

2021 -- S 0099

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2021

A N A C T

RELATING TO TAXATION -- BUSINESS CORPORATION TAX

Introduced By: Senators Algiere, de la Cruz, Rogers, Paolino, and Morgan

Date Introduced: January 26, 2021

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 provided
6 in §§ 44-11-13 -- 44-11-15, for the taxable year. For tax years beginning on or after January 1,
7 2015, each corporation shall annually pay to the state a tax equal to seven percent (7.0%) of net
8 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 the
11 excess of capital gains over capital losses realized during the taxable year, if for the taxable year:

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

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

19 (c) A corporation shall not pay the amount of the tax computed on the basis of its net

1 income under subsection (a), but shall annually pay to the state a tax equal to ten cents (\$.10) for
2 each one hundred dollars (\$100) of gross income for the taxable year or a tax of one hundred dollars
3 (\$100), whichever tax shall be the greater, if for the taxable year the corporation is either a "personal
4 holding company" registered under the federal Investment Company Act of 1940, 15 U.S.C. § 80a-
5 1 et seq., "regulated investment company," or a "real estate investment trust" as defined in the
6 federal income tax law applicable to the taxable year. "Gross income" means gross income as
7 defined in the federal income tax law applicable to the taxable year, plus:

- 8 (1) Any interest not included in the federal gross income; minus
9 (2) Interest on obligations of the United States or its possessions, and other interest exempt
10 from taxation by this state; and minus
11 (3) Fifty percent (50%) of the excess of capital gains over capital losses realized during the
12 taxable year.

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

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

21 (3) ~~Deleted by P.L. 2004, ch. 595, art. 29, § 1.6~~

22 (4) ~~Deleted by P.L. 2004, ch. 595, art. 29, § 1.6~~

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

27 (2) For the tax year beginning on January 1, 2021, the tax imposed shall not be less than
28 two hundred fifty dollars (\$250).

29 (3) For tax years beginning on or after January 1, 2022, there shall be no minimum tax
30 imposed upon any corporation under this section.

31 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 reduce the minimum corporate tax from four hundred dollars (\$400) to two
2 hundred fifty dollars (\$250) for the year beginning on January 1, 2021, and would abolish the
3 minimum tax for tax years beginning on or after January 1, 2022.

4 This act would take effect upon passage.

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