

# 2006 RI-1120C - Rhode Island Business Corporation Tax Return Instructions

## HEADER INSTRUCTIONS

Complete the top of the form with the required entity information including the beginning and ending dates if the entity is not a calendar year filer, the type of return being filed for the entity and the entity's federal identification number. In addition, enter in box:

- A - The gross receipts from U.S. Forms 1120 or 1120-A, Page 1, Line 1(c).
- B - The depreciable assets from Line 10A Column C, Schedule L, U.S. Form 1120 Page 4, or the depreciable assets from Line 9A Column B, Part III U.S. Form 1120-A Page 2.
- C - The total assets from Line 15, Column D, Schedule L, U.S. Form 1120, Page 4 or Line 12 Column B Part III U.S. Form 1120-A, Page 2.

## SCHEDULE A-COMPUTATION OF TAX

**Line 1** - Enter the taxable income as it appears on Line 28 of the U.S. corporation income tax return (Form 1120) or Line 24 of the U.S. short form corporation income tax return Form 1120-A.

### SUB S INSTRUCTIONS

Lines 1 through 5 of RI 1120S should be completed. Federal Schedule K will be used to determine RI taxable income to be reported by shareholders.

### LIMITED LIABILITY COMPANY INSTRUCTIONS

- (i) If the LLC is to be treated as a corporation, it shall pay a tax the same as a "C" corporation.
- (ii) If the LLC is to be treated as a partnership, it shall pay a minimum tax as defined under §44-11-2(e).
- (iii) If the LLC is a disregarded entity, it shall pay a minimum tax as defined under §44-11-2(e).

**Line 2a** - For years ending 4/15/92 and thereafter, a net operating loss deduction shall be allowed which shall be the same as the net operating loss deduction allowed under §172 of the Internal Revenue Code of 1954, except that:

- (1) any net operating loss included in determining such deduction shall be adjusted to reflect the inclusions and exclusions from entire net income required by paragraph (a) of §44-11-11 and §44-11-11.1,
- (2) such deduction shall not include any net operating loss sustained during any taxable year in which the taxpayer was not subject to the tax imposed by this chapter,
- (3) such deduction shall not exceed the deduction for the taxable year allowable under §172 of the Internal Revenue Code of 1954, provided however, such deductions for a taxable year may not be carried back to any other taxable year for Rhode Island purposes but shall only be allowable on a carryforward basis for the five (5) succeeding taxable years.

**Line 2b** - Enter the amount from Line 29b U.S. Form 1120 Page 1, or Line 25b, U.S. Form 1120-A, Page 1.

**Line 2c** - Enter the amount of exempt dividends and interest from page 2, schedule B, line 10.

**Line 2d** - Enter the amount of foreign grossup from U.S. Form 1120, schedule C, line 15.

**Line 2e** - Enter the amount of adjustment which represents the difference between the normal first year depreciation and residual depreciation as long as depreciation lasts.

**Line 3** - Total deductions. Add lines 2a, 2b, 2c, 2d and 2e.

**Line 4a** - Enter the gross amount of interest income received or accrued with respect to all obligations of any state, territory or possession of the United States or any political subdivision of the foregoing, or the District of Columbia other than Rhode Island or its political subdivisions not included on Lines 5 and 10 of U.S. Form 1120 or 1120-A.

**Line 4b** - Enter the Rhode Island income, and franchise taxes paid or accrued which are deducted on the federal return on Lines 2 or 17 for the taxable year. (Attach Schedule)

**Line 4c** - Enter the amount of bonus depreciation less normal depreciation.

**Line 5** - Total additions. Add lines 4a, 4b and 4c.

**Line 6** - Adjusted taxable income - Add lines 1 and 5, then subtract line 3.

**Line 7** - Schedule F-- Apportionment Schedule - Complete the schedule on page 2 and enter the apportionment ratio from schedule F, line 5 on this line.

### -- Average Property Factor --

The property factor is a fraction, the numerator of which is the average net book value of real and tangible personal property owned or rented and used during the taxable year in Rhode Island, and the denominator of which is the property owned or rented and used everywhere during the taxable year.

Real and tangible personal property owned is valued at book value. Real and tangible personal property rented is valued at eight (8) times the annual net rental rate. The annual net rental rate shall be reduced (but not to less than zero) by the annual rental rate received from sub-rentals.

"Tangible personal property" means such property as machinery, tools, implements, goods, wares, and merchandise. It does not include cash, shares of stock, bonds, notes, credits, or evidences of an interest in property and evidences of debt.

### -- Receipts Factor --

(Line 2a) 100% allocation to Rhode Island of the gross receipts from sales of tangible personal property sold in the regular course of business where Rhode Island (or any other state or place) is the place of origin and Rhode Island is the destination. Sales of tangible personal property are in Rhode Island if the property is delivered or shipped to a purchaser within this state regardless of the free on board (F.O.B.) point or other conditions of the sale.

(Line 2a) Gross income from services is attributed to Rhode Island if the services are performed in Rhode Island.

(Line 2d) Gross rental income from the leasing or renting of real and tangible personal property.

(Line 2f) Net income from the sale of real property, tangible personal property, or other capital assets not held by the taxpayer for sale to customers in the regular course of business.

(Line 2g) Net income from the sale or disposition of securities or financial obligations. Do not include related dividends or interest. Dividends and interest are reported on Line 2(b) and 2(c).

