



STATE OF RHODE ISLAND

Division of Taxation

Department of Revenue

February 1, 2022

2022 Filing Season FAQs

The Rhode Island Division of Taxation is following the IRS 2022 tax filing start date of January 24 and due date of April 18 for the 2021 tax year.¹ Taxpayers may have questions during the tax preparation and filing process. This document summarizes recent frequently asked questions asked by tax professionals related to tax filing season 2022 and other recent topics of interest.²

1. Single member LLCs and Schedule C taxpayers may conduct business in multiple states. How do these taxpayers apportion the PPP loan forgiveness among the states?

As single member LLCs and Schedule C taxpayers income tax flows directly from the federal 1040 to the RI-1040.

- For RI residents:
 - All the income would be taxable in RI. If the income was taxable in another state, they would be allowed an out of state credit on their RI return. This could be accomplished by completing a RI-1040 Resident Schedule II and listing the additional credit amount on line 10 of the PPP-Entity form. The additional credit should be the difference between the new calculation and the amount included on the original return. A notation of (OS Credit) should be added to the margin of the line and the revised RI-1040 Resident Schedule II should be attached to the filing.
 - Note, the RI-1040 Resident Schedule II would need to accompany the RI-PPP-Individual return.

- For non-residents:
 - The business income would be reported on the RI-1040NR Schedule II and would be allocated to RI using Part 3 of that schedule.
 - Note, the Nonresident RI Schedule II should accompany the RI-PPP-Individual return.

¹ Please see [ADV 2022-04](#) for more information regarding the filing season announcement.

² The questions are paraphrased to allow for context and many responses were given live, so the responses are summarized and set forth in this document.

2. In what year does a fiscal year taxpayer include the PPP loan forgiveness?

If the loan of a fiscal-year filer was forgiven during a period in which the taxpayer would report on a 2020 form, then the filer should use the 2020 Form PPP-Entity or 2020 Form PPP-Individual. If the loan of a fiscal-year filer was forgiven during a period in which a 2021 form would be used, then the filer should include the income with their 2021 filing.

3. RI guidance states that PPP loan forgiveness is taxable when the loan is forgiven. With the issuance of Rev. Proc. 2021-48, will forgiveness income be recognized either when expenses are paid, the forgiveness application is filed, or the loan is forgiven for RI filers? If so, then are entities that amended 2020 to recognize PPP forgiveness even though the loan was only forgiven in 2021 required to file a PPP-Entity form?

In light of the issuance of Rev. Proc. 2021-48, the Division plans to continue with the normal treatment of loan forgiveness. PPP loan forgiveness income is recognized when the loan is forgiven under Rhode Island treatment. The taxpayer would have to amend the Rhode Island return to reduce the 2020 income tax due to match their federal taxable income. For 2021, the taxpayer would then include only the PPP loan amount forgiven greater than \$250,000 as an increasing modification.

4. The IRS has allowed recognition of PPP tax exempt income prior to forgiveness. If taxpayer elects this option, when does the RI tax liability get assessed on the excess PPP income?

If the amount was included in the original federal return, then the income would have been recorded as part of the original filing for RI. Assuming an amended federal return would need to be filed to remove the income once forgiven, then an amended RI return should be filed for 2020 noting the change regarding the federal treatment.

5. Why on the 2021 RI-PTE, line 6b, does it say to include payments made on 2020 Form RI-PPP - Entity?

If a 2020 PPP Entity form was filed, then the 2021 RI PTE return requires that the taxpayer include income reported on this return to be added to RI apportioned income from RI-1065 or RI-1120S. As it is required that the income from the 2020 Form RI-PPP-Entity be reported on 2021 RI-PTE, line 1, the Division is also allowing for the payments to be reported. This allows the entity to take advantage of the tax paid at the entity level as well as for the individuals to report the modifications and withholding on the 2021 RI-1040.

6. Since the RI-PPP – Entity form does not factor qualifying individual ownership percentage as the RI-PTE form, how will a taxpayer be able to report the portion of the income and payments that can be reported on the RI-PTE form?

Due to the PPP Entity form not accounting for RI apportionment similar to the RI-PTE form, the taxpayer may attach an apportionment schedule to the RI-PTE form that would detail the portion of the income and payments that are allocated to the qualifying individual(s). Lines 1 and 6b will be completed based on the information reported on the attachment.

7. Does the 2021 Form 2210 include the tax paid on the 2020 RI PPP Entity tax form?

The 2021 Form 2210 does not include the tax paid on the 2020 RI PPP Entity tax form, as it was reported on a separate form from the RI-PTE, as the additional income and tax due to the filing of the RI-PPP forms was not known.

