

State of Rhode Island and Providence Plantations
Rhode Island Department of Revenue
Division of Taxation

Public Notice of Proposed Rule-Making

Pursuant to the provisions of 42-35-3(a)(1) of the General Laws of Rhode Island, and in accordance with the Administrative Procedures Act Chapter 42-35 of the General Laws, the Division of Taxation hereby gives notice of its intent to repeal a regulation regarding ISO Certification Credit.

The purpose of this rule making is to repeal regulation CR 02-12 “ISO Certification Credit” also identified by ERLID Number 1678. The content of regulation CR 02-12 is repealed in light of Rhode Island Public Law 2005, Chapter 117, Article 16, Section 1 which repealed Rhode Island General Law 44-11-42, Tax Credit for Quality Certification. The repeal of this regulation shall take effect August 1, 2014.

The proposed regulation and concise summary of non-technical requirements and proposed new rules are available for public inspection at www.tax.ri.gov, in person at The Rhode Island Division of Taxation, or requested by e-mail at Michael.Canole@tax.ri.gov or by calling Michael Canole at (401) 574-8729.

In the development of the proposed regulation, consideration was given to: (1) alternative approaches; (2) overlap or duplication with other statutory and regulatory provisions; and (3) whether the regulation, in and of itself, would have significant economic impact on small business. No alternative approach, duplication, or overlap was identified based upon available information.

All interested parties are invited to submit written or oral comments concerning the proposed regulations by Wednesday, June 18, 2014 to Michael Canole, Rhode Island Division of Taxation, One Capitol Hill, Providence, RI – telephone number (401) 574-8729 or via e-mail at Michael.Canole@tax.ri.gov. A public hearing to consider the proposed regulation will be held on Wednesday, June 18, 2014 at 9:30 a.m. at the Rhode Island Division of Taxation, One Capitol Hill, Providence, RI, at which time and place all persons interested therein will be heard. The room is accessible to the disabled and interpreter services for the hearing impaired will be provided if requested 48 hours prior to the hearing. Requests for this service can be made in writing to Michael Canole at the Rhode Island Division of Taxation, One Capitol Hill, Providence, RI 02908 or by calling (401) 574-8729.

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Concise summary of all non-technical requirements pursuant to RIGL Section 42-35-3(a)(1) for Rules and Regulations ISO Certification Credit – CR 02-12.

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The repeal of this regulation shall take effect August 1, 2014.

~~STATE OF RHODE ISLAND — DIVISION OF TAXATION~~

~~TAX CREDITS/DEDUCTIONS~~

~~REGULATION CR 02-12~~

~~ISO CERTIFICATION CREDIT~~

~~I. IN GENERAL:~~

~~— A taxpayer which receives a quality standard certificate for ISO compliance shall be allowed a tax credit equal to the cost incurred to obtain the quality standard certificate.~~

~~II. DEFINITIONS:~~

~~— 1. "Quality standard certificate" means the certificate awarded to the taxpayer by the independent certification bodies for the International Organization for Standardization (ISO) and shall mean and include certifications for the ISO 9000 and ISO 14000 standards series.~~

~~— 2. "Costs incurred" by a taxpayer corporation shall mean those costs incurred in Rhode Island on or after July 3, 1998 and shall include only those costs incurred to obtain the quality standard certification. Costs incurred prior to July 3, 1998, after certification has been awarded, or to maintain certification are not eligible for the credit. A limited liability company electing to be treated as a corporation is eligible to claim the credit.~~

~~— Costs incurred by the taxpayer may include payments for eligible items which are capitalized and depreciated by the taxpayer.~~

~~— Costs incurred may include those costs incurred in tax years prior to certification provided that they were otherwise eligible, were incurred in Rhode Island on or after July 3, 1998, and that proper documentation for such prior period costs is attached to the tax credit claim form.~~

~~III. CALCULATION AND EXAMPLES:~~

~~The credit is equal to the costs incurred on or after July 3, 1998 to obtain the quality standards certificate and is claimed by the taxpayer in the tax year in which the taxpayer is certified.~~

~~— EXAMPLE 1: After July 3, 1998, Company A incurs a total of \$13,000 in qualifying costs in Rhode Island to obtain ISO 9000 certification and is awarded certification in November 1998. Company A is a calendar year corporation and is therefore eligible to claim \$13,000 of ISO credit against its business corporation tax for tax year 1998.~~

~~— EXAMPLE 2: In seeking ISO certification for its entire nationwide operations, Company B has costs of \$131,000, of which \$8,000 was incurred after July 3, 1998 in Rhode Island for certification of B's Rhode Island location. In the year in which B receives its certification, it is entitled to claim \$8,000 of ISO credit against its business corporation tax for that tax year.~~

~~EXAMPLE 3: Corporation C has incurred \$11,000 of eligible costs in Rhode Island in seeking ISO certification; \$5,000 of which was incurred prior to July 3, 1998. Corporation C receives its certification in 1998 and can claim \$6,000 of ISO credit against its business corporation tax for that year.~~

~~EXAMPLE 4: Corporation D has been seeking ISO certification for its Rhode Island location for many years and finally, in 1999, Corporation D is certified. In examining to determine eligibility, Corporation D has \$60,000 of costs of which \$22,000 were incurred prior to July 3, 1998; \$18,000 were incurred during 1998 but after July 3, 1998; and \$20,000 during 1999. Since Corporation D has been certified in 1999, it can claim \$38,000 of ISO credit against its business corporation tax for that tax year.~~

~~EXAMPLE 5: Corporation E was ISO 9000 certified in 1997 and, during 1998, it spend \$11,000 to maintain its certification. Since Corporation E had been certified and since the costs were to maintain certification previously granted, it cannot claim any of the \$11,000 as ISO credit against its business corporation tax for that tax year.~~

~~IV. LIMITATIONS AND MISCELLANEOUS:~~

~~— 1. The credit is not refundable and cannot reduce the taxpayer's tax for that tax year to below the minimum.~~

~~— 2. Amounts of credit not used may not be carried over to any subsequent tax year.~~

~~— 3. Effective July 10, 2001, if the taxpayer is a Subchapter S Corporation, the credit may be passed through to shareholder/owners in the same manner as income. A taxpayer may claim a credit as a Subchapter S Corporation only for such eligible costs in Rhode Island on or after July 10, 2001 and certification issued to such taxpayers prior to July 10, 2001 is likewise ineligible. Costs to maintain certification regardless of date incurred are not eligible.~~

~~— 4. If the taxpayer is included in a consolidated return, the credit is allowed against the tax of only the corporation which qualifies for the credit and will not be allowed against the tax of other corporations that may join in the filing of a consolidated state tax return with the taxpayer.~~

~~— 5. Costs incurred may be claimed for only one type of ISO certification.~~

~~R. GARY CLARK
TAX ADMINISTRATOR~~

~~EFFECTIVE: FEBRUARY 1, 2002~~

~~THIS REGULATION AMENDS AND SUPERCEDES REGULATION CR 99-12
PROMULGATED JANUARY 1, 1999.~~