**Last Week At the State House**

**Electric Vehicles Pushed for Rhode Island**

The Governor’s Mobility Innovation Working Group is moving forward with what appears to be plans on how to best spend dollars that will be collected should the regional TCI program move forward. TCI is the cap and trade program for carbon brought into the state via gasoline and diesel fuel. As reported in previous editions of UTD, TCI is expected to cost motorists millions of dollars which will be seen at the pump – not as a tax added, but as an increase in fuel price paid. This is a regional proposal with up to 13 states as possible participants.

The Mobility Innovation Working Group is comprised of 12 representatives from state government agencies and 15 stakeholders. The stakeholders include: AAA Northeast, Amtrak, SPIN, Utilidata, Inc., Bank Newport, Grow Smart RI, Banneker Supply Chain Solutions, City of Providence, National Grid, Alliance for Automotive Innovation, NE Clean Energy Council, RI League of Cities and Towns, Teamsters Local 251, Waterson Terminal Services (ProvPort) and Acadia Center RI.

DEM has hired Cambridge Systematics to perform modeling for the Working Group. Their job, with the help of the working group members, is to develop a list of strategies to eliminate greenhouse gas emissions from the transportation sector, “bundle [the list] into investment portfolios”, analyze the portfolios for benefit impact and then help the Group choose in which investment portfolio to invest state dollars. The Group is charged with making a final report to the Governor by the end of the year.

So, what are some of the items on the list of potential investments? The list is large at this point and includes: rebates/incentives for purchasing electric vehicles, installation of public charging stations, priority parking spaces for electric vehicles, changing zoning laws to require electric vehicle supply equipment, investment in electricity grid improvements, installing charging stations at business locations, subsidizing RIPTA and revamping the system to encourage ridership, altering land use strategies to reduce travel, investment in bike paths, transfer of development rights of land to encourage smart growth, investments in pedestrian pathways, etc. The idea which garnered the most discussion was the transition of public fleets and private vehicles to electric vehicles. Since California Governor adopted an executive order banning the sale of any vehicle that is not zero-emission (basically an electric vehicle mandate) starting 2035, this issue will continue to be in the forefront of many discussions here in Rhode Island. The question that has not been answered yet is how Rhode Island could shift that much increased electricity demand to the grid that now generates more than 95% of its electricity through the use of natural gas.

Another one of the ideas discussed was to work with businesses to educate and encourage employees to rideshare to work.

The Working Group will be meeting again November 15, 2020. However, they also announced that they will be holding a “public input meeting” October 22, 2020. Anyone who wishes to make an oral comment, of three minutes or less, must send a request to colleenquin@gmail.com by October 14, 2020. Written comments can also be forwarded to the same email address. It is a little unclear what comments are being solicited, since last week’s meeting was more about brainstorming investment ideas for TCI monies collected if and when that program comes to fruition. Members of the actual Working Group will be permitted to verbally provide comments for five to ten minutes at the October 22nd meeting.

**This Week At the State House**

As expected, the **Senate Finance Committee** will meet **Wednesday at 4:00pm** to take testimony surrounding the Governor’s request to amend Article 8 (Tax Article of the budget). The amendment seeks to **decouple Rhode Island tax law from the federal excess loss deduction** found in 26 U.S.C. section 461(1)(1)(B) in tax years 2018-2020. Members of the public wishing to testify may submit written testimony to: SLegislation@rilegislature.gov

*(The following information was provided in last week’s UTD and is copied here for your use)*

As background, prior to 2017, individual taxpayer’s excess business losses (pass-through entities) could deduct the total amount of loss in the year the loss was incurred, regardless of the amount of loss. In December of 2017, Congress passed the Tax Cut and Jobs Act which changed the federal tax code to only allow deductions for excess loss up to $250,000 for an individual/$500,000 for joint filers. Any losses incurred over and above that amount could be included in future tax filings as a loss. When Congress passed the CARESAct this year, it suspended the cap on excess business losses for pass through entities, for the years 2018, 2019 and 2020. This was a retroactive change to the federal tax code. Some businesses may have filed amended returns already to take advantage of the federal change.

During the Rhode Island May Revenue Estimating Conference, this issue was raised, but the Department of Revenue (DOR) was unable, at that time, to predict the State’s revenue implications as a result of the federal change. Rhode Island is one of the states that – for the most part – piggy backs state taxes on federal income calculations. So, any change in federal income tax law, affects state tax collections. Since May, DOR has been working to determine the impacts of the CARESAct change. DOR believes 692 tax returns would be impacted should Rhode Island decouple and push off the retroactive tax change to future years. Four hundred eighty-one (481) of those returns come from individuals with more than $1 million in federal adjusted gross income. One hundred two (102) returns come from individuals with AGI of $250,000 to $1 million; and 109 returns have AGI of under $250,000. While a majority of the returns are tied to non-residents, 80% of the refunds would go to Rhode Island residents because out of state filers must pay their own state income tax first then pay the remaining amount owed (according to Rhode Island law) to the state of Rhode Island.

DOR believes that if the Governor’s amendment is not passed, then the State will experience an $18.8 million decrease in state revenue in FY2020 and $10.3 million in FY2021. If the amendment is passed, then the impact to State revenue would be $0 in FY2020, $0 in FY2021 and a reduction of $5.8 million a year from FY2022-FY2026.

One alternative discussed was the possibility of decoupling the excess loss provision in the current fiscal year instead of going retroactive to 2018 like the CARESAct. The Division of Taxation asked for some time to consider that possibility from a technical capability view.

If this proposed amendment would affect you, please let the Chamber know.

The **House Finance Committee** will be meeting to accept a report reviewing the **FY2020 Preliminary Closing Results.** The meeting will take place at **4:00pm, Thursday October 8th** and can be viewed on Cox Channels 15 and 61, in high definition on Cox Channel 1061, on Full Channel on Channel 15 and on Channel 34 by Verizon subscribers. It will also be live streamed at <http://ritv.devosvideo.com/show?video=cd679c40105a> . This report should provide the legislature and the public with a better picture of the current fiscal status of the State. This is an informational hearing only. The report is expected to reveal higher than anticipated revenues for the past fiscal year. Keep in mind that the FY2020 year ended June 30th. The members of the revenue estimating conference will begin taking testimony on FY2021 revenue estimates in October.

The following new bill was filed:

Senate Bill No. [2928](http://webserver.rilin.state.ri.us/BillText/BillText20/SenateText20/S2928.pdf) Gallo, Felag, Sosnowski, Lombardi, Archambault**,**AN ACT RELATING TO ALCOHOLIC BEVERAGES - RETAIL LICENSES (Authorizes a holder of a Class B license to sell alcoholic beverages with take-out food orders and would sunset on December 31, 2021.)