

2017 -- S 0249

LC000874

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2017

A N A C T

RELATING TO TAXATION - BUSINESS CORPORATION TAX

Introduced By: Senators Algieri, Kettle, Morgan, Gee, and Paolino

Date Introduced: February 15, 2017

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. [Effective January 1, 2017.]**

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)(1) Minimum tax. The tax imposed upon any corporation under this section, including  
25 a 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 the tax ~~years~~ year beginning on  
27 ~~or after~~ January 1, 2017, the tax imposed shall not be less than four hundred dollars (\$400).

28 (2) For the tax year beginning on July 1, 2018, the tax imposed shall not be less than two  
29 hundred fifty dollars (\$250).

30 (3) For tax years beginning on or after July 1, 2019, there shall be no tax imposed upon  
31 any corporation under this section.

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

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  
2 two hundred fifty dollars (\$250) for the tax year beginning on July 1, 2018, and abolish the tax  
3 for tax years beginning on or after July 1, 2019.

4           This act would take effect upon passage.

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