

1 entity.

2 (3) In the event that, in the second year of the plan, a business entity's contribution falls
3 below the contribution amount made in the first year but the second year's contribution is eighty
4 percent (80%) or greater than the first year's contribution, the business entity shall receive a credit
5 for both the first and second year contributions equal to ninety percent (90%) of each year's
6 contribution.

7 (4) If the amount of the second year contribution is less than eighty percent (80%) of the
8 first year contribution, then the credit for both the first and second year contributions shall be
9 equal to seventy-five percent (75%) of each year's contribution. In such case, the tax
10 administrator shall prepare the tax credit certificate for the second year at seventy-five percent
11 (75%). The difference in credit allowable for the first year [90% - 75% = 15% x first year
12 contribution] shall be recaptured by adding it to the taxpayer's tax in that year.

13 **44-62-6. Definitions.** - The following words and phrases used in this chapter shall have
14 the meanings given to them in this section unless the context clearly indicates otherwise:

15 (1) "Business entity" means an entity authorized to do business in this state and subject
16 to taxes imposed under chapters 44-11, 44-13, 44-14, 44-15 and 44-17 of the general laws.
17 Business entities also include Subchapter S Corporations, Limited Liability Partnerships, and
18 Limited Liability Corporations.

19 (2) "Division of taxation" means the Rhode Island division of taxation.

20 SECTION 2. Section 44-11-11 of the General Laws in Chapter 44-11 entitled "Business
21 Corporation Tax" is hereby amended to read as follows:

22 **44-11-11. "Net income" defined.** -- (a) (1) "Net income" means for any taxable year and
23 for any corporate taxpayer, the taxable income of the taxpayer for that taxable year under the laws
24 of the United States, plus (i) any interest not included in the taxable income, (ii) any specific
25 exemptions, ~~and~~ (iii) the tax imposed by this chapter, and (iv) any deductions required to be
26 added back to net income under the provisions of paragraph (f) of this section, and minus ~~(v)~~(v)
27 interest on obligations of the United States or its possessions, and other interest exempt from
28 taxation by this state, and ~~(v)~~(vi) the federal net operating loss deduction.

29 (2) All binding federal elections made by or on behalf of the taxpayer applicable either
30 directly or indirectly to the determination of taxable income shall be binding on the taxpayer
31 except where this chapter or its attendant regulations specifically modify or provide otherwise.
32 However, Rhode Island taxable income shall not include the "grossup of dividends" required by
33 the federal Internal Revenue Code to be taken into taxable income in connection with the
34 taxpayer's election of the foreign tax credit.

1 (b) A net operating loss deduction shall be allowed which shall be the same as the net
2 operating loss deduction allowed under 26 U.S.C. section 172, except that: (1) any net operating
3 loss included in determining the deduction shall be adjusted to reflect the inclusions and
4 exclusions from entire net income required by subsection (a) and section 44-11-11.1, (2) the
5 deduction shall not include any net operating loss sustained during any taxable year in which the
6 taxpayer was not subject to the tax imposed by this chapter, and (3) the deduction shall not
7 exceed the deduction for the taxable year allowable under 26 U.S.C. section 172; provided, that
8 the deduction for a taxable year may not be carried back to any other taxable year for Rhode
9 Island purposes but shall only be allowable on a carry forward basis for the five (5) succeeding
10 taxable years.

11 (c) Domestic international sales corporations, referred to as DISCs, for the purposes of
12 this chapter, will be treated as they are under federal income tax law and shall not pay the amount
13 of the tax computed under section 44-11-2(a). Any income to shareholders of DISCs is to be
14 treated in the same manner as it is treated under federal income tax law as it exists on December
15 31, 1984.

16 (d) A corporation which qualifies as a foreign sales corporation (FSC) under the
17 provisions of subchapter N, 26 U.S.C. section 861 et seq., and which has in effect for the entire
18 taxable year a valid election under federal law to be treated as a FSC, shall not pay the amount of
19 the tax computed under section 44-11-2(a). Any income to shareholders of FSCs is to be treated
20 in the same manner as it is treated under federal income tax law as it exists on January 1, 1985.

21 (e) As used in this section:

22 (1) "Affiliated group" has the same meaning as in section 1504 of the Internal Revenue
23 Code.

24 (2) "Intangible expenses and costs" includes: (A) expenses, losses and costs for, related
25 to, or in connection directly or indirectly with the direct or indirect acquisition, use, maintenance
26 or management, ownership, sale, exchange, or any other disposition of intangible property to the
27 extent such amounts are allowed as deductions or costs in determining taxable income before
28 operating loss deduction and special deductions for the taxable year under the Internal Revenue
29 Code; (B) losses related to or incurred in connection directly or indirectly with factoring
30 transactions or discounting transactions; (C) royalty, patent, technical and copyright fees; (D)
31 licensing fees; and (E) other similar expenses and costs.

32 (3) "Intangible property" means patents, patent applications, trade names, trademarks,
33 service marks, copyrights and similar types of intangible assets.

34 (4) "Interest expenses and costs" means amounts directly or indirectly allowed as

1 deductions under section 163 of the Internal Revenue Code for purposes of determining taxable
2 income under the Internal Revenue Code to the extent such expenses and costs are directly or
3 indirectly for, related to, or in connection with the direct or indirect acquisition, maintenance,
4 management, ownership, sale, exchange or disposition of intangible property.

5 (5) "Related member" means a person that, with respect to the taxpayer during all or any
6 portion of the taxable year, is a related entity, as defined in this subsection, a component member
7 as defined in section 1563(b) of the Internal Revenue Code, or is a person to or from whom there
8 is attribution of stock ownership in accordance with section 1563(e) of the Internal Revenue
9 Code.

10 (6) "Related entity" means: (A) a stockholder who is an individual, or a member of the
11 stockholder's family enumerated in section 318 of the Internal Revenue Code, if the stockholder
12 and the members of the stockholder's family own directly, indirectly, beneficially or
13 constructively, in the aggregate, at least fifty percent (50%) of the value of the taxpayer's
14 outstanding stock; (B) a stockholder, or a stockholder's partnership, limited liability company,
15 estate, trust or corporation, if the stockholder and the stockholder's partnership, limited liability
16 companies, estates, trusts and corporations own directly, indirectly, beneficially or constructively,
17 in the aggregate, at least fifty percent (50%) of the value of the taxpayer's outstanding stock; or
18 (C) a corporation, or a party related to the corporation in a manner that would require an
19 attribution of stock from the corporation to the party or from the party to the corporation under
20 the attribution rules of section 318 of the Internal Revenue Code, if the taxpayer owns, directly,
21 indirectly, beneficially or constructively, at least fifty percent (50%) of the value of the
22 corporation's outstanding stock. The attribution rules on section 318 of the Internal Revenue
23 Code shall apply for purposes of determining whether the ownership requirements of this
24 subdivision have been met.

25 (f) For purposes of computing its net income under this section, a corporation shall add
26 back otherwise deductible interest expenses and costs and intangible expenses and costs directly
27 or indirectly paid, accrued or incurred to, or in connection directly or indirectly with one or more
28 direct or indirect transactions with, one or more related members.

29 (1) The adjustments required in subsection (f) of this section shall not apply if the
30 corporation establishes by clear and convincing evidence that the adjustments are unreasonable,
31 as determined by the tax administrator or the corporation and the tax administrator agree in
32 writing to the application or use of an alternative method of apportionment under section 44-11-
33 15. Nothing in this subsection shall be construed to the limit or negate the tax administrator's
34 authority to otherwise enter into agreements and compromises otherwise allowed by law.

1 (2) The adjustments required in subsection (f) of this section shall not apply to such
2 portion of interest expenses and costs and intangible expenses and costs that the corporation can
3 establish by the preponderance of the evidence meets both of the following: (A) the related
4 member during the same income year directly or indirectly paid, accrued or incurred such portion
5 to a person who is not a related member; and (B) the transaction giving rise to the interest
6 expenses and costs or the intangible expenses and costs between the corporation and the related
7 member did not have as a significant purpose the avoidance of any portion of the tax due under
8 chapter 44-11.

9 (3) The adjustments required in subsection (f) shall not apply if the corporation
10 establishes by clear and convincing evidence, as determined by the tax administrator, that: (i) a
11 principal purpose of the transaction giving rise to the payment of interest was not to avoid
12 payment of taxes due under this chapter; (ii) the interest is paid pursuant to a contract that reflects
13 an arm's length rate of interest and terms; and (iii)(A) the related member was subject to tax on its
14 net income in this state or another state or possession of the United States or a foreign nation; (B)
15 a measure of said tax included the interest received from the taxpayer; and (C) the effective rate
16 of tax applied to the interest received by the related member is no less than the effective rate of
17 tax applied to the taxpayer under this chapter minus 3 percentage points.

18 (4) Partial Adjustments – The add back required in subsection (f) shall not be required in
19 part if a portion of the add back would be unreasonable. A portion of the add back will be
20 considered unreasonable to the extent that the taxpayer establishes to the tax administrator by
21 clear and convincing evidence that interest or intangible expense was paid, accrued or incurred to
22 a related member that is taxed on the corresponding income by a state, U.S. possession or foreign
23 jurisdiction. An adjustment to the add back will be allowed based on a factor determined by the
24 apportioned tax rate of the related member in the other jurisdiction compared to the apportioned
25 tax rate of the taxpayer in this state. A taxpayer that seeks to claim this adjustment must file a
26 schedule that sets forth the information required by the tax administrator.

27 (g) Nothing in this section shall require a corporation to add to its net income more than
28 once any amount of interest expenses and costs or intangible expenses and costs that the
29 corporation pays, accrues or incurs to a related member described in subsection (b) of this
30 section.

31 (h) Any taxpayer required to make an adjustment required in subsection (f) for tax years
32 beginning on or after January 1, 2008, is additionally required to report to the tax administrator,
33 on forms required by him, the amount of any adjustments that would have been required if the
34 law applied to tax years beginning on or after January 1, 2007.

