artist Sales Tax Exemption Application

**State of Rhode Island Division of Taxation**  
**Application for Sales Tax Exemption**  
**for Artistic Works**

Name of business / Name of applicant:		Federal employer identification number / Social security number	
Business address:		City, town or post office	State ZIP code
Residence address:		City, town or post office	State ZIP code
Mailing address (if different from above):		City, town or post office	State ZIP code
Home telephone number:	Email address:	Business website address:	

**PART 1:** Please indicate what type of work you are producing, and check if the work is "One-of-a-kind" or a "Limited edition". If the artistic work is neither "One-of-a-kind" nor a "Limited edition", check "Neither" and provide an explanation on line 10.

Type of work	One-of-a-kind	Limited edition	Total number to be produced	Neither
1. A book or other writing	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
2. A play or the performance of said play	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
3. A musical composition or performance of said composition	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
4. A painting, print photograph or other like picture	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
5. A sculpture	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
6. Traditional and fine crafts	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
7. The creation of a film or the acting within the film	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
8. The creation of a dance or the performance of the dance	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
9. An art gallery	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>

10. Provide in detail additional description or information about the artistic work(s) for which the exemption is sought here:

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**PART 2:** If work is a limited edition, are all works signed and numbered? YES  NO

Was this work created or executed for industry-oriented, commercial, or related production? YES  NO

Mail your completed application with any additional schedules (if necessary) to:  
 RI Division of Taxation - Audit & Investigation Unit - One Capitol Hill - Providence, RI 02908  
 If you have any questions, contact us at (401) 574-8962 or [Tax.Audit@tax.ri.gov](mailto:Tax.Audit@tax.ri.gov)

Under penalty of perjury, I certify that I am (check one):  a resident of the State of Rhode Island or  an art gallery located in the State of Rhode Island, and that the artistic work(s) will be sold from the business address shown above.

Please note, the applicant is responsible to file all state tax returns administered by the Division of Taxation as required by law. All tax, interest and penalty balances due must be paid. Failure to comply may result in accruing interest and collection activity in accordance with Rhode Island law.

Applicant signature	Print name	Date
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**NOTE:** If application for exemption is made by an individual eligible for an income tax modification, a **Certification of Residency** within a specified district as outlined in R.I. Gen. Laws § 44-30-1.1, issued by the applicable city, must be submitted with this application.

Refer to R.I. Gen. Laws § 44-18-30B and Regulations 280-RICR-20-55-13 and 280-RICR-20-70-11 for further information about exempt status requirements.

Revised  
04/2024