

2011 -- H 5060

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2011

A N A C T

RELATING TO TAXATION – BUSINESS CORPORATION TAX

Introduced By: Representatives Wash, Serpa, Ferri, Valencia, and Ruggiero

Date Introduced: January 19, 2011

Referred To: House 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.** -- (a) Each corporation shall annually pay to the state a tax
4 equal to nine percent (9%) of net income, as defined in section 44-11-11, qualified in section 44-
5 11-12, and apportioned to this state as provided in sections 44-11-13 -- 44-11-15, for the taxable
6 year.

7 (b) A corporation shall pay the amount of any tax as computed in accordance with
8 subsection (a) of this section after deducting from "net income," as used in this section, fifty
9 percent (50%) of the excess of capital gains over capital losses realized during the taxable year, if
10 for the taxable year:

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

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

18 (c) A corporation shall not pay the amount of the tax computed on the basis of its net
19 income under subsection (a) of this section, but shall annually pay to the state a tax equal to ten

1 cents (\$.10) for each one hundred dollars (\$100) of gross income for the taxable year or a tax of
 2 one hundred dollars (\$100), whichever tax shall be the greater, if for the taxable year the
 3 corporation is either a "personal holding company" registered under the federal Investment
 4 Company Act of 1940, 15 U.S.C. section 80a-1 et seq., "regulated investment company", or a
 5 "real estate investment trust" as defined in the federal income tax law applicable to the taxable
 6 year. "Gross income" means gross income as defined in the federal income tax law applicable to
 7 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
 10 exempt from taxation by this state; and minus
- 11 (3) Fifty percent (50%) of the excess of capital gains over capital losses realized during
 12 the taxable year.

13 (d) (1) A small business corporation having an election in effect under subchapter S, 26
 14 U.S.C. section 1361 et seq., shall not be subject to the Rhode Island income tax on corporations,
 15 except that the corporation shall be subject to the provisions of subsection (a), to the extent of the
 16 income that is subjected to federal tax under subchapter S.

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

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

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

21 (e) Minimum tax. - The tax imposed upon any corporation under this section shall not be
 22 less than five hundred dollars (\$500). Effective in tax year 2011, the tax imposed upon any
 23 corporation under this section shall not be less than a tax equal to lowest gross receipts amount
 24 within the following brackets; provided, that any corporation with gross receipts less than two
 25 hundred fifty thousand dollars (\$250,000) shall not be subject to the minimum tax.

<u>Gross Receipts Range</u>			<u>Effective Maximum</u>	
<u>Lowest</u>	<u>to</u>	<u>Highest</u>	<u>Rate</u>	<u>Tax</u>
<u>\$-</u>	<u>to</u>	<u>\$249,999</u>	<u>0.00%</u>	<u>\$-</u>
<u>\$250,000</u>	<u>to</u>	<u>\$499,999</u>	<u>0.03%</u>	<u>\$75</u>
<u>\$500,000</u>	<u>to</u>	<u>\$999,999</u>	<u>0.03%</u>	<u>\$150</u>
<u>\$1,000,000</u>	<u>to</u>	<u>\$2,499,999</u>	<u>0.03%</u>	<u>\$300</u>
<u>\$2,500,000</u>	<u>to</u>	<u>\$4,999,999</u>	<u>0.03%</u>	<u>\$750</u>
<u>\$5,000,000</u>	<u>to</u>	<u>\$9,999,999</u>	<u>0.03%</u>	<u>\$1,500</u>
<u>\$10,000,000</u>	<u>and above</u>		<u>0.03%</u>	<u>\$3,000</u>

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

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO TAXATION – BUSINESS CORPORATION TAX

1 This act would eliminate the minimum corporate tax on small businesses with gross
2 receipts under two hundred fifty thousand dollars (\$250,000) per year and would establish a
3 graduated minimum tax on businesses with annual gross receipts of two hundred fifty thousand
4 dollars (\$250,000) or greater. The greatest amount to be paid would be three thousand dollars
5 (\$3,000) by a business with gross receipts of ten million dollars (\$10,000,000) or more.

6 This act would take effect upon passage.

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