1 [\(i\) Nothing in this section shall be construed to limit or negate the tax administrator](#)
2 [authority to make adjustments under section 44-11-15.](#)

3 SECTION 3. Section 44-26-2.1 of the General Laws in Chapter 44-26 entitled
4 "Declaration of Estimated Tax by Corporations" is hereby amended to read as follows:

5 **44-26-2.1. Declaration -- Due date -- Payment -- Interest. --** (a) Notwithstanding any
6 general or specific statute to the contrary, every corporation having a taxable year ending
7 December 31, 1990, or thereafter, shall file a declaration of its estimated tax for the taxable year
8 ending December 31, 1990, or thereafter, if its estimated tax can reasonably be expected to
9 exceed five hundred dollars (\$500). The declaration, sworn to by the officer of the corporation
10 who is required to sign its return under any of the chapters and section mentioned in section 44-
11 26-1 shall contain the pertinent information and be in the form that the tax administrator may
12 prescribe. The entire amount of the estimated tax shall constitute the amount of the advance
13 required to be paid. (b) (1) Except as provided in subdivision (2) of this subsection, the
14 declaration of estimated tax required of corporations by subsection (a) of this section shall be
15 filed as follows:

16 If the requirements of The declaration shall subsection (a) of this section are be filed on
17 or before: first met: before the first day of the third month of the taxable year the fifteenth day of
18 the third month of the taxable year; after the first day of the third month and before the first day
19 of the sixth month of the taxable year the fifteenth day of the sixth month of the taxable year.

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

24 If the requirements of The declaration shall subsection (a) of this section are be filed on
25 or before: first met: Before the first day of the fourth month of the taxable year the thirtieth day of
26 the fourth month of the taxable year After the first day of the fourth month and before the first
27 day of the sixth month of the taxable year the thirtieth day of the sixth month of the taxable year
28 After the first day of the sixth month and before the first day of the tenth month of the taxable
29 year the thirtieth day of the tenth month of the taxable year After the first day of the tenth month
30 and before the first day of the twelfth month of the taxable year the thirty-first day of the twelfth
31 month of the taxable year

32 (c) An amendment of a declaration may be filed in any interval between installment
33 dates prescribed for the taxable year, but only one amendment may be filed in each interval. (d)
34 The tax administrator may grant a reasonable extension of time, not to exceed thirty (30) days, for

1 filing a declaration. (e) (1) The amount of the advance based on the estimated tax declared under
2 subsection (a) of this section by corporations described in subdivision (b)(1) of this section shall
3 be paid as follows: (i) If the declaration is filed on or before the fifteenth (15th) day of the third
4 (3rd) month of the taxable year, the advance shall be paid in two (2) installments. The first
5 installment in the amount of forty percent (40%) of the estimated tax shall be paid at the time of
6 the filing of the declaration. The second and last installment in the amount of sixty percent (60%)
7 of the estimated tax shall be paid on or before the fifteenth (15th) day of the sixth (6th) month of
8 the taxable year. (ii) If the declaration is filed after the fifteenth (15th) day of the third (3rd)
9 month of the taxable year and is not required by subsection (b) of this section to be filed on or
10 before the fifteenth (15th) day of the third (3rd) month of the taxable year, but is required to be
11 filed on or before the fifteenth (15th) day of the sixth (6th) month, the advance shall be paid in
12 full at the time of filing. (2) The amount of the advance based in the estimated tax declared under
13 subsection (a) of this section by corporations listed in subdivision (b)(2) of this section shall be
14 paid as follows: (i) If the declaration is filed on or before the thirtieth (30th) day of the fourth
15 (4th) month of the taxable year, the advance shall be paid in four (4) equal installments. The first
16 installment shall be paid on or before the thirtieth (30th) day of the fourth (4th) month of the
17 taxable year, and the second (2nd), third (3rd), and fourth (4th) installments shall be paid on or
18 before the thirtieth (30th) day of the sixth (6th) month, the thirtieth (30th) day of the tenth (10th)
19 month, and the thirty-first (31st) day of the twelfth (12th) month of the taxable year, respectively.
20 (ii) If the declaration is filed before the thirtieth (30th) day of the sixth (6th) month of the taxable
21 year, the advance shall be paid in three (3) equal installments. The first installment shall be paid
22 on or before the thirtieth (30th) day of the sixth (6th) month of the taxable year and the second
23 (2nd) and third (3rd) installments shall be paid on or before the thirtieth (30th) day of the tenth
24 (10th) month and the thirty-first (31st) day of the twelfth (12th) month of the taxable year
25 respectively. (iii) If the declaration is filed on or before the thirtieth (30th) day of the tenth (10th)
26 month of the taxable year, the advance shall be paid in two (2) equal installments. The first
27 installment shall be paid on or before the thirtieth (30th) day of the tenth (10th) month of the
28 taxable year and the second installment shall be paid on or before the thirty-first (31st) day of the
29 twelfth (12th) month of the taxable year. (iv) If the declaration is filed after the time prescribed
30 in subdivision (b)(2) of this section, including cases in which an extension of time for filing the
31 declaration has been granted, there shall be paid at the time of the filing all installments of the
32 advance which would have been payable on or before that time if the declaration had been filed
33 within the time prescribed in subdivision (b)(2) of this section. (f) If the declaration is filed after
34 the time prescribed in subsection (b) of this section including cases in which an extension of time

1 for filing the declaration has been granted, paragraph (e)(1)(ii) of this section does not apply, and
2 there shall be paid at the time of the filing all installments of the advance which would have been
3 payable on or before that time if the declaration had been filed within the time prescribed in
4 subsection (b). (g) If any amendment of a declaration is filed, the installment payable on or
5 before the fifteenth (15th) day of the sixth (6th) month, if any, or in the case of corporations
6 licensed as surplus line brokers under section 27-3-38, the installments payable on or before the
7 thirtieth (30th) days of the sixth (6th) or tenth (10th) month and thirty-first (31st) day of the
8 twelfth (12th) month are ratably increased or decreased, as the case may be, to reflect the increase
9 or decrease, as the case may be, in the estimated tax by reason of the amendment. (h) At the
10 election of the corporation, any installment of the advance may be paid prior to the date
11 prescribed for payment. (i) In the case of any underpayment of the advance by a corporation,
12 except as provided in this section, there is added to the tax due under chapters 11 -- 15 and 17 of
13 this title, or section 27-3-38, for the taxable year an amount determined at the rate described in
14 section 44-1-7 upon the amount of the underpayment for the period of the underpayment. For the
15 purpose of this subsection, the "amount of the underpayment" is the excess of the amount of the
16 installment or installments which would be required to be paid if the advance payments were
17 equal to eighty percent (80%) of the tax shown on the return for the taxable year. For the
18 purposes of this subsection, the "period of the underpayment" is the period from the date the
19 installment was required to be paid to the date prescribed under any of the chapters previously
20 mentioned in this section for the payment of the tax for the taxable year or, with respect to any
21 portion of the underpayment, the date on which the portion is paid, whichever date is the earlier.
22 A payment of the advance on the fifteenth (15th) day of the sixth (6th) month, or for section 27-3-
23 38 on the thirtieth (30th) day of the sixth (6th) month, of the taxable year is considered a payment
24 of any previous underpayment only to the extent that the payment exceeds the amount of the
25 installment due on the fifteenth (15th) day of the sixth (6th) month, or for section 27-3-38 on the
26 thirtieth (30th) day of the sixth (6th) month, of the taxable year. (j) Notwithstanding the
27 provisions of this section, the addition to the tax with respect to any underpayment of any
28 installment is not imposed if the total amount of all payments of the advance made on or before
29 the last date prescribed for payment of the installment equals or exceeds the amount which would
30 have been required to be paid on or before that date if the amount of the advance was an amount
31 equal to one hundred percent (100%) of the tax computed at the rates applicable to the taxable
32 year but otherwise on the basis of the fact shown on the return of the corporation for and the law
33 applicable to the preceding taxable year. (k) This section is effective for estimated payments
34 being made by corporations for taxable years ending on or after December 31, 1990.

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

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

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

7 SECTION 4. Section 44-11-14 of the General Laws in Chapter 44-11 entitled "Business
8 Corporation Tax" is hereby amended to read as follows:

9 **44-11-14. Allocation of income from business partially within state.** -- (a) In the case
10 of a taxpayer deriving its income from sources both within and outside of this state or engaging in
11 any activities or transactions both within and outside of this state for the purpose of profit or gain,
12 its net income shall be apportioned to this state by means of an allocation fraction to be computed
13 as a simple arithmetical mean of three (3) fractions:

14 (1) The first of these fractions shall represent that part held or owned within this state of
15 the average net book value of the total tangible property (real estate and tangible personal
16 property) held or owned by the taxpayer during the taxable year, without deduction on account of
17 any encumbrance thereon;

18 (2) The second fraction shall represent that part of the taxpayer's total receipts from sales
19 or other sources during the taxable year which is attributable to the taxpayer's activities or
20 transactions within this state during the taxable year; meaning and including within that part, as
21 being thus attributable, receipts from:

22 (i) Gross sales of its tangible personal property (inventory sold in the ordinary course of
23 business) where : (A) shipments are made to points within this state; or

24 (B) shipments are made from an office, store, warehouse, factory or other place of
25 storage in this state and the taxpayer is not taxable in the state of the purchase and the taxpayer is
26 not taxable in the state of the purchase.

27 (ii) Gross income from services performed within the state;

28 (iii) Gross income from rentals from property situated within the state;

29 (iv) Net income from the sale of real and personal property, other than inventory sold in
30 the ordinary course of business as described in paragraph (i) of this subdivision, or other capital
31 assets located in the state;

32 (v) Net income from the sale or other disposition of securities or financial obligations;

33 and

34 (vi) Gross income from all other receipts within the state;

1 (3) The third fraction shall represent that part of the total wages, salaries, and other
2 compensation to officers, employees, and agents paid or incurred by the taxpayer during the
3 taxable year which is attributable to services performed in connection with the taxpayer's
4 activities or transactions within this state during the taxable year.

5 (b) Notwithstanding any of the provisions of this section, revenue and expenses subject
6 to the gross earnings tax pursuant to chapter 13 of this title shall not be included in the calculation
7 described in this section.

