

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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