



# Rhode Island Department of Revenue

## Division of Taxation

PUBLICATION 2021-04  
PPP LOAN FORGIVENESS

NOVEMBER 3, 2021  
REVISED NOVEMBER 10, 2021<sup>1</sup>

## FAQs on PPP Loan Forgiveness Treatment

Legislation approved by the Rhode Island General Assembly and signed into law by Rhode Island Governor Daniel J. McKee on July 6, 2021, addressed the issue of Paycheck Protection Program (PPP) loan forgiveness as it relates to the Rhode Island corporate income tax (Rhode Island General Laws Chapter 44-11), bank excise tax (Chapter 44-14), and personal income tax (Chapter 44-30).<sup>2</sup>

Under that legislation, as enacted, if the amount of PPP loan forgiveness exceeds \$250,000, the increment above \$250,000 must be included in income for Rhode Island tax purposes.

Also, under that legislation, as enacted, the Division must waive interest and penalty on the portion of the forgiven PPP loan for 2020 that is taxed under the corporate income tax, the bank excise tax, and the personal income tax -- provided that the tax on that portion is paid in full by the taxpayer on or before March 31, 2022.

Following are answers to frequently asked questions (FAQs) about the Rhode Island tax treatment of PPP loan forgiveness.

### 1) Is my PPP loan forgiven under federal law taxable for Rhode Island purposes?

Yes. If the amount of the forgiven loan exceeds \$250,000, that portion above \$250,000 is taxable. Under Rhode Island General Laws §§ 44-11-11(a)(1)(iv), 44-14-11, and 44-30-12(b)(8), if the amount of the forgiven PPP loan exceeds \$250,000, the increment above \$250,000 must be included in income for Rhode Island tax purposes.

### 2) Is the full amount of the loan forgiveness taxable?

No. Only the loan forgiveness amount greater than \$250,000 is taxable. For example, if Corporation A had PPP loan forgiveness for 2020 that totaled \$270,000, only the amount that exceeds Rhode Island's \$250,000 threshold -- the "\$20,000 increment" -- would be taxable.

<sup>1</sup> On November 10, 2021, this document was expanded to include four additional questions: 2a, 16a, 17a, and 20a. In addition, Form RI-PPP - Entity has been revised to clarify the instructions for line 9. <http://www.tax.ri.gov/PPPLoans/index.php>

<sup>2</sup> House Bill 6122, Substitute A, as amended: <http://webserver.rilin.state.ri.us/BillText/BillText21/HouseText21/H6122Aaa.pdf>. See also: [http://www.tax.ri.gov/Advisory/ADV\\_2021\\_39.pdf](http://www.tax.ri.gov/Advisory/ADV_2021_39.pdf).

**2a) Is the PPP loan forgiveness taxable for Rhode Island purposes in the year the loan is forgiven in or the year the loan was issued? Does it matter if the taxpayer uses a cash or accrual basis of accounting?**

The income from PPP loan forgiveness would be recognized as taxable income in the year the loan was forgiven, which is the same treatment as any other cancellation of debt. For example, if a PPP loan issued in 2020 and was forgiven in 2021, the income from the PPP loan forgiveness would be recognized in 2021 and thus the tax would be due with the 2021 tax return. This is true regardless of whether the taxpayer uses a cash or an accrual basis of accounting.

*(Question 2a was added on 11/10/21)*

**3) My Rhode Island tax return for 2020 was already filed. How do I report the income?**

Whether you have already filed your tax return for 2020 or not, the Division will mail Form RI-PPP - Entity (see screenshot below), along with a notice and instructions, to each entity whose PPP loan forgiveness for 2020 is greater than \$250,000. The form is also available on the Division's website. Previous guidance issued by the Division instructed taxpayers to not include the PPP loan forgiveness income in their 2020 tax return.

