

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2018

A N A C T

RELATING TO TAXATION - BUSINESS CORPORATION TAX

Introduced By: Senators Morgan, Paolino, Raptakis, Gee, and Lombardo

Date Introduced: March 20, 2018

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.**

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

9 (b) A corporation shall pay the amount of any tax as computed in accordance with
10 subsection (a) after deducting from "net income," as used in this section, fifty percent (50%) of
11 the excess of capital gains over capital losses realized during the taxable year, if for the taxable
12 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), but shall annually pay to the state a tax equal to ten cents (\$.10) for
3 each one hundred dollars (\$100) of gross income for the taxable year or a tax of one hundred
4 dollars (\$100), whichever tax shall be the greater, if for the taxable year the corporation is either a
5 "personal holding company" registered under the federal Investment Company Act of 1940, 15
6 U.S.C. § 80a-1 et seq., "regulated investment company", or a "real estate investment trust" as
7 defined in the federal income tax law applicable to the taxable year. "Gross income" means gross
8 income as defined in the federal income tax law applicable to the taxable year, plus:

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

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

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

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

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

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

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

24 (e) Minimum tax. The tax imposed upon any corporation under this section, including a
25 small business corporation having an election in effect under subchapter S, 26 U.S.C. § 1361 et
26 seq., shall not be less than four hundred fifty dollars (\$450). For tax years beginning on or after
27 January 1, 2017, the tax imposed shall not be less than four hundred dollars (\$400).

28 Provided, however, that the minimum tax required pursuant to this subsection shall not be
29 applied to a corporation with less than fifty (50) employees.

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

EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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1 This act would provide that corporations with less than fifty (50) employees shall not be
2 subject to the four hundred dollar (\$400) minimum corporate tax.

3 This act would take effect upon passage.

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