8 SECTION 5. Sections 44-30-2.6 and 44-30-2.7 of the General Laws in Chapter 44-30
9 entitled "Personal Income Tax" are hereby amended to read as follows:

10 **44-30-2.6. Rhode Island taxable income -- Rate of tax.** -- (a) "Rhode Island taxable
11 income" means federal taxable income as determined under the Internal Revenue Code, 26 U.S.C.
12 section 1 et seq., not including the increase in the basic standard deduction amount for married
13 couples filing joint returns as provided in the Jobs and Growth Tax Relief Reconciliation Act of
14 2003 and the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), and as
15 modified by the modifications in section 44-30-12.

16 (b) Notwithstanding the provisions of sections 44-30-1 and 44-30-2, for tax years
17 beginning on or after January 1, 2001, a Rhode Island personal income tax is imposed upon the
18 Rhode Island taxable income of residents and nonresidents, including estates and trusts, at the rate
19 of twenty-five and one-half percent (25.5%) for tax year 2001, and twenty-five percent (25%) for
20 tax year 2002 and thereafter of the federal income tax rates, including capital gains rates and any
21 other special rates for other types of income, except as provided in section 44-30-2.7, which were
22 in effect immediately prior to enactment of the Economic Growth and Tax Relief Reconciliation
23 Act of 2001 (EGTRRA); provided, rate schedules shall be adjusted for inflation by the tax
24 administrator beginning in taxable year 2002 and thereafter in the manner prescribed for
25 adjustment by the commissioner of Internal Revenue in 26 U.S.C. section 1(f). However, for tax
26 years beginning on or after January 1, 2006, a taxpayer may elect to use the alternative flat tax
27 rate provided in section 44-30-2.10 to calculate his or her personal income tax liability.

28 (c) For tax years beginning on or after January 1, 2001, if a taxpayer has an alternative
29 minimum tax for federal tax purposes, the taxpayer shall determine if he or she has a Rhode
30 Island alternative minimum tax. The Rhode Island alternative minimum tax shall be computed by
31 multiplying the federal tentative minimum tax without allowing for the increased exemptions
32 under the Jobs and Growth Tax Relief Reconciliation Act of 2003 (as redetermined on federal
33 form 6251 Alternative Minimum Tax-Individuals) by twenty-five and one-half percent (25.5%)
34 for tax year 2001, and twenty-five percent (25%) for tax year 2002 and thereafter, and comparing

1 the product to the Rhode Island tax as computed otherwise under this section. The excess shall be
2 the taxpayer's Rhode Island alternative minimum tax.

3 (1) For tax years beginning on or after January 1, 2005 and thereafter the exemption
4 amount for alternative minimum tax, for Rhode Island purposes, shall be adjusted for inflation by
5 the tax administrator in the manner prescribed for adjustment by the commissioner of Internal
6 Revenue in 26 U.S.C. section 1(f).

7 (2) For the period January 1, 2007 through December 31, 2007, and thereafter, Rhode
8 Island taxable income shall be determined by deducting from federal adjusted gross income as
9 defined in 26 U.S.C. section 62 as modified by the modifications in section 44-30-12 the Rhode
10 Island itemized deduction amount and the Rhode Island exemption amount as determined in this
11 section.

12 (A) Tax imposed.

13 (1) There is hereby imposed on the taxable income of married individuals filing joint
14 returns and surviving spouses a tax determined in accordance with the following table:

<u>If taxable income is:</u>	<u>The tax is:</u>
<u>Not over \$53,150</u>	<u>3.75% of taxable income</u>
<u>Over \$53,150 but not over \$128,500</u>	<u>\$1,993.13 plus 7.00% of the excess over \$53,150</u>
<u>Over \$128,500 but not over \$195,850</u>	<u>\$7,267.63 plus 7.75% of the excess over \$128,500</u>
<u>Over \$195,850 but not over \$349,700</u>	<u>\$12,487.25 plus 9.00% of the excess over \$195,850</u>
<u>Over \$349,700</u>	<u>\$26,333.75 plus 9.90% of the excess over \$349,700</u>

21 (2) There is hereby imposed on the taxable income of every head of household a tax
22 determined in accordance with the following table:

<u>If taxable income is:</u>	<u>The tax is:</u>
<u>Not over \$42,650</u>	<u>3.75% of taxable income</u>
<u>Over \$42,650 but not over \$110,100</u>	<u>\$1,599.38 plus 7.00% of the excess over \$42,650</u>
<u>Over \$110,100 but not over \$178,350</u>	<u>\$6,320.88 plus 7.75% of the excess over \$110,100</u>
<u>Over \$178,350 but not over \$349,700</u>	<u>\$11,610.25 plus 9.00% of the excess over \$178,350</u>
<u>Over \$349,700</u>	<u>\$27,031.75 plus 9.90% of the excess over \$349,700</u>

29 (3) There is hereby imposed on the taxable income of unmarried individuals (other than
30 surviving spouses and heads of households) a tax determined in accordance with the following
31 table:

<u>If taxable income is:</u>	<u>The tax is:</u>
<u>Not over \$31,850</u>	<u>3.75% of taxable income</u>
<u>Over \$31,850 but not over \$77,100</u>	<u>\$1,194.38 plus 7.00% of the excess over \$31,850</u>

1	<u>Over \$77,100 but not over \$160,850</u>	<u>\$4,361.88 plus 7.75% of the excess over \$77,100</u>
2	<u>Over \$160,850 but not over \$349,700</u>	<u>\$10,852.50 plus 9.00% of the excess over \$160,850</u>
3	<u>Over \$349,700</u>	<u>\$27,849.00 plus 9.90% of the excess over \$349,700</u>

4 (4) There is hereby imposed on the taxable income of married individuals filing separate
5 returns and bankruptcy estates a tax determined in accordance with the following table:

6	<u>If taxable income is:</u>	<u>The tax is:</u>
7	<u>Not over \$26,575</u>	<u>3.75% of taxable income</u>
8	<u>Over \$26,575 but not over \$64,250</u>	<u>\$996.56 plus 7.00% of the excess over \$26,575</u>
9	<u>Over \$64,250 but not over \$97,925</u>	<u>\$3,633.81 plus 7.75% of the excess over \$64,250</u>
10	<u>Over \$97,925 but not over \$174,850</u>	<u>\$6,243.63 plus 9.00% of the excess over \$97,925</u>
11	<u>Over \$174,850</u>	<u>\$13,166.88 plus 9.90% of the excess over \$174,850</u>

12 (5) There is hereby imposed a taxable income of an estate or trust a tax determined in
13 accordance with the following table:

14	<u>If taxable income is:</u>	<u>The tax is:</u>
15	<u>Not over \$2,150</u>	<u>3.75% of taxable income</u>
16	<u>Over \$2,150 but not over \$5,000</u>	<u>\$80.63 plus 7.00% of the excess over \$2,150</u>
17	<u>Over \$5,000 but not over \$7,650</u>	<u>\$280.13 plus 7.75% of the excess over \$5,000</u>
18	<u>Over \$7,650 but not over \$10,450</u>	<u>\$485.50 plus 9.00% of the excess over \$7,650</u>
19	<u>Over \$10,450</u>	<u>\$737.50 plus 9.90% of the excess over \$10,450</u>

20 (6) Adjustments for inflation.

21 The dollars amount contained in paragraph (A) shall be increased by an amount equal to:

22 (a) such dollar amount contained in paragraph (A) in the year 1993, multiplied by;

23 (b) the cost-of-living adjustment determined under section (J) with a base year of 1993;

24 (c) the cost-of-living adjustment referred to in subparagraph (a) and (b) used in making

25 adjustments to the nine percent (9%) and nine and nine tenths percent (9.9%) dollar amounts shall

26 be determined under section (J) by substituting "1994" for "1993."

27 (B) Maximum capital gains rates

28 (1) In general

29 If a taxpayer has a net capital gain for any taxable year, the tax imposed by this section

30 for such taxable year shall not exceed the sum of:

31 (a) 2.5 % of the net capital gain as reported for federal income tax purposes under section

32 26 U.S.C. 1(h)(1)(a) and 26 U.S.C. 1(h)(1)(b).

33 (b) 5% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.

34 1(h)(1)(c).

1 (c) 6.25% of the net capital gain as reported for federal income tax purposes under 26
2 U.S.C. 1(h)(1)(d).

3 (d) 7% of the net capital gain as reported for federal income tax purposes under 26 U.S.C.
4 1(h)(1)(e).

5 (C) Itemized deductions.

6 (1) In general

7 For the purposes of section (2) "itemized deductions" means the amount of federal
8 itemized deductions as modified by the modifications in section 44-30-12.

9 (2) Individuals who do not itemize their deductions

10 In the case of an individual who does not elect to itemize his deductions for the taxable
11 year, they may elect to take a standard deduction.

12 (3) Basic standard deduction.

13 The Rhode Island standard deduction shall be allowed in accordance with the following
14 table:

<u>Filing status</u>	<u>Amount</u>
<u>Single</u>	<u>\$5,350</u>
<u>Married filing jointly or qualifying widow(er)</u>	<u>\$8,900</u>
<u>Married filing separately</u>	<u>\$4,450</u>
<u>Head of Household</u>	<u>\$7,850</u>

20 (4) Additional standard deduction for the aged and blind.

21 An additional standard deduction shall be allowed for individuals age sixty-five (65) or
22 older or blind in the amount of \$1,300 for individuals who are not married and \$1,050 for
23 individuals who are married.

24 (5) Limitation on basic standard deduction in the case of certain dependents.

25 In the case of an individual to whom a deduction under section (E) is allowable to another
26 taxpayer, the basic standard deduction applicable to such individual shall not exceed the greater
27 of:

28 (a) \$850;

29 (b) the sum of \$300 and such individual's earned income;

30 (6) Certain individuals not eligible for standard deduction.

31 In the case of:

32 (a) a married individual filing a separate return where either spouse itemizes deductions;

33 (b) nonresident alien individual;

34 (c) an estate or trust;

1 The standard deduction shall be zero.

2 (7) Adjustments for inflation.

