

2022 -- S 2265

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2022

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A N A C T

RELATING TO TAXATION -- BUSINESS CORPORATION TAX AND FRANCHISE TAX

Introduced By: Senators Raptakis, de la Cruz, Murray, E Morgan, DiPalma, Rogers,
Sosnowski, Ciccone, and Lombardo

Date Introduced: February 11, 2022

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.]

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

23 (e) 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 tax years beginning on or after
26 January 1, 2017, the tax imposed shall not be less than four hundred dollars (\$400).

27 (f) If a corporation's annual gross income, as defined in § 44-11-2(c), amounts to less than
28 the four hundred dollar (\$400) minimum tax imposed by subsection (e) of this section, the
29 difference shall be refunded to the corporation; provided, the amount refunded shall never be
30 greater than the four hundred dollar (\$400) minimum tax paid.

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 refund the minimum tax paid by corporations with annual gross income of
- 2 less than four hundred dollars (\$400); but caps the amount refunded at four hundred dollars (\$400).
- 3 This act would take effect upon passage.

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