



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

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Memorandum

06-03-17 P06:36 IN

To: The Honorable Marvin L. Abney
Chairman, House Finance Committee

The Honorable William J. Conley, Jr.
Chairman, Senate Finance Committee

From: Thomas A. Mullaney *Thomas A. Mullaney*
Executive Director/State Budget Officer

Date: June 8, 2017

Subject: New Article Relating to Business Corporations Tax
FY 2018 Appropriations Act (17-H-5175)

The Governor requests that a new article entitled "Relating to Business Corporations Tax" be added to the FY 2018 Appropriations Act. This article would change the corporate tax estimated payment schedule to align Rhode Island with best practices, align Rhode Island with federal reporting timelines, avoid a revenue loss due to deferred revenue in FY 2017, and improve Rhode Island's business environment. Current statute requires estimated payments for a corporate tax year as follows: 40 percent in the 3rd month of the tax year and 60 percent in the 6th month. The changes proposed in this article would make estimated payments due as follows: 25 percent each on the 15th day of the 4th, 6th, 9th and 12th months of the tax year.

Without this amendment, the Auditor General and the State Controller will increase the amount of deferred revenue from business corporations tax at the end of FY 2017. This would lower revenues in the current fiscal year by at least \$10.0 million. This is the result of better information on carry forward balances available from the new STAARS tax system. Carry forward balances result when taxpayers have an overpayment relative to their tax liability but elect to apply the balance to future tax liabilities rather than request a refund. These carry forward balances occur routinely but have not been factored into the determination of revenue recognition for financial reporting purposes because of the lack of good data.

Assuming passage of this amendment and based on FY 2016 actual revenues, the State Controller has estimated no impact on revenues in FY 2017, but reduced revenues of \$0.2 million in FY 2018 and \$2.2 million in FY 2019.

TDD#: 277-1227

If you have any questions regarding this new article, please feel free to call me at 222-6300.

TAM: 18-Amend-23

Attachment

cc: Sharon Reynolds Ferland, House Fiscal Advisor
Stephen Whitney, Senate Fiscal Advisor
Michael DiBiase, Director of Administration
Jonathan Womer, Director, Office of Management and Budget
Gregory Stack, Supervising Budget Analyst
Robert Hull, Director, Department of Revenue
Neena Savage, Tax Administrator
Dennis Hoyle, Auditor General
Peter Keenan, State Controller

ARTICLE X

RELATING TO BUSINESS CORPORATIONS TAX

SECTION 1. Section 44-26-2.1 of General Laws in Chapter 44-26 entitled "Declaration of Estimated Tax by Corporations" is hereby amended to read as follows:

44-26-2.1 Declaration – Due date – Payment – Interest. – (a) Notwithstanding any general or specific statute to the contrary, every corporation having a taxable year ending December 31, 1990, or thereafter, until December 31, 2017 shall file a declaration and payment of its estimated tax for the taxable year ending December 31, 1990, or thereafter, until December 31, 2017, as applicable herein, if its estimated tax can reasonably be expected to exceed five hundred dollars (\$500). Every corporation having a taxable year after December 31, 2017, shall file its declaration and estimated payment in accordance with subsection (n) herein and in conformity with federal statute and regulations notwithstanding any Rhode Island statute to the contrary. All The declaration, sworn to by the officer of the corporation who is required to sign its return under any of the chapters and section mentioned in § 44-26-1 shall contain the pertinent information and be in the form that the tax administrator may prescribe. The entire amount of the estimated tax shall constitute the amount of the advance required to be paid.

(b)(1) Except as provided in subdivision (2) of this subsection, the declaration of estimated tax required of corporations by subsection (a) of this section shall be filed as follows:

<p>If the requirements of subsection (a) are first met:</p> <p>before the first day of the third month of the taxable year</p>	<p>The declaration shall be filed on or before:</p> <p>The fifteenth day of the</p>
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1 third month of the tax-
2 able year;
3 after the first day of
4 the third month and
5 before the first day of
6 the sixth month of the
7 taxable year..... the fifteenth day of the
8 sixth month of the tax-
9 able year.