3 Each dollars amount contained in paragraphs (3), (4) and (5) shall be increased by an
4 amount equal to:

5 (a) such dollar amount contained in paragraphs (3), (4) and (5) in the year 1988,
6 multiplied by

7 (b) the cost-of-living adjustment determined under section (J) with a base year of 1988.

8 (D) Overall Limitation on Itemized Deductions

9 (1) General rule.

10 In the case of an individual whose adjusted gross income as modified by section 44-30-12
11 exceeds the applicable amount, the amount of the itemized deductions otherwise allowable for the
12 taxable year shall be reduced by the lesser of:

13 (a) Three percent (3%) of the excess of adjusted gross income as modified by section 44-
14 30-12 over the applicable amount; or

15 (b) Eighty percent (80%) of the amount of the itemized deductions otherwise allowable
16 for such taxable year.

17 (2) Applicable amount.

18 (a) In general.

19 For purposes of this section, the term "applicable amount" means \$156,400 (\$78,200 in
20 the case of a separate return by a married individual)

21 (b) Adjustments for inflation.

22 Each dollar amount contained in paragraph (a) shall be increased by an amount equal to:

23 (i) such dollar amount contained in paragraph (a) in the year 1991, multiplied by

24 (ii) the cost-of-living adjustment determined under section (J) with a base year of 1991.

25 (3) Phase-out of Limitation.

26 (a) In general.

27 In the case of taxable year beginning after December 31, 2005, and before January 1,
28 2010, the reduction under section (1) shall be equal to the applicable fraction of the amount which
29 would be the amount of such reduction.

30 (b) Applicable fraction.

31 For purposes of paragraph (a), the applicable fraction shall be determined in accordance
32 with the following table:

33 <u>For taxable years beginning in calendar year</u>	<u>The applicable fraction is</u>
34 <u>2006 and 2007</u>	<u>2/3</u>

(E) Exemption Amount

(1) In general.

Except as otherwise provided in this subsection, the term "exemption amount" mean \$3,400.

(2) Exemption amount disallowed in case of certain dependents.

In the case of an individual with respect to whom a deduction under this section is allowable to another taxpayer for the same taxable year, the exemption amount applicable to such individual for such individual's taxable year shall be zero.

(3) Adjustments for inflation.

The dollar amount contained in paragraph (1) shall be increased by an amount equal to:

(a) such dollar amount contained in paragraph (1) in the year 1989, multiplied by

(b) the cost-of-living adjustment determined under section (J) with a base year of 1989.

(4) Limitation.

(a) In general.

In the case of any taxpayer whose adjusted gross income as modified for the taxable year exceeds the threshold amount shall be reduced by the applicable percentage.

(b) Applicable percentage.

In the case of any taxpayer whose adjusted gross income for the taxable year exceeds the threshold amount, the exemption amount shall be reduced by two (2) percentage points for each \$2,500 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year exceeds the threshold amount. In the case of a married individual filing a separate return, the preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In no event shall the applicable percentage exceed one hundred percent (100%).

(c) Threshold Amount.

For the purposes of this paragraph, the term "threshold amount" shall be determined with the following table:

<u>Filing status</u>	<u>Amount</u>
<u>Single</u>	<u>\$156,400</u>
<u>Married filing jointly of qualifying widow(er)</u>	<u>\$234,600</u>
<u>Married filing separately</u>	<u>\$117,300</u>
<u>Head of Household</u>	<u>\$195,500</u>

(d) Adjustments for inflation.

Each dollars amount contain in paragraph (b) shall be increased by an amount equal to:

1 (i) such dollar amount contained in paragraph (b) in the year 1991, multiplied by
2 (ii) the cost-of-living adjustment determined under section (J) with a base year of 1991.
3 (5) Phase-out of Limitation.

4 (a) In general.
5 In the case of taxable years beginning after December 31, 2005, and before January 1,
6 2010, the reduction under section 4 shall be equal to the applicable fraction of the amount which
7 would be the amount of such reduction.

8 (b) Applicable fraction.
9 For the purposes of paragraph (a), the applicable fraction shall be determined in
10 accordance with the following table:

<u>For taxable years beginning in calendar year</u>	<u>The applicable fraction is</u>
<u>2006 and 2007</u>	<u>2/3</u>
<u>2008 and 2009</u>	<u>1/3</u>

14 (F) Alternative Minimum Tax

15 (1) General rule – There is hereby imposed (in addition to any other tax imposed by this
16 subtitle) a tax equal to the excess (if any) of:

- 17 (a) the tentative minimum tax for the taxable year, over
- 18 (b) the regular tax for the taxable year.

19 (2) The tentative minimum tax for the taxable year is the sum of:

- 20 (a) 6.5 percent of so much of the taxable excess as does not exceed \$175,000, plus
- 21 (b) 7.0 percent of so much of the taxable excess above \$175,000.

22 (3) The amount determined under the preceding sentence shall be reduced by the
23 alternative minimum tax foreign tax credit for the taxable year.

24 (4) Taxable excess – For the purposes of this subsection the term "taxable excess" means
25 so much of the federal alternative minimum taxable income as modified by the modifications in
26 section 44-30-12 as exceeds the exemption amount.

27 (5) In the case of a married individual filing a separate return, subparagraph (2) shall be
28 applied by substituting "\$87,500" for \$175,000 each place it appears.

29 (6) Exemption amount.

30 For purposes of this section "exemption amount" means:

<u>Filing status</u>	<u>Amount</u>
<u>Single</u>	<u>\$39,150</u>
<u>Married filing jointly or qualifying widow(er)</u>	<u>\$53,700</u>
<u>Married filing separately</u>	<u>\$26,850</u>

- 1 (a) The Federal income tax on lump-sum distributions.
2 (b) The Federal income tax on parents' election to report child's interest and dividends.
3 (c) The recapture of Federal tax credits that were previously claimed on Rhode Island
4 return.

5 (H) Tax for children under 18 with investment income

6 (1) General rule – There is hereby imposed a tax equal to twenty-five percent (25%) of:

7 (a) The Federal tax for children under the age of 18 with investment income.

8 (I) Averaging of farm income

9 (1) General Rule – At the election of an individual engaged in a farming business or
10 fishing business, the tax imposed in section 2 shall be equal to twenty-five percent (25%) of:

11 (a) The Federal averaging of farm income as determined in IRC section 1301.

12 (J) Cost-of-Living Adjustment

13 (1) In general.

14 The cost-of-living adjustment for any calendar year is the percentage (if any) by which:

15 (a) the CPI for the preceding calendar year exceeds

16 (b) the CPI for the base year.

17 (2) CPI for any calendar year.

18 For purposes of paragraph (1), the CPI for any calendar year is the average of the
19 Consumer Price Index as of the close of the twelve (12) month period ending on August 31 of
20 such calendar year.

21 (3) Consumer Price Index

22 For purposes of paragraph (2), the term "consumer price index" means the last consumer
23 price index for all urban consumers published by the department of labor. For purposes of the
24 preceding sentence, the revision of the consumer price index which is most consistent with the
25 consumer price index for calendar year 1986 shall be used.

26 (4) Rounding.

27 (a) In general.

28 If any increase determined under paragraph (1) is not a multiple of \$50, such increase
29 shall be rounded to the next lowest multiple of \$50.

30 (b) In the case of a married individual filing a separate return, subparagraph (a) shall be
31 applied by substituting "\$25" for \$50 each place it appears.

32 ~~(d)~~ (K) Credits against tax. - For tax years beginning on or after January 1, 2001, a
33 taxpayer entitled to any of the following federal credits enacted prior to January 1, 1996 shall be
34 entitled to a credit against the Rhode Island tax imposed under this section:

- 1 (1) ~~Earned income credit~~;
- 2 (2) Child and dependent care credit;
- 3 (3) General business credits;
- 4 (4) Foreign tax credit;
- 5 (5) Credit for elderly or the disabled;
- 6 (6) Credit for prior year minimum tax;
- 7 (7) Mortgage interest credit;
- 8 (8) Empowerment zone employment credit;
- 9 (9) Qualified electric vehicle credit.

10 ~~(e)~~ (L) Credit Against Tax for Adoption. - For tax years beginning on or after January 1,
11 2006, a taxpayer entitled to the federal adoption credit shall be entitled to a credit against the
12 Rhode Island tax imposed under this section if the adopted child was under the care, custody, or
13 supervision of the Rhode Island department of children, youth and families prior to the adoption.

14 ~~(f)~~ (M) The credit shall be twenty-five percent (25%) of the aforementioned federal
15 credits provided there shall be no deduction based on any federal credits enacted after January 1,
16 1996, including the rate reduction credit provided by the federal Economic Growth and Tax
17 Reconciliation Act of 2001 (EGTRRA). In no event shall the tax imposed under this section be
18 reduced to less than zero. A taxpayer required to recapture any of the above credits for federal tax
19 purposes shall determine the Rhode Island amount to be recaptured in the same manner as
20 prescribed in this subsection.

21 (N) Rhode Island Earned Income Credit

22 (1) In general.

23 A taxpayer entitled to a federal earned income credit shall be allowed a Rhode Island
24 earned income credit equal to twenty-five percent (25%) of the federal earned income credit.
25 Such credit shall not exceed the amount of the Rhode Island income tax.

26 (2) Refundable portion.

27 In the event the Rhode Island earned income credit allowed under section (J) exceeds the
28 amount of Rhode Island income tax, a refundable earned income credit shall be allowed.

29 (a) For purposes of paragraph (2) refundable earned income credit means fifteen percent
30 (15%) of the amount by which the Rhode Island earned income credit exceeds the Rhode Island
31 income tax.

32 (O) The tax administrator shall recalculate and submit necessary revisions to paragraphs
33 (A) through (J) to the general assembly no later than February 1, 2010 and every three (3) years
34 thereafter for inclusion in the statute.

