
The SMITH HILL REPORT

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Carried Interest Loophole

The RIFTHP led the charge in introducing novel tax legislation in the Rhode Island legislature last week. The RIFTHP testified on two identical bills, [H5563](#) by Representative Regunberg and [S0259](#) by Senator Satchell to close the carried interest tax loophole. Carried Interest is a term for the income hedge funds and private equity managers make on investments. IRS tax code allows these individuals to claim this income as a capital gain, thus they pay about 19% less taxes than if it was considered ordinary income. Thus, hedge fund billionaires pay less taxes than their fair share.

The proposed legislation would add a separate Rhode Island “fairness fee” on hedge fund and private equity income of 19 % unless the federal government closes the loophole in the federal tax code. The bill is crafted as a compact with neighboring states, where the fairness tax would not be implemented unless our neighboring states adopt the same fairness fee.

RIFTHP lobbyist James Parisi testified in support of to email your Senator and Representative. H5563 in the House Finance Committee on Tuesday, May 30th and testified in support of S0259 in the Senate Finance Committee on Thursday, June 1st. Parisi objected to a tax system where hedge fund billionaires pay taxes at a lower rate than classroom teachers and nurses. He noted that this is not a tax increase in the truest sense, but the closure of an unfair tax loophole. He also argued that if the Assembly is serious about reducing car taxes, that there needs to be serious consideration of bringing in additional state revenue to maintain our support for education, higher education and human services.

Chuck Collins, an heir to the Oscar Meyer meatpacking fortune, testified in support of the bill in the House. Morris Pearl, who heads a group known as the Patriotic Millionaires, testified in the Senate Finance Committee in support of the bill. They argued that the wealthy like themselves

should pay their fair share of taxes. They predicted that Congress is not likely to close the loophole even though all major presidential candidates (Trump, Clinton and Sanders) supported closing the loophole. Michael Kink and Charles Kahn of the Strong Economy for All Coalition also testified in support of the bill. [Click here](#) to view some of the written testimony offered at the hearings.

English Language Learner Funding

The RIFTHP testified in support of [S0690](#) by Senator Ana Quezada, in the Senate Finance Committee, on May 20th. The bill would make the one-time additional state funding of education for English Language Learners (ELL) a permanent feature of the state's education funding formula. A similar proposal was made by Governor Raimondo as part of her State Budget request. RIFTHP lobbyist James Parisi voiced Union support of her bill. He told the committee that not only is the funding needed to assist a growing ELL population, but that the money would be managed differently if it was considered regular source of support for a program instead of just a one-time infusion of dollars. Providence Superintendent Chris Maher and several charter school representatives also testified in support of the bill.

Tax Equity Supported

The RIFTHP offered support of two bills that would raise income taxes on the wealthy during a hearing of the Senate Finance Committee on June 1st. [S0308](#) and [S0311](#) would raise income taxes on those earning more than \$250,000 year. S0308 would dedicate the additional money to aid to cities and towns, and S0311 would add the money to the state's general fund. RIFTHP lobbyist James Parisi testified in support of the bills, noting that he frequently asks the Finance Committee to support programs, and that identifying a means of paying for the programs is important. He declared that tax cuts for the rich were enacted by the Assembly over a decade ago, and that the wealthy ought to pay their fair share of income taxes.

Parisi also testified on a similar tax equity bill in the House Finance Committee on May 30th. The bill hearing for [H5560](#) by Rep. Jean Phillippe Barros, would tax high wage earners and dedicate the money for school construction and renovation. Parisi noted that there is a state crisis in school facilities, and the concepts in the Barros legislation merit consideration.

Retiree Tax Break Expansion Considered

Last session, the RIFTHP and the AFT retiree charter were successful in winning legislation that allows retirees to deduct up to \$15,000 in pension income within certain income parameters.

There have been many bills to increase the deduction to higher amounts. Among the House bills heard by the House Finance Committee were [H5024](#) and [H5981](#). Senate bills considered by the Senate Finance Committee on June 1st were [S0323](#) and [S0251](#). The RIFTHP signaled its support of the bills and RIAFT/R President Roger Boudreau testified in both Committees in support of the legislation. Boudreau thanked the Committees for their support of retirees last year. He noted the small pension adjustment that will be the only adjustment for the next four years. He asked for consideration of retirees who lost so much income due to the COLA restrictions.

BILLS on the Move

The following bills have passed the Committee process and the full chamber of either the House or the Senate. To be enacted into law, the bill must pass the same process in the other chamber before being sent to the Governor for approval.

Child Opportunities Zones

([S0104](#) *Picard, House Health Education and Welfare*)

This bill would define and declare the purpose of child opportunity zones and would provide for annual reporting from the commissioner of elementary and secondary education to the general assembly on each zone.

Substance Abuse Prevention Education

([S0305](#) *Satchell, House Health Education and Welfare*)

This bill would require the department of elementary and secondary education to consider incorporating substance abuse education and suicide prevention into the health education curriculum.

Distance Learning – NEASC Accreditation

([H5661](#) *Messier, Senate Education*)

([S0554](#) *Gallo, House Health Education and Welfare*)

These bills would require accreditation by a regional accrediting agency recognized by the United States Department of Education for distance learning institutions to transact business or grant degrees in Rhode Island.

Definition of Network Charter School

([S0884](#) *Gallo, House Health Education and Welfare*)

This bill would provide that a charter public school that operates or will operate elementary school

grades, middle school grades or high school grades shall be considered a network charter school notwithstanding the facility or the administration of the school.

Care of Medically-Fragile Students

([H5327aa](#) Amore, Senate Health and Human Services)

This bill would provide that preliminary drafts, notes, impressions, memoranda, working papers and work products including those involving research at state institutions of higher education on commercial, scientific, artistic, technical or scholarly issues, whether in electronic or other format, would not be deemed a public record for purposes of public access to public records.



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