10 (2) The declaration of estimated tax required of corporations subject to 27-3-38 relating
11 to surplus line brokers premium tax or under any special act or acts in lieu of the provisions of
12 that section or in amendment of or in addition to that section shall be filed as follows:

13	If the requirements of	The declaration shall
14	subsection (a) are first	be filed on or before:
15	met:	
16	Before the first day of	
17	the fourth month of the	
18	taxable year.....	the thirtieth day of the
19		fourth month of the
20		taxable year

21 After the first day of
22 the fourth month and
23 before the first day of

1 the sixth month of the
2 taxable year..... the thirtieth day of the
3 sixth month of the tax-
4 able year

5 After the first day of
6 the sixth month and
7 before the first day of
8 the tenth month of the
9 taxable year..... the thirtieth day of the
10 tenth month of the tax-
11 able year

12 After the first day of
13 the tenth month and
14 before the first day of
15 the twelfth month of
16 the taxable year..... the thirty-first day of
17 the twelfth month of
18 the taxable year

19 (c) An amendment of a declaration may be filed in any interval between installment
20 dates prescribed for the taxable year, but only one amendment may be filed in each interval.

21 (d) The tax administrator may grant a reasonable extension of time, not to exceed thirty
22 (30) days, for filing a declaration.

1 (e)(1) The amount of the advance based on the estimated tax declared under subsection
2 (a) of this section by corporations described in subdivision (b)(1) of this section shall be paid as
3 follows:

4 (i) If the declaration is filed on or before the fifteenth (15th) day of the third (3rd)
5 month of the taxable year, the advance shall be paid in two (2) installments. The first installment
6 in the amount of forty percent (40%) of the estimated tax shall be paid at the time of the filing of
7 the declaration. The second and last installment in the amount of sixty percent (60%) of the
8 estimated tax shall be paid on or before the fifteenth (15th) day of the sixth (6th) month of the
9 taxable year.

10 (ii) If the declaration is filed after the fifteenth (15th) day of the third (3rd) month of the
11 taxable year and is not required by subsection (b) of this section to be filed on or before the
12 fifteenth (15th) day of the third (3rd) month of the taxable year, but is required to be filed on or
13 before the fifteenth (15th) day of the sixth (6th) month, the advance shall be paid in full at the
14 time of filing.

15 (2) The amount of the advance based in the estimated tax declared under subsection (a)
16 of this section by corporations listed in subdivision (b)(2) of this section shall be paid as follows:

17 (i) If the declaration is filed on or before the thirtieth (30th) day of the fourth (4th)
18 month of the taxable year, the advance shall be paid in four (4) equal installments. The first
19 installment shall be paid on or before the thirtieth (30th) day of the fourth (4th) month of the
20 taxable year, and the second (2nd), third (3rd), and fourth (4th) installments shall be paid on or
21 before the thirtieth (30th) day of the sixth (6th) month, the thirtieth (30th) day of the tenth (10th)
22 month, and the thirty-first (31st) day of the twelfth (12th) month of the taxable year, respectively.

1 (ii) If the declaration is filed before the thirtieth (30th) day of the sixth (6th) month of
2 the taxable year, the advance shall be paid in three (3) equal installments. The first installment
3 shall be paid on or before the thirtieth (30th) day of the sixth (6th) month of the taxable year and
4 the second (2nd) and third (3rd) installments shall be paid on or before the thirtieth (30th) day of
5 the tenth (10th) month and the thirty-first (31st) day of the twelfth (12th) month of the taxable
6 year respectively.

7 (iii) If the declaration is filed on or before the thirtieth (30th) day of the tenth (10th)
8 month of the taxable year, the advance shall be paid in two (2) equal installments. The first
9 installment shall be paid on or before the thirtieth (30th) day of the tenth (10th) month of the
10 taxable year and the second installment shall be paid on or before the thirty-first (31st) day of the
11 twelfth (12th) month of the taxable year.

12 (iv) If the declaration is filed after the time prescribed in subdivision (b)(2) of this
13 section, including cases in which an extension of time for filing the declaration has been granted,
14 there shall be paid at the time of the filing all installments of the advance which would have been
15 payable on or before that time if the declaration had been filed within the time prescribed in
16 subdivision (b)(2) of this section.