1 **44-30-2.7. Capital gains rates for assets held more than five (5) years.** – (a) All capital
2 assets purchased prior to January 1, 2002 and sold on or after January 1, 2007, shall be deemed to
3 have a holding period beginning January 1, 2002. For tax years beginning in 2007, the capital
4 gains rate for assets held more than five (5) years shall be ~~eight and one third percent (8.33%) of~~
5 ~~the federal capital gains rate(s) which were in effect prior to the enactment of the Economic~~
6 ~~Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA).~~ as follows:

7 (i) 0.83% of the net capital gain as reported for federal income tax purposes under 26
8 U.S.C. section 1(h)(1)(a) and 26 U.S.C. section 1(h)(1)(b).

9 (ii) 1.67% of the net capital gain as reported for federal income tax purposes under 26
10 U.S.C. section 1(h)(1)(c).

11 (iii) 2.08% of the net capital gain as reported for federal income tax purposes under 26
12 U.S.C. section 1(h)(1)(d).

13 (iv) 2.33% of the net capital gain as reported for federal income tax purposes under 26
14 U.S.C. section 1(h)(1)(e).

15 ~~Beginning in tax year 2008 and thereafter, the capital gains rate for assets held more than~~
16 ~~five (5) years shall be zero percent (0%).~~

17 SECTION 6. Section 44-30-98 of the General Laws in Chapter 44-30 entitled "Personal
18 Income Tax" is hereby repealed.

19 ~~**44-30-98. Refundable earned income credit.** -- A taxpayer shall be allowed a credit as~~
20 ~~provided in section 44-30-2.6(d); provided, however, fifteen percent (15%) of the excess Rhode~~
21 ~~Island earned income credit will be refunded for the 2006 taxable year and each taxable year~~
22 ~~thereafter.~~

23 SECTION 7. Section 42-141-5 of the General Laws in Chapter 42-141 entitled
24 "Affordable Energy" is hereby amended to read as follows:

25 **42-141-5. Affordable energy fund.** – (1) A special account is hereby established in the
26 state treasury to be called the "affordable energy fund."

27 (2) Money remaining in the fund at the end of a fiscal year shall remain available for
28 expenditure in successive fiscal years.

29 (3) The fund shall be used for only those purposes enumerated in subsection (d).

30 (b) *Financing of the fund.* The fund shall consist of the following sources:

31 (1) Sums the legislature may appropriate;

32 (2) Moneys received from federal, state, private donor or other sources for the purpose of
33 energy affordability by low income households;

34 (3) Fees required pursuant to subsection (c); and

1 (4) Any interest earned on the moneys in the fund.

2 (1) ~~Effective July 1, 2007~~. An affordable energy fee in an amount set forth in this
3 subsection shall be imposed on gross receipts of electricity and gas companies and gross receipts
4 on the sale of heating fuels not used for residential heating. The fee shall be remitted to the
5 division of taxation according to the applicable schedule for the remission of the gross receipts
6 tax as provided for in chapter 44-13 or the sales and use as provided for in chapter 44-18. The
7 fees shall be as follows:

8 (i) *Gas*. Effective January 1, 2009, one-quarter of one percent (0.25%) of the gross
9 receipts tax of gas companies subject to the provisions of chapter 44-13 "Public Service
10 Corporation Tax". Effective January 1, 2010, one-half of one percent (0.50%) of the gross
11 receipts of gas companies subject to the provisions of chapter 44-13 "Public Service Corporation
12 Tax". Effective January 1, 2011 three-quarters of one percent (0.75%) of the gross receipts of gas
13 companies subject to the provisions of chapter 44-13 "Public Service Corporation Tax". Effective
14 January 1, 2012 and each January 1 thereafter, ~~One~~ one percent (1%) of the gross receipts of gas
15 companies subject to the provisions of chapter 44-13, "Public Service Corporation Tax".

16 (ii) *Electricity*. Effective January 1, 2009, one-quarter of one percent (0.25%) of the gross
17 receipts tax of electric companies subject to the provisions of chapter 44-13 "Public Service
18 Corporation Tax". Effective January 1, 2010, one-half of one percent (0.50%) of the gross
19 receipts of electric companies subject to the provisions of chapter 44-13 "Public Service
20 Corporation Tax". Effective January 1, 2011, three-quarters of one percent (0.75%) of the gross
21 receipts of electric companies subject to the provisions of chapter 44-13 "Public Service
22 Corporation Tax". Effective January 1, 2012 and each January 1 thereafter, ~~One~~ one percent (1%) of
23 the gross receipts of electric companies subject to the provisions of chapter 44-13, "Public
24 Service Corporation Tax".

25 (iii) *Heating fuel other than natural gas and electricity*. Effective January 1, 2009, one-
26 half percent (.50%) of gross receipts from the sales and use of heating fuel subject to the
27 provisions of chapter 44-18 "Sales and Use Taxes – Liability and Computation". Effective
28 January 1, 2010, one percent (1.0%) of gross receipts from the sales and use of heating fuel
29 subject to the provisions of chapter 44-18 "Sales and Use Taxes – Liability and Computation".
30 Effective January 1, 2011, one and one-half percent (1.5%) of gross receipts from the sales and
31 use of heating fuel subject to the provisions of chapter 44-18. Effective January 1, 2012 and each
32 January 1 thereafter, ~~Two~~ two percent (2%) of gross receipts from the sales and use of heating fuel
33 subject to the provisions of chapter 44-18. "Sales and Use Taxes – Liability and Computation".

34 (2) Every person from whom an affordable energy fee is due shall be liable for the fee

1 until it has been paid to the state.

2 (1) The commissioner may use money from the fund to:

3 (i) Support weatherization and energy conservation educational programs and
4 weatherization and energy conservation services for low-income and very low income
5 households;

6 (ii) Compensate electric and gas distribution companies for revenues lost due to the
7 reductions in distribution and customer charges, in accordance with a plan approved by the
8 commission, to very low income households, and if feasible to low income households, which
9 shall, as a first priority, be used to provide up to a fifty percent (50%) reduction in the distribution
10 and customer charges for a reasonable and prudent use by very low-income households of gas
11 and electricity that does not exceed average use for comparable dwelling units.

12 (iii) Defray the cost of heating fuel delivered to very low income households by an
13 amount not to exceed twenty-five percent (25%) of the allowable cost of heating fuel and a total
14 usage by the household, supported assistance from all sources overseen by the commissioner, that
15 is reasonable and prudent and does not exceed average use for comparable dwelling units.

16 (iv) It is not the purpose of the fund to reduce the amount of assistance a household
17 would otherwise receive from LIHEAP and other sources in the absence of the fund or to
18 subsidize utility rates in effect as of July 1, 2006, and provided for by law.

19 (2) If the commissioner determines it is in the public interest to allocate funds for the
20 purposes set forth in subparagraph (1)(ii) above, the commissioner shall notify the commission of
21 the amount of funds to be allocated for a specified period. The commission shall then direct the
22 electric and/or gas distribution companies to file amendments to the appropriate tariffs to
23 implement rate reductions designed to provide the rate reduction consistent with the amount
24 allocated for the period designated, which amendments are subject to the review and approval of
25 the commission. Once approval is given, the allocated funds shall be transferred to the gas and/or
26 electric distribution company. Any funds held after transfer shall accumulate interest at the
27 customer deposit rate ("interest"). If, at the end of the rate reduction period, there are any unused
28 dollars from the fund, such dollars shall be returned to the affordable energy fund with interest.
29 Likewise, if at the end of the rate reduction period, there were not enough funds allocated to
30 cover the rate reduction as designed, the shortfall will be reimbursed from the affordable energy
31 fund with interest; provided, however, if there are no additional funds available from the fund,
32 such shortfall or uncovered balance of such shortfall will be recovered with interest from all
33 customers in a manner and over the period approved by the commission.

34 (1) The commissioner shall administer the fund in accordance with this chapter.

1 (2) The commissioner in consultation with the department shall adopt procedures
2 governing the expenditure of, and accounting for, money expended from the fund.

3 (3) The commissioner is responsible for insuring that there are adequate moneys available
4 in the fund to carry out the purposes of this section.

5 (4) The commissioner shall maintain accounting records showing the income and
6 expenses of the fund.

7 (f) *Expenditure of fund money.* Disbursements may be made from the fund for the
8 following purposes:

9 (1) Necessary administrative expenses, personnel expenses and equipment costs of the
10 office related to this section which shall not exceed ten percent (10%) of the revenue of the fund;

11 (2) All costs to effectuate the purposes of the fund as set forth in subsection (d).

12 (g) *Report to the legislature.* The commissioner shall submit a report to the legislature not
13 later than the tenth (10th) day following the convening of each regular session of the legislature.

14 The report may include information considered significant by the commissioner but must include:

15 (1) The amount of money expended under § 42-141-5 during the preceding fiscal year;

16 (2) The amount and source of money received during the preceding fiscal year;

17 (3) A detailed summary of activities funded by the fund during the preceding fiscal year;

18 (4) The projected cost to the fund for affordable energy programs in the next fiscal year.

19 SECTION 8. Section 44-13-4 of the General Laws in Chapter 44-13 entitled "Public
20 Service Corporation Tax" is hereby amended to read as follows:

21 **44-13-4. Rate of taxation.** – The tax imposed will be at the following rates:

22 (1) In the case of every corporation whose principal business is a steamboat or ferryboat
23 business as a common carrier, every common carrier steam or electric railroad corporation, every
24 street railway corporation, every common carrier dining, sleeping, chair, or parlor car
25 corporation, every corporation whose principal business is selling and distributing water to the
26 public, and every toll bridge corporation, one and one-fourth percent (1.25%) of its gross
27 earnings;

28 (2) In the case of every corporation whose principal business is manufacturing, selling,
29 distributing and/or transmitting currents of electricity to be used for light, heat, or motive power,
30 four percent (4%) of its gross earnings, but deductions shall be made of gross earnings from the
31 transmission or sale of electricity to other public utility corporations, non-regulated power
32 producers, or municipal utilities for resale, whether within or outside of this state; provided, that
33 the tax measured by the portion of the utility's gross earnings as is derived from the manufacture
34 and sale of illuminating and heating gas and its by-products and the merchandising of gas

1 appliances shall be computed at the rate of three percent (3%); provided, however, that effective
2 ~~July 1, 2007~~ [January 1, 2009](#), the amount of the tax herein established shall be reduced by the fee
3 due and paid to the affordable energy fund established by § 42-141-5;

4 (3) In the case of every express corporation carrying on its business on steamboats, steam
5 or electric railroads, or street railways and of every public service corporation whose principal
6 business is that of a telegraph corporation, four percent (4%) of its gross earnings;

7 (4) In the case of every telecommunications corporation providing telecommunications
8 service, ten percent (10%) of its gross earnings; provided, that the rate shall be nine percent (9%)
9 effective July 1, 1985, eight percent (8%) effective July 1, 1986, seven percent (7%) effective
10 July 1, 1987, six percent (6%) effective July 1, 1988, and five percent (5%) effective July 1,
11 1997. For purposes of this chapter, "telecommunications service" means the transmission of any
12 interactive two-way electromagnetic communications including voice, image, data, and other
13 information, by means of wire, cable, including fiber optical cable, microwave, and radio wave,
14 or any combinations of these media. This definition does not include value added non-voice
15 services in which computer processing applications are used to act on the form, content, code, and
16 protocol of the information to be transmitted;

17 (5) In the case of every public service cable corporation, eight percent (8%) of its gross
18 earnings;

19 (6) In the case of every corporation whose principal business is manufacturing, selling
20 and/or distributing to the public illuminating or heating gas, three percent (3%) of its gross
21 earnings.

