way the state taxes corporations.

May. 11, 2014

The state Senate will take up discussion of a multi-part bill that would change the way the state taxes corporations.

Planned for introduction Wednesday by Senate Finance Committee Chairman Daniel Da Ponte, the bill would cut Rhode Island's corporate tax rate from nine percent to seven percent, change the way businesses "apportion" their taxes and institute "combined reporting" for tax purposes.

"A two-percentage-point reduction in the corporate tax dramatically improves Rhode Island's competitive position nationally and regionally," Da Ponte said. "I'm convinced this will improve the business climate here."

The tax rate cut would go into effect Jan. 1.

The latter proposal is one that's been under consideration in Rhode Island for several years. Four New England states — Vermont, New Hampshire, Maine and Massachusetts — already use the tax method.

Governor Chafee has his own ideas for lowering taxes. As part of his $8.5-billion budget plan, the governor proposes to cut the corporate tax rate from 9 percent to 6 percent, making it the lowest in New England.

The rate would drop only if Congress allows states to collect the sales tax on purchases made through online and remote sellers such as Amazon and eBay.

Chafee's plan debuted to mixed reviews, with business groups and social policy advocates divided.

It's not the first time Chafee proposed to cut the corporate rate. In 2013, he

threshold a little bit."

Mattiello is cautious about adopting combined reporting.

A report from the state Division of Taxation suggests Rhode Island could gain millions of dollars in annual revenue by changing the way it taxes corporations that have affiliates or commonly owned businesses operating in other states.

The report suggests that for tax year 2011, the state would have gained from $23.4 million to $54.7 million in additional revenue. For tax year 2012, it would have gained $21.5 million to $44.4 million.

There would be costs to adopt a so-called "combined reporting" method for multistate corporations — about $1.2 million a year, according to the study.

A tax-reform panel appointed in 2008 by then-Gov. Donald L. Carcieri failed to reach consensus on the issue. But panel members agreed that if the provision ever were adopted, it would have to be linked to a reduction in the overall corporate tax rate.

Asked if he is counting on some form of combined reporting to pay for the corporate tax cut, the House speaker said: "We are looking at that, but you have to be very careful with combined reporting."

Mattiello said he favors "a version that does not punish Rhode Island companies for investing in Rhode Island. I believe the single sales version will accomplish just that."

The Da Ponte legislation is that single-sales apportionment regimen.

The bill would also change the apportionment formula that presently could be seen as a disincentive for businesses investing in Rhode Island.

Under the current formula, companies are taxed based on three factors, each

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