



## State Tax Matters

July 3, 2014

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### Multistate Tax Alerts

What's new in the States? Our Multistate Tax Alerts highlight selected state tax developments relevant to taxpayers, tax professionals, and other interested persons. Read our more recent alerts below or visit the archive for ones you may have missed.

**Archives:** [http://www.deloitte.com/view/en\\_US/us/Services/tax/Multistate-Tax/multistate-tax-archive/index.htm?id=us:em:na:stm:eng:tax](http://www.deloitte.com/view/en_US/us/Services/tax/Multistate-Tax/multistate-tax-archive/index.htm?id=us:em:na:stm:eng:tax)

#### Rhode Island Enacts Significant Tax Reforms

Rhode Island Governor Lincoln Chafee recently signed into law the fiscal 2015 Budget, Bill No. H 7133 SUB A as amended (H.B. 7133). The new law substantially modifies and reforms various aspects of the Rhode Island Tax Law, including the following:

- Requires water's edge combined reporting for members of a unitary group of affiliated business entities that are more than 50% commonly owned and controlled. Such combination may, by way of a five year binding election, be done on an affiliated group basis. Rhode Island passive investment companies with five or more full-time employees are excluded from combined reporting.
- Provides rules regarding the treatment of net operating losses and credits, including certain limitations.
- Repeals the related-party expense addback requirement.
- Repeals the franchise tax.
- Reduces the corporate income tax rate from 9% to 7%.
- Imposes the \$500 minimum tax on S corporations.
- Adopts single-sales factor apportionment for C corporations, with market-based sourcing for sales of other than tangible personal property (other business entities retain the traditional evenly-weighted three factor formula). Each unitary business group member's receipts will be included without regard to whether the member has nexus in the state (i.e., the "Finnigan" approach).

This Multistate Tax Alert summarizes the more significant law changes contained in H.B. 7133, which are effective for tax years beginning on or after January 1, 2015, unless otherwise noted.

[Issued: June 25, 2014]

**URL:** [http://www.deloitte.com/view/en\\_US/us/Services/tax/Multistate-Tax/af73baf1547d6410VgnVCM1000003256f70aRCRD.htm?id=us:em:na:stm:eng:tax:070314](http://www.deloitte.com/view/en_US/us/Services/tax/Multistate-Tax/af73baf1547d6410VgnVCM1000003256f70aRCRD.htm?id=us:em:na:stm:eng:tax:070314)

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**Have a question?**

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