22 SECTION 9. Section 44-18-30.D of the General Laws in Chapter 44-18 entitled "Sales
23 and Use Taxes – Liability and Computation" is hereby amended to read as follows:

24 **44-18-30.D. Credit for fees to the affordable energy fund.** – Effective ~~July 1, 2007~~
25 [January 1, 2009](#), there shall be a credit, of the amount of the fee due and paid to the affordable
26 energy fund established by § 42-141-5, against the gross receipts tax for the sales and use of
27 heating fuel not exempted from taxation pursuant to subsection 44-18-30(20).

28 SECTION 10. Section 31-6-1 of the General Laws in Chapter 31-6 entitled
29 "Registration Fees" is hereby amended to read as follows:

30 **31-6-1. Amount of registration and miscellaneous fees.** – (a) The following registration
31 fees shall be paid to the division of motor vehicles for the registration of motor vehicles, trailers,
32 semi-trailers, and school buses subject to registration for each year of registration:

33 (1) For the registration of every automobile, when equipped with pneumatic tires, [the](#)
34 [gross weight of which is not more than four thousand pounds \(4,000 lbs.\)](#): thirty dollars (\$30.00).

1 (2) For the registration of every motor truck or tractor when equipped with pneumatic
2 tires, ~~for~~ the gross weight of which is not more than four thousand pounds (4,000 lbs.):
3 ~~(i) Not more than four thousand pounds (4,000 lbs.):~~ thirty-four dollars (\$34.00);
4 (3) For the registration of every automobile, motor truck or tractor, when equipped with
5 pneumatic tires, the gross weight of which is:
6 ~~(i)~~ (i) More than four thousand pounds (4,000 lbs.), but not more than five thousand
7 pounds (5,000 lbs.): forty dollars (\$40.00);
8 ~~(ii)~~ (ii) More than five thousand pounds (5,000 lbs.), but not more than six thousand
9 pounds (6,000 lbs.): forty-eight dollars (\$48.00);
10 ~~(iii)~~ (iii) More than six thousand pounds (6,000 lbs.), but not more than seven thousand
11 pounds (7,000 lbs.): fifty-six dollars (\$56.00);
12 ~~(iv)~~ (iv) More than seven thousand pounds (7,000 lbs.), but not more than eight thousand
13 pounds (8,000 lbs.): sixty-four dollars (\$64.00);
14 ~~(v)~~ (v) More than eight thousand pounds (8,000 lbs.), but not more than nine thousand
15 pounds (9,000 lbs.): seventy dollars (\$70.00);
16 ~~(vi)~~ (vi) More than nine thousand pounds (9,000 lbs.), but not more than ten thousand
17 pounds (10,000 lbs.): seventy-eight dollars (\$78.00);
18 ~~(vii)~~ (vii) More than ten thousand pounds (10,000 lbs.), but not more than twelve
19 thousand pounds (12,000 lbs.): one hundred six dollars (\$106);
20 ~~(viii)~~ (viii) More than twelve thousand pounds (12,000 lbs.), but not more than fourteen
21 thousand pounds (14,000 lbs.): one hundred twenty-four dollars (\$124);
22 ~~(ix)~~ (ix) More than fourteen thousand pounds (14,000 lbs.), but not more than sixteen
23 thousand pounds (16,000 lbs.): one hundred forty dollars (\$140);
24 ~~(x)~~ (x) More than sixteen thousand pounds (16,000 lbs.), but not more than eighteen
25 thousand pounds (18,000 lbs.): one hundred fifty-eight dollars (\$158);
26 ~~(xi)~~ (xi) More than eighteen thousand pounds (18,000 lbs.), but not more than twenty
27 thousand pounds (20,000 lbs.): one hundred seventy-six dollars (\$176);
28 ~~(xii)~~ (xii) More than twenty thousand pounds (20,000 lbs.), but not more than twenty-
29 two thousand pounds (22,000 lbs.): one hundred ninety-four dollars (\$194);
30 ~~(xiii)~~ (xiii) More than twenty-two thousand pounds (22,000 lbs.), but not more than
31 twenty-four thousand pounds (24,000 lbs.): two hundred ten dollars (\$210);
32 ~~(xiv)~~ (xiv) More than twenty-four thousand pounds (24,000 lbs.), but not more than
33 twenty-six thousand pounds (26,000 lbs.): two hundred thirty dollars (\$230);
34 ~~(xv)~~ (xv) More than twenty-six thousand pounds (26,000 lbs.), but not more than twenty-

1 eight thousand pounds (28,000 lbs.): two hundred ninety-six dollars (\$296);
2 ~~(xvii)~~ [\(xvi\)](#) More than twenty-eight thousand pounds (28,000 lbs.), but not more than
3 thirty thousand pounds (30,000 lbs.): three hundred sixteen dollars (\$316);
4 ~~(xviii)~~ [\(xvii\)](#) More than thirty thousand pounds (30,000 lbs.), but not more than thirty-two
5 thousand pounds (32,000 lbs.): four hundred and twenty-two dollars (\$422);
6 ~~(xix)~~ [\(xviii\)](#) More than thirty-two thousand pounds (32,000 lbs.), but not more than thirty-
7 four thousand pounds (34,000 lbs.): four hundred and forty-eight dollars (\$448);
8 ~~(xx)~~ [\(xix\)](#) More than thirty-four thousand pounds (34,000 lbs.), but not more than thirty-
9 six thousand pounds (36,000 lbs.): four hundred and seventy-six dollars (\$476);
10 ~~(xxi)~~ [\(xx\)](#) More than thirty-six thousand pounds (36,000 lbs.), but not more than thirty-
11 eight thousand pounds (38,000 lbs.): five hundred and two dollars (\$502);
12 ~~(xxii)~~ [\(xxi\)](#) More than thirty-eight thousand pounds (38,000 lbs.), but not more than forty
13 thousand pounds (40,000 lbs.): five hundred and twenty-eight dollars (\$528);
14 ~~(xxiii)~~ [\(xxii\)](#) More than forty thousand pounds (40,000 lbs.), but not more than forty-two
15 thousand pounds (42,000 lbs.): five hundred and fifty-four dollars (\$554);
16 ~~(xxiv)~~ [\(xxiii\)](#) More than forty-two thousand pounds (42,000 lbs.), but not more than
17 forty-six thousand pounds (46,000 lbs.): six hundred and eight dollars (\$608);
18 ~~(xxv)~~ [\(xxiv\)](#) More than forty-six thousand pounds (46,000 lbs.), but not more than fifty
19 thousand pounds (50,000 lbs.): six hundred and sixty dollars (\$660);
20 ~~(xxvi)~~ [\(xxv\)](#) More than fifty thousand pounds (50,000 lbs.), but not more than fifty-four
21 thousand pounds (54,000 lbs.): seven hundred and twelve dollars (\$712);
22 ~~(xxvii)~~ [\(xxvi\)](#) More than fifty-four thousand pounds (54,000 lbs.), but not more than fifty-
23 eight thousand pounds (58,000 lbs.): seven hundred and sixty-eight dollars (\$768);
24 ~~(xxviii)~~ [\(xxvii\)](#) More than fifty-eight thousand pounds (58,000 lbs.), but not more than
25 sixty-two thousand pounds (62,000 lbs.): eight hundred and sixteen dollars (\$816);
26 ~~(xxix)~~ [\(xxviii\)](#) More than sixty-two thousand pounds (62,000 lbs.), but not more than
27 sixty-six thousand pounds (66,000 lbs.): eight hundred and seventy-six dollars (\$876);
28 ~~(xxx)~~ [\(xxix\)](#) More than sixty-six thousand pounds (66,000 lbs.), but not more than seventy
29 thousand pounds (70,000 lbs.): nine hundred and twenty-four dollars (\$924);
30 ~~(xxxi)~~ [\(xxx\)](#) More than seventy thousand pounds (70,000 lbs.), but not more than
31 seventy-four thousand pounds (74,000 lbs.): nine hundred and seventy-two dollars (\$972);
32 ~~(xxxii)~~ [\(xxxi\)](#) Over seventy-four thousand pounds (74,000 lbs.): nine hundred and
33 seventy-two dollars (\$972), plus twenty-four dollars (\$24.00) per two thousand pounds (2,000
34 lbs.) gross weight.