17 (f) If the declaration is filed after the time prescribed in subsection (b) of this section
18 including cases in which an extension of time for filing the declaration has been granted,
19 paragraph (e)(1)(ii) of this section does not apply, and there shall be paid at the time of the filing
20 all installments of the advance which would have been payable on or before that time if the
21 declaration had been filed within the time prescribed in subsection (b).

22 (g) If any amendment of a declaration is filed, the installment payable on or before the
23 fifteenth (15th) day of the sixth (6th) month, if any, or in the case of corporations licensed as

1 surplus line brokers under § 27-3-38, the installments payable on or before the thirtieth (30th)
2 days of the sixth (6th) or tenth (10th) month and thirty-first (31st) day of the twelfth (12th)
3 month are ratably increased or decreased, as the case may be, to reflect the increase or decrease,
4 as the case may be, in the estimated tax by reason of the amendment.

5 (h) At the election of the corporation, any installment of the advance may be paid prior
6 to the date prescribed for payment.

7 (i) In the case of any underpayment of the advance by a corporation, except as provided
8 in this section, there is added to the tax due under chapters 11 – 15 and 17 of this title, or § 27-3-
9 38, for the taxable year an amount determined at the rate described in § 44-1-7 upon the amount
10 of the underpayment for the period of the underpayment. For the purpose of this subsection, the
11 "amount of the underpayment" is the excess of the amount of the installment or installments
12 which would be required to be paid if the advance payments were equal to eighty percent (80%)
13 of the tax shown on the return for the taxable year. For the purposes of this subsection, the
14 "period of the underpayment" is the period from the date the installment was required to be paid
15 to the date prescribed under any of the chapters previously mentioned in this section for the
16 payment of the tax for the taxable year or, with respect to any portion of the underpayment, the
17 date on which the portion is paid, whichever date is the earlier. A payment of the advance on the
18 fifteenth (15th) day of the sixth (6th) month, or for § 27-3-38 on the thirtieth (30th) day of the
19 sixth (6th) month, of the taxable year is considered a payment of any previous underpayment
20 only to the extent that the payment exceeds the amount of the installment due on the fifteenth
21 (15th) day of the sixth (6th) month, or for § 27-3-38 on the thirtieth (30th) day of the sixth (6th)
22 month, of the taxable year.

1 (j) Notwithstanding the provisions of this section, the addition to the tax with respect to
2 any underpayment of any installment is not imposed if the total amount of all payments of the
3 advance made on or before the last date prescribed for payment of the installment equals or
4 exceeds the amount which would have been required to be paid on or before that date if the
5 amount of the advance was an amount equal to one hundred percent (100%) of the tax computed
6 at the rates applicable to the taxable year but otherwise on the basis of the fact shown on the
7 return of the corporation for and the law applicable to the preceding taxable year.

8 (k) This section is effective for estimated payments being made by corporations for
9 taxable years ending on or after December 31, 1990.

10 (l) Notwithstanding any other provisions of this section any taxpayer required to make
11 an adjustment in accordance with § 44-11-11(f) in a tax year beginning in calendar year 2008
12 shall compute estimated payments for that tax year as follows:

13 (1) The installments must equal 100% of the tax due for the prior year plus any
14 additional tax due for the current year adjustment under § 44-11-11(f), or

15 (2) That installments must equal 100% of the current year tax liability.

16 (m) Notwithstanding any other provisions of this section any taxpayer required to file a
17 combined report in accordance with § 44-11-4.1 in a tax year beginning on or after January 1,
18 2015, shall compute estimated payments for that tax year as follows:

19 (1) The installments must equal one hundred percent (100%) of the tax due for the prior
20 year plus any additional tax due to the combined report provisions under § 44-1-4.1; or

21 (2) The installments must equal one hundred percent (100%) of the current year tax
22 liability.

1 (n) Notwithstanding any Rhode Island statute to the contrary, every corporation having a
2 taxable year beginning after December 31, 2017, shall file its declaration and estimated payment
3 in accordance with federal statute and regulations: with current federal filing requirements, the 4
4 estimated tax installment payments of twenty-five percent each are due: on the 15th day of the 4th,
5 6th, 9th, and 12th months of the tax year. If any due date falls on a Saturday, Sunday, or Rhode
6 Island legal holiday, the installment is due on the next regular business day.

7 **SECTION 2.** This article shall take effect upon passage.