(Line 2h) Gross income from all other receipts includes income from all other sources (not listed above) and includes (but is not limited to)

receipts from patents, royalties, copyrights, commissions, dividends and interest. Gross income from royalties is attributable to Rhode Island to the extent that the patent or copyright is used in this state by the person paying royalties to the taxpayer. A patent is used in Rhode Island to the extent that it is employed in fabrication, manufacturing, production or other processing in Rhode Island or to the extent that a patented product is produced in Rhode Island. A copyright is used in Rhode Island to the extent that printing or other publication originates in Rhode Island. Accordingly, all such gross income should be included in Schedule F, Line 2(h), Column A. For corporations organized under Rhode Island laws, all gross income from interest and dividends must be shown on Schedule F, Lines 2(b&c), Column A.

#### -- Salaries and Wage Factor --

The payroll factor is a fraction, the numerator of which is the total amount paid or incurred in Rhode Island during the taxable year for compensation and the denominator of which is the total compensation paid or incurred everywhere during the taxable year.

Schedule F, Line 3, Column A represents that part of the total wages, salaries and other compensation to officers and employees paid or incurred by the taxpayer during the taxable year which is assignable to offices, agencies, or places of business within the State of Rhode Island, or which is attributable to services performed in connection with the taxpayer's activities or transactions within this state during the taxable year.

#### -- Apportionment Ratio --

If dollar amounts for property, receipts and salaries exist in Column B, the total of the three ratios on Line 4 should be divided by 3. If one factor is nonexistent in Column B, then the total of the two ratios, on Line 4 must be divided by 2. If only one factor exists in Column B, then the ratio on Line 4 should be carried to Line 5.

**Line 8** - Rhode Island Taxable Income - multiply line 6 by line 7.

**Line 9** - See instructions on reverse side of Elective Deduction for Research and Development Facilities form (Form RI-1120RD).

**Line 10a** - Every taxpayer, at his election, shall be entitled to a deduction with respect to the amortization of the adjusted basis of any treatment facility, as defined in section 44-11-11.1(A) or any hazardous waste recycling, refuse, or treatment facilities as defined in section 44-11-11.2 based on a period of sixty (60) months.

**Line 10b** - The General Laws provide for a deduction for purposes of computing net income in accordance with Chapter 44-11, for investments in certified venture capital partnerships. Taxpayers claiming this deduction for investments in certified venture capital partnerships must provide copies of certification from the Department of Economic Development of the Venture Capital Partnership.

**Line 11** - Total lines 9, 10a and 10b.

**Line 12** - Rhode Island adjusted taxable income - Combine lines 8 and 11.

**Line 13** - Rhode Island income tax - Multiply line 12 by 9%.

**Line 14** - Enter any credit amounts on the appropriate lines and total all amounts. See instructions on applicable credit forms.

**Line 15** - In the case of a domestic corporation or a foreign corporation qualified to do business in this state, if the actual franchise tax on its authorized capital (Chapter 44-12) exceeds the amount paid with the filing of the return, the Tax Administrator shall mail a notice to the taxpayer of any additional tax due. Franchise tax is calculated at \$2.50 per \$10,000.00 of authorized capital.

**Line 16** - Enter the total of (a) and (b):

(a) Recapture of Credits - The formula to be used to compute the recapture on investment tax credit is: The tax credit taken on property ceasing to qualify times a fraction consisting of a numerator which is the useful life of property in months minus the qualified use in months and a denominator which is the useful life of property in months. If property is disposed of in the initial taxable year, see the specific instructions on Form RI-3468.

(b) Jobs Growth Tax - Enter 5% of the aggregate performance-based compensation paid to eligible employees as per the Jobs Growth Act (44-64.11-5).

**Line 17** - Tax due. Add lines 15 and 16.

**Line 18** - Enter the total estimated tax payments made with respect to the taxable year, if any, including any credit allowed from the preceding taxable year.

**Line 19** - Enter the amount of all other tax payments made with respect to the taxable year. Include any nonresident withholding payments made on your behalf by a pass-through entity.

**Line 20** - Total payments. Add lines 18 and 19.

**Line 21** - Net tax due - If the amount on line 17 is more than the amount on line 20, subtract line 17 from line 20 and enter that amount on line 24. This is the amount of tax due.

**Line 22** - Enter the total of (a), (b) and (c):

(a) Interest on the balance due (Line 17 less Line 20) at the rate of 12% per annum through 9/30/2006 and 18% per annum effective 10/1/2006. Interest shall accrue from the prescribed date for filing the return (the fifteenth day of the third month following the close of the taxable year); and if applicable,

(b) Penalty for failure to file return on time at the rate of five percent (5%) per month not to exceed twenty-five percent (25%) as enumerated in the general instruction; and if applicable,

Penalty for failure to pay the tax on time at the rate of five tenths of one percent (0.5%) per month not to exceed twenty-five percent (25%) as enumerated in the general instructions; and if applicable,

(c) Interest for underpayment of estimated taxes at the rate of 12% per annum through 9/30/2006 and 18% per annum effective 10/1/2006, as enumerated in the general instructions. See chart on reverse side of Form RI-2220.

**Line 23** - Total due. Add lines 21 and 22. This amount is due and payable with the filing of the return.

**Line 24** - Overpayment. If the amount on line 20 is more than the amount on line 17, subtract line 17 from line 20 and enter that amount on line 24. This is the amount of your overpayment.

**Line 25** - Overpayment to be credited to 2007. Enter the amount of the overpayment from line 24 that is to be credited to the following year's estimated tax. All or any portion of such overpayment may be credited against the estimated tax. The amount on this line may be adjusted by the Tax Administrator.

**Line 26** - Overpayment to be refunded. Enter the amount of the overpayment from line 24 that is to be refunded.