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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2026

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A N A C T

RELATING TO TAXATION -- TAXATION OF BANKS

Introduced By: Representative Alex D. Marszalkowski

Date Introduced: June 03, 2026

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-14-14.1 of the General Laws in Chapter 44-14 entitled "Taxation
2 of Banks" is hereby amended to read as follows:

3 **44-14-14.1. Apportionment and allocation of income for purposes of taxation.**

4 (a) Except as specifically provided in this chapter a banking institution whose business
5 activity is taxable both within and outside of this state shall allocate and apportion its net income
6 as provided in §§ 44-14-14.1 — 44-14-14.5. A financial institution organized under the laws of a
7 foreign country, the Commonwealth of Puerto Rico, or a territory or possession of the United States
8 whose effectively connected income (as defined under the federal Internal Revenue Code) is
9 taxable both within this state and within another state, other than the state in which it is organized
10 shall allocate and apportion its net income as provided in §§ 44-14-14.1 — 44-14-14.5.

11 (b) All income shall be apportioned to this state by multiplying this income by the
12 apportionment percentage. The apportionment percentage is determined by adding the taxpayer's
13 receipts factor (as described in § 44-14-14.3), property factor (as described in § 44-14-14.4), and
14 payroll factor (as described in § 44-14-14.5) together and dividing the sum by three. If one of the
15 factors is missing, the two remaining factors are added and the sum is divided by two. If two of the
16 factors are missing, the remaining factor is the apportionment percentage. A factor is missing if
17 both its numerator and denominator are zero, but it is not missing merely because its numerator is
18 zero.

19 (c) Each factor shall be computed according to the method of accounting (cash or accrual

1 basis) used by the taxpayer for the taxable year.

2 (d) For tax years ending prior to January 1, 2025, if the allocation and apportionment
3 provisions of §§ 44-14-14.1 — 44-14-14.5 do not fairly represent the extent of the taxpayer's
4 business activity in this state, the taxpayer may petition for or the tax administrator may require, in
5 respect to all or any part of the taxpayer's business activity, if reasonable:

6 (1) The exclusion of any one or more of the factors;

7 (2) The inclusion of one or more additional factors which will fairly represent the
8 taxpayer's business activity in this state; or

9 (3) The employment of any other method to effectuate an equitable allocation and
10 apportionment of the taxpayer's income.

11 (e) For tax years beginning on or after January 1, 2025, if the allocation and apportionment
12 provisions of §§ 44-14-14.1 — 44-14-14.5 or subsection (f) of this section are not reasonably
13 adapted to approximate the net income derived from business carried on within the state, a banking
14 institution may apply to the tax administrator, or the tax administrator may require the banking
15 institution, to have its income derived from business carried on within the state determined by an
16 alternative method. Such application shall be made by attaching to its duly-filed return a statement
17 of the reasons why the banking institution believes that §§ 44-14-14.1 — 44-14-14.5 or subsection
18 (f) of this section are not reasonably adapted to approximate its net income derived from business
19 carried on within the state and a description of the method sought by it. A banking institution which
20 so applies shall, upon receipt of a request therefor from the tax administrator, file with the tax
21 administrator, under oath of its treasurer, a statement of such additional information as the tax
22 administrator may require.

23 If, after such application by the banking institution, or after the tax administrator's own
24 review, the tax administrator determines that §§ 44-14-14.1 — 44-14-14.5 or subsection (f) of this
25 section are not reasonably adapted to approximate the banking institution's net income derived
26 from business carried on within the state, the tax administrator shall by reasonable methods
27 determine the amount of net income derived from business activity carried on within the state. The
28 amount thus determined shall be the net income taxable under § 44-14-3 or § 44-14-4 and the
29 foregoing determination shall be in lieu of the determination required by §§ 44-14-14.1 — 44-14-
30 14.5 or subsection (f) of this section. If an alternative method is used by the tax administrator
31 hereunder, the tax administrator, in their discretion, may require similar information from such
32 banking institution if it shall appear that such alternative method or §§ 44-14-14.1 — 44-14-14.5
33 or subsection (f) of this section are not reasonably adapted to approximate for the applicable year
34 the banking institution's net income derived from business carried on within the state and may

1 again by reasonable methods determine such income.

2 (f) For tax years beginning on or after January 1, 2025, except as specifically provided in
3 this chapter a banking institution whose business activity is taxable both within and outside of this
4 state may elect to allocate and apportion its net income by multiplying its net income by its receipts
5 factor as described in § 44-14-14.3. For purposes of an election made pursuant to this subsection
6 (f), the following shall apply:

7 (1) An election shall be made by filing the form prescribed by the tax administrator with
8 the taxpayer's duly-filed return. The election shall take effect in the tax year for which the taxpayer
9 makes the election and shall remain in effect for all subsequent tax years; except that, after a
10 minimum of five (5) subsequent tax years after the tax year for which the election is made, in the
11 event of a material change of facts or law, a taxpayer may apply to the tax administrator to revoke
12 the election. Such application shall be made by attaching a statement of the event of a material
13 change of facts or law to the taxpayer's duly-filed return. A banking institution which so applies
14 shall, upon receipt of a request therefor from the tax administrator, file with the tax administrator,
15 under oath of its treasurer, a statement of such additional information as the tax administrator may
16 require.

17 (2) If the receipts factor is missing, the whole of the banking institution's net income shall
18 be taxable pursuant to §§ 44-14-3 — 44-14-4. The receipts factor shall be missing if both its
19 numerator and denominator are zero, but it shall not be missing merely because its numerator is
20 zero.

21 (3) The receipts factor shall be computed according to the method of accounting (cash or
22 accrual basis) used by the taxpayer for the taxable year.

23 (4) A banking institution electing apportionment under this subsection shall not claim any
24 benefit pursuant to chapter 64.5 of title 42.

25 SECTION 2. This act shall take effect upon passage and be effective for tax years
26 beginning on or after January 1, 2025.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO TAXATION -- TAXATION OF BANKS

1 This act would amend the apportionment and allocation of income for purposes of taxation
2 relating to the taxation of banks.

3 This act would take effect upon passage and be effective for tax years beginning on or after
4 January 1, 2025.

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