

## **TITLE 280 – DEPARTMENT OF REVENUE**

### **CHAPTER 20 – DIVISION OF TAXATION**

#### **SUBCHAPTER 25 – BUSINESS CORPORATION TAX**

##### **PART 3 – Exclusion of Distributive Share of Public Service Income**

### **3.1 PURPOSE**

These rules and regulations implement R.I. Gen. Laws § 44-11-12(2). That Section allows a deduction of the distributive share of the taxable income of any public service corporation or company liable for the tax imposed under R.I. Gen. Laws Chapter 44-13 (Public Service Corporation Tax).

### **3.2 AUTHORITY**

These rules and regulations are promulgated pursuant to R.I. Gen. Laws § 44-1-4. These rules and regulations have been prepared in accordance with the requirements of R.I. Gen. Laws §§ 42-35-1 *et. seq.* of the Rhode Island Administrative Procedures Act.

### **3.3 APPLICATION**

These rules and regulations shall be liberally construed so as to permit the Division of Taxation to effectuate the purpose of R.I. Gen. Laws Chapter 44-11.

### **3.4 SEVERABILITY**

If any provision of these rules and regulations, or the application thereof to any person or circumstances, is held invalid by a court of competent jurisdiction, the validity of the remainder of the rules and regulations shall not be affected thereby.

### **3.5 DESCRIPTION**

To the extent that the income derived from a public service corporation is subject to tax, the exclusion will apply. To the extent that the income from a public service corporation is not subject to tax, the exclusion will not apply.

### **3.6 EXAMPLES**

- A. A utility company sells tangible, intangible or real property not devoted to its utility operation. Such net gain distribution is a taxable transaction for R.I. Gen. Laws

Chapter 44-13 purposes and therefore is excludable for R.I. Gen. Laws Chapter 44-11 purposes.

- B. A utility company sells tangible, intangible or real property devoted to its utility operation. Such net gain distribution is a nontaxable transaction for R.I. Gen. Laws Chapter 44-13 purposes and therefore is not excludable for R.I. Gen. Laws Chapter 44-11 purposes.

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