1 ~~(3)~~ (4) For the registration of every semi-trailer to be used with a truck-tractor as defined
2 in § 31-1-4(a) shall be as follows : annual fee of twelve dollars (\$12.00) for a one year
3 registration, for multi-year registrations the fee of fifty dollars (\$50.00) for a five (5) year
4 registration and eighty dollars (\$80.00) for an eight (8) year registration. However, when in use
5 the weight of the resulting semi-trailer unit and its maximum carrying capacity shall not exceed
6 the gross weight of the original semi-trailer unit from which the gross weight of the tractor was
7 determined. A registration certificate and registration plate shall be issued for each semi-trailer so
8 registered. There shall be no refund of payment of such fee, except that when a plate is returned
9 prior to ninety (90) days before the effective date of that year's registration, the pro rate amount,
10 based on the unused portion of the multi-year registration plate period at time of surrender, shall
11 be refunded. A multi-year semi-trailer registration may be transferred to another semi-trailer
12 subject to the provisions and fee set forth in § 31-6-11. Thirty percent (30%) of the semi-trailer
13 registration fee shall be retained by the division of motor vehicles to defray the costs of
14 implementation of the international registration plan (IRP) and fleet registration section.

15 ~~(4)~~ (5) For the registration of every automobile, motor truck, or tractor, when equipped
16 with other than pneumatic tires, there shall be added to the above gross weight fees a charge of
17 ten cents (10¢) for each one hundred (100) pounds of gross weight.

18 ~~(5)~~ (6) For the registration of every public bus, the rates provided for motor vehicles for
19 hire plus two dollars (\$2.00) for each passenger which that bus is rated to carry, the rating to be
20 determined by the administrator of the division of motor vehicles.

21 ~~(6)~~ (7) For the registration of every motorcycle, or motor-driven cycle, thirteen dollars
22 (\$13.00). Three dollars (\$3.00) from that sum shall be turned over to the department of education
23 to assist in the payment of the cost of the motorcycle driver's education program as enumerated in
24 § 31-10.1-1.1.

25 ~~(7)~~ (8) For the registration of every trailer not including semi-trailers used with a truck-
26 tractor as defined in § 31-1-4(a), with a gross weight of three thousand pounds (3,000 lbs.) or
27 less, five dollars (\$5.00). Trailers with a gross weight of more than three thousand pounds (3,000
28 lbs.) shall be assessed a registration fee of one dollar and fifty cents (\$1.50) per thousand pounds
29 (1,000 lbs.).

30 ~~(8)~~ (9) The annual registration fee for a motor vehicle, commonly described as a boxcar
31 and/or locomotive, and used only by la societe des 40 hommes et 8 chevaux for civic
32 demonstration, parades, convention purposes or social welfare work, shall be two dollars (\$2.00).

33 ~~(9)~~ (10) For the registration of every motor vehicle, trailer, or semi-trailer owned by any
34 department or agency of any city or town or district, provided the name of the city or town or

1 district or state department or agency owning the same shall be plainly printed on two (2) sides of
2 the vehicle, two dollars (\$2.00).

3 ~~(10)~~ (11) For the registration of motor vehicles used for racing, fifteen dollars (\$15.00).

4 ~~(11)~~ (12) For every duplicate registration certificate, seventeen dollars (\$17.00).

5 ~~(12)~~ (13) For every certified copy of a registration certificate or application, ten dollars
6 (\$10.00).

7 ~~(13)~~ (14) For every certificate assigning a special identification number or mark as
8 provided in § 31-3-37, one dollar (\$1.00).

9 ~~(14)~~ (15) For every replacement of number plates or additional pair of number plates,
10 without changing the number, thirty dollars (\$30.00).

11 ~~(15)~~ (16) For the registration of every farm vehicle, used in farming as provided in § 31-
12 3-31, ten dollars (\$10.00).

13 ~~(16)~~ (17) For the registration of antique motor vehicles, five dollars (\$5.00).

14 ~~(17)~~ (18) For the registration of a suburban vehicle, when used as a pleasure vehicle and
15 the gross weight of which is not more than four thousand pounds (4,000 lbs.), the same rates as
16 charged in subdivision (1) of this subsection shall be applicable and when used as a commercial
17 vehicle and the gross weight of which is not more than four thousand pounds (4,000 lbs.), the
18 same rates as provided in subdivision (2) of this subsection shall be applicable. The rates in
19 subdivision (3) of this subsection shall be applicable when the suburban vehicle has a gross
20 weight of more than four thousand pounds (4,000 lbs.), regardless of the use of the vehicle.

21 ~~(18)~~ (19) For the registration of every motor bus which is used exclusively under contract
22 with a political subdivision or school district of the state for the transportation of school children,
23 three dollars (\$3.00) provided that the motor bus may also be used for the transportation of
24 persons to and from church and Sunday school services, and for the transportation of children to
25 and from educational or recreational projects sponsored by a city or town or by any association or
26 organization supported wholly or in part by public or private donations for charitable purposes,
27 without the payment of additional registration fee.

28 ~~(19)~~ (20) For the registration of every motorized bicycle, ten dollars (\$10.00).

29 ~~(20)~~ (21) For the registration of every motorized tricycle, ten dollars (\$10.00).

30 ~~(21)~~ (22) For the replacement of number plates with a number change, twenty dollars
31 (\$20.00).

32 ~~(22)~~ (23) For the initial issuance and each reissuance of fully reflective plates as required
33 by §§ 31-3-10 and 31-3-32, an additional six dollars (\$6.00).

34 ~~(23)~~ (24) For the issuance of a trip permit under the International Registration Plan,

1 twenty-five dollars (\$25.00) per vehicle. The division of motor vehicles is authorized to issue
2 seventy-two (72) hour trip permits for vehicles required to be registered in the International
3 Registration Plan that have not been apportioned with the state of Rhode Island.

4 ~~(24)~~ (25) For the issuance of a hunter's permit under the International Registration Plan,
5 twenty-five dollars (\$25.00) per vehicle. The division of motor vehicles is authorized to issue
6 hunter's permits for motor vehicles based in the state of Rhode Island and otherwise required to
7 be registered in the International Registration Plan. These permits are valid for thirty (30) days.

8 ~~(25)~~ (26) For the registration of a specially adapted motor vehicle necessary to transport a
9 family member with a disability for personal, noncommercial use, a fee of thirty dollars (\$30.00)
10 assessed.

11 (b) In the event that the registrant voluntarily cancels his registration within the period of
12 registration, the division of motor vehicles shall refund only that portion of the fee paid which
13 represents full-year segments of the registration fee paid.

14 SECTION 11 Section 31-3-17.1 of the General Laws in Chapter 31-3 entitled
15 "Registration of Vehicles" is hereby amended to read as follows:

16 **31-3-17.1. Courtesy plates.** -- The administrator of the division of motor vehicles shall
17 design and issue under regulations that he or she deems appropriate, special courtesy automobile,
18 motorcycle, and commercial registration plates to be used on passenger motor vehicles,
19 motorcycles, and all commercial vehicles whose gross weight is not more than nine thousand
20 pounds (9,000 lbs.) in lieu of other number plates. Special plates shall be of such design and shall
21 bear such letters or combinations of letters and numbers as the administrator of the division of
22 motor vehicles shall prescribe, and shall be made of light-reflecting sheeting applied on a metal
23 base, provided that no automobile set of plates shall contain more than six (6) letters and numbers
24 in a combination of letters and numbers, or less than two (2) letters, and that no motorcycle plate
25 shall contain more than five (5) letters or more than five (5) letters and numbers in a combination
26 or less than two (2) letters, and that a commercial courtesy plate shall be marked "commercial,"
27 and shall contain no more than five (5) letters or more than five (5) letters and numbers in a
28 combination or less than two (2) letters, and provided further, that there shall be no duplication of
29 identification and the administrator of the division of motor vehicles shall in his or her discretion
30 refuse to issue any letter or combination of letters and numbers which might carry connotations
31 offensive to good taste and decency. A special automobile or commercial courtesy plate shall be
32 issued upon application using forms furnished by the administrator of the division of motor
33 vehicles, and upon payment, in addition to the regular prescribed motor vehicle registration fee, a
34 service charge of ~~thirty dollars (\$30.00)~~ sixty dollars (\$60.00) for each issue and for each

1 registration renewal. For motorcycles, a special courtesy plate shall be issued upon application
2 using forms furnished by the division of motor vehicles, and upon payment, in addition to the
3 regular prescribed motor vehicle registration fee, a service charge of ~~seventeen dollars (\$17.00)~~
4 thirty-four dollars (\$34.00) for each issue and for each registration renewal. The service charge
5 shall be paid to the administrator of the division of motor vehicles prior to the administrator's
6 acceptance of the application. The Rhode Island state lottery commission shall not be required to
7 pay the service charge for any special courtesy plate issued pursuant to this section for motor
8 vehicles owned or used by the lottery commission, and may utilize the special courtesy plates on
9 all types of vehicles owned or operated by the lottery commission.

10 SECTION 12. Business Income Taxes Combined Reporting: The Division of Taxation
11 with the assistance of the Office of Revenue Analysis shall prepare and submit to the General
12 Assembly by December 1, 2008, a report concerning the policy and fiscal ramifications of
13 changing the corporation tax and other business income taxes to a combined method of reporting.
14 The report and legislation shall be transmitted to the Chairperson of the House Finance
15 Committee and the Chairperson of the Senate Finance Committee with copies to the House and
16 Senate Fiscal Advisors.

17 SECTION 13. Section 3-4-1 of the General Laws in Chapter 3-4 entitled "Transportation
18 of Beverages" is hereby amended to read as follows:

19 **3-4-1. Importation orders.** – (a) Except as otherwise provided, it is unlawful to import
20 beverages into this state. A person desiring to import beverages into this state may place with the
21 division of taxation an order directed to a dealer for the beverage he or she desires to import and
22 shall satisfy the division of taxation of his or her intention to pay for the merchandise. The
23 division of taxation shall execute these orders unless doing so would involve some illegal act or
24 the doing of an act which would be cause for the forfeiture of any license issued under this title.

25 (b) All sellers, dealers, merchants, wholesalers and retailers of beverages who advertise
26 in the state of Rhode Island, or whose advertisements are reasonably anticipated to circulate in
27 this state shall prominently and conspicuously include within the advertisement a notice printed
28 using a font size equal to but not larger than the font size of the largest price designation featured
29 in the advertisement stating that the importation of beverages into the state, after purchase outside
30 of the state, are subject to Rhode Island sales tax, and the failure to pay such tax may result in the
31 seizure of such beverages upon entry into the state.