8. How is the RI PTE modification calculated when an accrual basis taxpayer estimates the RI PTE before the form is complete? The general information and instructions indicate that accrual Basis Pass-through Entities can deduct all payment made for the tax year less the overpayment on the return. Sometimes, this amount may not represent the amount deducted on the federal income tax return as an estimate may have been used for the tax provisions.

Per federal statute, an accrual basis taxpayer would only take a deduction for taxes paid based upon the tax reported as due on the RI return. Due to this, estimated payments would not be a factor for an accrual basis taxpayer. On occasion an accrual basis taxpayer will report a deduction that does not reflect the tax due per the RI-PTE. With this in mind, the common accrual basis method would still be the norm, but the Division recognizes that there may be cases where the common accrual basis methodology may not apply, and in those cases the Division addresses the returns as filed and works with the taxpayer.

9. Can the RI-PTE be e-filed?

No, at this time the RI-PTE cannot be e-filed.

10. To avoid the underpayment penalty, can the taxpayer use the prior year tax even though a RI-PTE election wasn't made? Further, if an election was not made in a prior year, will the taxpayer be subject to underestimated interest?

If the RI-PTE election was not made the prior year, then the taxpayer would not be subject to the underpayment penalty as the prior year tax liability would be nonexistent for the RI-PTE. The intention of the underpayment penalty is to apply a penalty to taxpayers that were aware of a prior year tax liability and neglected to make quarterly estimated payments as required.

Below is the guidance that was issued for 2020 filings when an election was not made in 2019. The Division will apply similar guidance to 2021 as it applies if an election was not made in 2020.

*As a result of the late guidance from the IRS (Notice 2020-75) and the impact of that guidance on Rhode Island taxpayers as it relates to the PTE election, the Division of Taxation, pursuant to R.I. Gen. Laws § 44-1-10 and 280-RICR-20-55-1, will not assess underestimated payment interest for those entities that make the PTE election for the first time in the 2020 tax year **and** have not made estimated payments throughout the 2020 tax year. Please note, if a taxpayer made the election in 2019 and 2020 **and** failed to make sufficient estimated payments in 2020, then that taxpayer would be subject to the underestimated payment interest as the late guidance from the IRS did not impact that taxpayer.*

11. In 2022, will PTE estimates be able to be adjusted down to remove the 2020 income being included on the 2021 return? Would taxpayers be able to avoid underpayment penalties if they do this?

At this time, there is no guidance to adjust down and remove 2020 income that will be included within the 2021 RI-PTE return. Underestimated interest will be addressed as it is in all tax years. The safe harbor rules will continue to be applied and the taxpayer is required to have paid 100% of last year or 80% of the current year.

If a taxpayer elects to not include 2020 PPP income that was reported on the 2021 RI-PTE in the calculation of the 2022 RI-PTE estimates and is then subject to underestimated interest, the taxpayer may submit a written request to the Tax Administrator for a waiver of the underestimated interest based on an unforeseen midseason tax adjustment. Such requests are reviewed on a case-by-case basis and a review of the taxpayer's circumstances.

12. Why are the changes to the 1099E needed? The information needed for boxes 9 and 10 on the RI-1099E is already available on the RI Schedule K-1.

The inclusion of this information on the 1099E allows for the Division to audit and review returns in a timely manner. In addition, K-1s are not always filed electronically and the Division takes steps to ensure that electronic and paper filers are addressed in the same manner during return review.

13. Can the taxpayer attach the RI Schedule K-1 to the RI PTE rather than attach the 1099E? Also, can these returns be electronically filed?

The use of the RI-1099E is consistent with the use and treatment of the RI-1099PT that has been in existence since 2004. Since 2004, the RI-1096PT and use of the RI-1099PT has been required for non-resident shareholders. The lack

of 1099Es and/or K1s filed along with the RI-PTE as instructed led to a delay of return review for some taxpayers that did not file the RI-1120S or RI-1065 electronically or at the time the RI-PTE was filed. Attaching the 1099Es to the RI-PTE at the time of filing aides with timely return review and reduces requests for additional information.

The filing of the RI-1099E is preferred for timely review and processing of refunds, but the Division will accept the inclusion of the RI-K1 along with the RI-PTE. Ultimately, either the RI-1099E or RI-K1 needs to accompany the RI-PTE filing.

14. For the RI modification for the accrual basis taxpayer, IRS issued Notice 2020-75 indicating the tax deduction is the amount paid. However, it does not address accrual basis taxpayers.

