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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2015

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A N A C T

RELATING TO TAXATION - BUSINESS CORPORATION TAX AND FRANCHISE TAX

Introduced By: Senators Raptakis, Felag, Cote, Ottiano, and McCaffrey

Date Introduced: January 22, 2015

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-11-2 of the General Laws in Chapter 44-11 entitled "Business  
2 Corporation Tax" is hereby amended to read as follows:

3 **44-11-2. Imposition of tax.** -- (a) Each corporation shall annually pay to the state a tax  
4 equal to nine percent (9%) of net income, as defined in § 44-11-11, qualified in § 44-11-12, and  
5 apportioned to this state as provided in §§ 44-11-13 -- 44-11-15, for the taxable year. For tax  
6 years beginning on or after January 1, 2015, each corporation shall annually pay to the state a tax  
7 equal to seven percent (7.0%) of net income, as defined in § 44-11-13 - 44-11-15, for the taxable  
8 year.

9 (b) A corporation shall pay the amount of any tax as computed in accordance with  
10 subsection (a) of this section after deducting from "net income," as used in this section, fifty  
11 percent (50%) of the excess of capital gains over capital losses realized during the taxable year, if  
12 for the taxable year:

13 (1) The corporation is engaged in buying, selling, dealing in, or holding securities on its  
14 own behalf and not as a broker, underwriter, or distributor;

15 (2) Its gross receipts derived from these activities during the taxable year amounted to at  
16 least ninety percent (90%) of its total gross receipts derived from all of its activities during the  
17 year. "Gross receipts" means all receipts, whether in the form of money, credits, or other valuable  
18 consideration, received during the taxable year in connection with the conduct of the taxpayer's  
19 activities.

1 (c) A corporation shall not pay the amount of the tax computed on the basis of its net  
2 income under subsection (a) of this section, but shall annually pay to the state a tax equal to ten  
3 cents (\$.10) for each one hundred dollars (\$100) of gross income for the taxable year or a tax of  
4 one hundred dollars (\$100), whichever tax shall be the greater, if for the taxable year the  
5 corporation is either a "personal holding company" registered under the federal Investment  
6 Company Act of 1940, 15 U.S.C. § 80a-1 et seq., "regulated investment company", or a "real  
7 estate investment trust" as defined in the federal income tax law applicable to the taxable year.  
8 "Gross income" means gross income as defined in the federal income tax law applicable to the  
9 taxable year, plus:

10 (1) Any interest not included in the federal gross income; minus

11 (2) Interest on obligations of the United States or its possessions, and other interest  
12 exempt from taxation by this state; and minus

13 (3) Fifty percent (50%) of the excess of capital gains over capital losses realized during  
14 the taxable year.

15 (d) (1) A small business corporation having an election in effect under subchapter S, 26  
16 U.S.C. § 1361 et seq., shall not be subject to the Rhode Island income tax on corporations, except  
17 that the corporation shall be subject to the provisions of subsection (a), to the extent of the income  
18 that is subjected to federal tax under subchapter S. Effective for tax years beginning on or after  
19 January 1, 2015, a small business corporation having an election in effect under subchapter S, 26  
20 U.S.C. § 1261 et seq., shall be subject to the minimum tax under § 44-11-2(e).

21 (2) The shareholders of the corporation who are residents of Rhode Island shall include  
22 in their income their proportionate share of the corporation's federal taxable income.

23 (3) [Deleted by P.L. 2004, ch. 595, art. 29, § 1.]

24 (4) [Deleted by P.L. 2004, ch. 595, art. 29, § 1.]

25 (e) Minimum tax. - The tax imposed upon any corporation under this section, including a  
26 small business corporation having an election in effect under subchapter S, 26 U.S.C. § 1361 et  
27 seq., shall not be less than five hundred dollars (\$500).

28 (f) If a corporation's annual gross receipts, as defined in § 44-11-2 (b), amount to less  
29 than the five hundred dollars (\$500) minimum tax paid, the difference shall be refunded to the  
30 corporation, provided the amount refunded shall never be greater than the five hundred dollars  
31 (\$500) minimum tax paid.

32 SECTION 2. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

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1           This act would refund a portion of the minimum tax paid to corporations whose gross  
2 receipts are less than five hundred dollars (\$500), but never more than five hundred dollars (\$500)  
3 minimum tax paid.

4           This act would take effect upon passage.

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