32 (c) Any entity accepting commercial advertisements from any seller, dealer, merchant,
33 wholesaler or retailer of beverages shall not publish such advertisement for the sale of such
34 beverages unless the advertisement includes the notice set forth in this section.

1 SECTION 14. Sections 44-11-1, 44-11-2 and 44-11-11 of the General Laws in Chapter
2 44-11 entitled "Business Corporation Tax" are hereby amended to read as follows:

3 **44-11-1. Definitions.** -- For the purpose of this chapter:

4 (1)(a) "Captive REIT" means a corporation, trust or association:

5 (i) that is considered a real estate investment trust for the taxable year under section 856
6 of the Internal Revenue Code;

7 (ii) that is not regularly traded on an established securities market; and

8 (iii) more than fifty percent (50%) of the voting power or value of the beneficial interests
9 or shares of which at any time during the last half of the taxable year, is owned or controlled,
10 directly or indirectly, by a single entity that is subject to the provisions of Subchapter C of
11 Chapter 1 of the Internal Revenue Code; and

12 (b) "Captive REIT" does not include:

13 (i) a corporation, trust or association more than fifty percent (50%) of the voting power or
14 value of the beneficial interests or shares of which, at any time during which the corporation, trust
15 or association satisfies item (1)(iii) of this subsection, is owned or controlled, directly or
16 indirectly, by:

17 (A) a real estate investment trust other than a real estate investment trust described in
18 item (i) of this subsection; or

19 (B) a person exempt from taxation under section 501(a) of the Internal Revenue Code; or

20 (C) a listed Australian Property Trust; and.

21 (ii) subject to regulations that the tax administrator adopts, a real estate investment trust
22 that is intended to become regularly traded on an established securities market and that satisfies
23 the requirements of section 865(A)(5) and (6) of the Internal Revenue Code by reason of section
24 856(h)(2) of the Internal Revenue Code; and

25 (c) For purposes of this section, the constructive ownership rules prescribed under section
26 318(a) of the Internal Revenue Code, as modified by section 856(d)(5) of the Internal Revenue
27 Code, shall apply in determining the ownership of stock, assets or net profits of any person.

28 ~~(1)~~ (2) "Corporation" means every corporation, joint-stock company, or association,
29 wherever incorporated, a real estate investment trust, a regulated investment company, a personal
30 holding company registered under the Federal Investment Company Act of 1940, 15 U.S.C.
31 section 80a-1 et seq., and also a trustee or trustees conducting a business where interest or
32 ownership is evidenced by certificates or other written instruments, deriving any income from
33 sources within this state or engaging in any activities or transactions within this state for the
34 purpose of profit or gain, whether or not an office or place of business is maintained in this state,

1 or whether or not the income, activities, or transactions are connected with intrastate, interstate, or
2 foreign commerce, except:

3 (i) State banks, mutual savings banks, federal savings banks, trust companies, national
4 banking associations, building and loan associations, credit unions, and loan and investment
5 companies;

6 (ii) Public service corporations included in chapter 13 of this title, except as otherwise
7 provided in section 44-13-2.2;

8 (iii) Insurance and surety companies;

9 (iv) Corporations specified in section 7-6-4, incorporated hospitals, schools, colleges,
10 and other institutions of learning not organized for business purposes and not doing business for
11 profit and no part of the net earnings of which inures to the benefit of any private stockholder or
12 individual, whether incorporated under any general law of this state or by any special act of the
13 general assembly of this state;

14 (v) Fraternal beneficiary societies as set forth in section 27-25-1;

15 (vi) Any corporation expressly exempt from taxation by charter;

16 (vii) Corporations which together with all corporations under direct or indirect common
17 ownership that satisfies the other requirements of this paragraph employ not less than five (5)
18 full-time equivalent employees in the state; which maintain an office in the state; and activities
19 within the state which are confined to the maintenance and management of their intangible
20 investments or of the intangible investments of corporations or business trusts registered as
21 investment companies under the Investment Company Act of 1940, 15 U.S.C. section 80a-1 et
22 seq., and the collection and distribution of the income from those investments or from tangible
23 property physically located outside the state. For purposes of this paragraph, "intangible
24 investments" includes, without limitation, investments in stocks, bonds, notes, and other debt
25 obligations, including debt obligations of affiliated corporations, patents, patent applications,
26 trademarks, trade names, copyrights, and similar types of intangible assets.

27 ~~(2)~~ (3) "Fiscal year" means an accounting period of twelve (12) months ending on the
28 last day of any month other than December.

29 ~~(3)~~ (4) "Place of business" means a regular place of business, which, in turn, means any
30 bona fide office, other than a statutory office, factory, warehouse, or other space which is
31 regularly used by the taxpayer in carrying on its business. Where, as a regular course of business,
32 property of the taxpayer is stored by it in a public warehouse until it is shipped to customers, the
33 warehouse is considered a regular place of business of the taxpayer and, where as a regular course
34 of business, raw material or partially furnished goods of a taxpayer are delivered to an

1 independent contractor to be converted, processed, finished, or improved and the finished goods
2 remain in the possession of the independent contractor until shipped to customers, the plant of the
3 independent contractor is considered a regular place of business of the taxpayer. The mere
4 consignment of goods by the taxpayer to an independent factor outside this state for sale at the
5 consignee's discretion does not constitute the taxpayer as having a regular place of business
6 outside this state.

7 ~~(4)~~ (5) "Taxable year" means the calendar year or the fiscal year ending during the
8 calendar year upon the basis of which the net income is computed under this chapter. "Taxable
9 year" means, in the case of a return made for a fractional part of a year under the provisions of
10 this chapter or under regulations prescribed by the tax administrator, the period for which the
11 return is made.

12 ~~(5)~~ (6) "Taxpayer" means and includes any corporation subject to the provisions of this
13 chapter.

14 **44-11-2. Imposition of tax.** -- (a) Each corporation shall annually pay to the state a tax
15 equal to nine percent (9%) of net income, as defined in section 44-11-11, qualified in section 44-
16 11-12, and apportioned to this state as provided in sections 44-11-13 -- 44-11-15, for the taxable
17 year.

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

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

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

29 (c) A corporation shall not pay the amount of the tax computed on the basis of its net
30 income under subsection (a) of this section, but shall annually pay to the state a tax equal to ten
31 cents (\$.10) for each one hundred dollars (\$100) of gross income for the taxable year or a tax of
32 one hundred dollars (\$100), whichever tax shall be the greater, if for the taxable year the
33 corporation is either a "personal holding company" registered under the federal Investment
34 Company Act of 1940, 15 U.S.C. section 80a-1 et seq., "regulated investment company", or a

1 "real estate investment trust" as defined in the federal income tax law applicable to the taxable
2 year. "Gross income" means gross income as defined in the federal income tax law applicable to
3 the taxable year, plus:

4 (1) Any interest not included in the federal gross income; minus

5 (2) Interest on obligations of the United States or its possessions, and other interest
6 exempt from taxation by this state; and minus

7 (3) Fifty percent (50%) of the excess of capital gains over capital losses realized during
8 the taxable year.

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

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

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

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

17 (e) Minimum tax. The tax imposed upon any corporation under this section shall not be
18 less than five hundred dollars (\$500).

19 **44-11-11. "Net income" defined.** -- (a) (1) "Net income" means, for any taxable year
20 and for any corporate taxpayer, the taxable income of the taxpayer for that taxable year under the
21 laws of the United States, plus:

22 (i) Any interest not included in the taxable income;

23 (ii) Any specific exemptions; and

24 [\(iii\) For a captive REIT, an amount equal to the amount of the dividends paid deduction](#)
25 [allowed under the Internal Revenue Code for the taxable year; and](#)

26 ~~(iii)~~(iv) The tax imposed by this chapter; and minus

27 ~~(iv)~~(v) Interest on obligations of the United States or its possessions, and other interest
28 exempt from taxation by this state; and

29 ~~(v)~~(vi) The federal net operating loss deduction.

30 (2) All binding federal elections made by or on behalf of the taxpayer applicable either
31 directly or indirectly to the determination of taxable income shall be binding on the taxpayer
32 except where this chapter or its attendant regulations specifically modify or provide otherwise.
33 Rhode Island taxable income shall not include the "gross-up of dividends" required by the federal
34 Internal Revenue Code to be taken into taxable income in connection with the taxpayer's election

1 of the foreign tax credit.

2 (b) A net operating loss deduction shall be allowed which shall be the same as the net
3 operating loss deduction allowed under 26 U.S.C. section 172, except that:

4 (1) Any net operating loss included in determining the deduction shall be adjusted to
5 reflect the inclusions and exclusions from entire net income required by subsection (a) of this
6 section and section 44-11-11.1;

7 (2) The deduction shall not include any net operating loss sustained during any taxable
8 year in which the taxpayer was not subject to the tax imposed by this chapter; and

9 (3) The deduction shall not exceed the deduction for the taxable year allowable under 26
10 U.S.C. section 172; provided, that the deduction for a taxable year may not be carried back to any
11 other taxable year for Rhode Island purposes but shall only be allowable on a carry forward basis
12 for the five (5) succeeding taxable years.

13 (c) "Domestic international sales corporations" (referred to as DISCs), for the purposes
14 of this chapter, will be treated as they are under federal income tax law and shall not pay the
15 amount of the tax computed under section 44-11-2(a). Any income to shareholders of DISCs is to
16 be treated in the same manner as it is treated under federal income tax law as it exists on
17 December 31, 1984.

18 (d) A corporation which qualifies as a "foreign sales corporation" (FSC) under the
19 provisions of subchapter N, 26 U.S.C. section 861 et seq., and which has in effect for the entire
20 taxable year a valid election under federal law to be treated as a FSC, shall not pay the amount of
21 the tax computed under section 44-11-2(a). Any income to shareholders of FSCs is to be treated
22 in the same manner as it is treated under federal income tax law as it exists on January 1, 1985.

23 SECTION 15. Sections 10 and 11 of this article shall take effect as of July 1, 2007.
24 Sections 2 and 3 shall take effect upon passage and apply for tax years beginning on or after
25 January 1, 2008. The remainder of this article shall take effect upon passage.