IRS issued Notice 2020-75 does not make direct reference to accrual basis taxpayers, but the Division will continue to apply the accrual basis methodology as per prior understanding that an accrual basis taxpayer would report a deduction of state taxes on the federal return when the tax liability is incurred. With this, we do recognize that on occasion a taxpayer may include estimated tax payments within the deduction. If this is the case, then the Division reserves the right to request an explanation as to what items and amounts were included in the deduction as it pertains to the RI tax returns.

15. What is the filing deadline for 2021 returns?

The deadline for 2021 Personal Income tax returns and extensions is April 18, 2022.

16. Which returns can be filed electronically?

The following returns can be filed through Modernized E-file:

Form RI-1040	Resident personal income tax return
Form RI-1040NR	Nonresident personal income tax return
Form RI-1120C	Business corporation tax return – C corporations
Form RI-1120S	Business corporation tax return – S corporations
Form RI-1065	For partnerships, LLPs, LPs, LLCs, single-member LLCs
Form RI-1041	Income tax return for certain trusts and estates

Most others can be filed through the Division’s Tax Portal. Please visit the Portal website for an accurate listing of actions you can take through the Tax Portal: <https://tax.ri.gov/online-services/tax-portal>.

17. Why are RI extensions still a manual process? If the reason is because the RI e-file is a piggyback, then what steps will need to be taken to accept the federal extension as proof of extension?

A federal extension will be accepted by Rhode Island if it is determined that there is no additional tax due. If it is determined that additional Rhode Island tax is due, then a proper RI-4868 will need to be completed along with proper estimate information being reported on the form.

The taxpayer has the option of filing a paper extension or may file an extension online via the Division's portal. If the portal option is selected, then the individual would have to be a registered user for the portal.

18. Can Corporate tax extensions be filed electronically?

Corporate tax extension requests can be filed online in the tax portal for registered users.

19. Why are the Married Filing Separately and Married Filing Jointly amounts different for Social Security and Pension?

Both modifications were enacted in different tax years and statute dictates both the income threshold amounts and the adjustment for inflation each tax year. Due to the enactment being in different years and future adjustments, the amounts will continue to differ in future years. As a result, often married filing separate and married filing jointly threshold amounts are different at both the federal and state level.

20. Does Social Security and Pension for single taxpayers also include Married Filing Separately?

No. Married Filing Separately taxpayers qualify for the social security and pension modifications, but the calculation amounts are different than single taxpayers. Please refer to RI1040/RI1040NR forms and instructions for Federal AGI phaseout amounts.

21. When would a Taxpayer need a Letter of Good Standing?

The Division of Taxation receives Letter of Good Standing (LOGS) applications for several different reasons. For example, a lender may require a business to provide a LOGS before giving the business a loan. In other cases, a LOGS is required by law: if, for example, a business plans to sell or transfer a major asset -- or the business as a whole. For more information, please visit the Division's website:

<https://tax.ri.gov/tax-sections/compliance-collections/letter-good-standing-logs>.

22. In applying for a LOGS some of the document requirements are for forms dating back several years. What should I do?

Please provide any known unfiled returns along with your LOGS application. If you are a registered user, you can run a compliance check through your Tax Portal account prior to submitting your LOGS request.

23. For RI Letters of Good Standing, is there a list of required information that should be sent with the request?

Under each section of the Letter of Good Standing (LOGS) application there is a complete list of the required information for the specific LOGS request. However, there are additional statutory and regulatory requirements, including filing requirements, that must be met that may not be included in the list on the application. The Division will review the initial request and contact the applicant with additional information that is needed to complete the review and process the request.

24. Has the list of documents needed for the Letter of Good Standing request been reviewed to make sure each of the documents is necessary?

Yes. Additionally, to best assist taxpayers navigating the LOGS process efficiently and effectively, the Division continuously evaluates the list to ensure that it is accurate and up-to-date. The Division will work with each applicant to ensure a complete and properly submitted LOGS request so that the request can be processed timely.

25. When the only outstanding taxpayer balance is the penalty when a waiver is pending, can something be done to prevent license blocks in these instances?

The Division is updating this process. In general, we cannot prevent the license block as until the waiver is approved, the balance is due. The waiver request may be denied.

26. Can the Division accept secured emails?

Yes. However, depending on the service used, there may be restrictions related to the Division's firewall. To send sensitive information via email, please send an email with an attached password protected file. Contact us by phone or separate email to share the password.

27. Can I renew sales tax permits on the RI Tax Portal?

Yes. As of January 10, 2022, the Division accepts current year sales tax permit renewals through the Tax Portal for registered users of the Tax Portal.

28. Are the schedules on the new 706 pdf fillable?

Pages 1, 2, and 4 of the 706 are fillable. However, the schedules in the PDF are not currently fillable.