State of Rhode Island Division of Taxation  
**2020 Form RI-PPP - Entity**  
Paycheck Protection Program Tax Return for an Entity

Federal employer identification number: \_\_\_\_\_ For the taxable year from MM/DD/2020 through MM/DD/YYYY

Name: \_\_\_\_\_ E-mail address: \_\_\_\_\_

Address 1: \_\_\_\_\_ Address 2: \_\_\_\_\_

City, town or post office: \_\_\_\_\_ State: \_\_\_\_\_ ZIP code: \_\_\_\_\_

LLC  LLP  LP  Partnership  SMLLC  S-Corp  C-Corp  Sole Proprietor

**4) I included the income when I filed my original return on extension. What do I do now?**

You will need to contact the Division for guidance:

- For corporate income tax or bank excise tax, email: [Tax.Corporate@tax.ri.gov](mailto:Tax.Corporate@tax.ri.gov) or phone: (401) 574-8935.
- For personal income tax, email: [Tax.Assist@tax.ri.gov](mailto:Tax.Assist@tax.ri.gov) or phone: (401) 574-8829 and choose option #3.

The phones are typically staffed from 8:30 a.m. to 3:30 p.m. business days. The mailing address is:

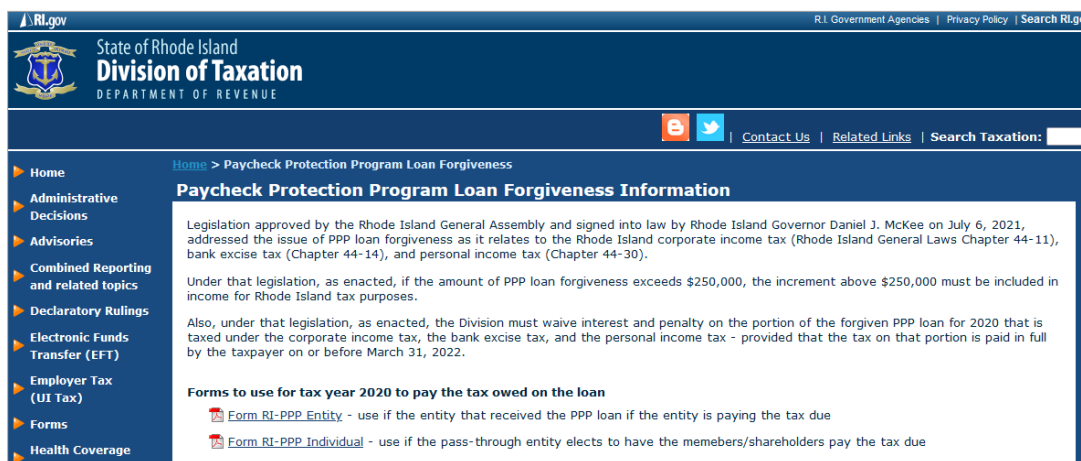
Rhode Island Division of Taxation  
One Capitol Hill  
Providence, RI 02908

**5) I plan to use Form RI-PPP - Entity to report PPP loan forgiveness for 2020. How does the Division know which taxpayers should be sent the form?**

The Division obtained the information from the U.S. Small Business Administration (SBA). PPP loans are backed by the SBA and the SBA has made information regarding loan recipients publicly available.

**6) I plan to use Form RI-PPP - Entity to report my PPP loan forgiveness amount for 2020, but what if I do not receive the form in the mail? Will the form be available online?**

Yes. The Division has created a webpage that includes forms, instructions, and other information about the Rhode Island tax treatment of PPP loan forgiveness amounts. (See screenshot below.) Please use the following link: <http://www.tax.ri.gov/PPPLoans/index.php>.



**7) Will I be able to complete Form RI-PPP for 2020 using my tax-preparation software?**

No. It is unlikely that providers of tax-preparation software will support the form and the timetable does not allow for this retroactive change to be implemented. Another reason is that providers are focused now mainly on configuring their federal and state programs for the coming tax-filing season, covering the 2021 tax year (not the 2020 tax year). Also, the number of taxpayers subject to the tax on PPP loan forgiveness amounts is small when compared with the overall number of taxpayers. The Division strongly encourages you to use the form mailed to you. The form is also on the Division's website: <http://www.tax.ri.gov/PPPLoans/index.php>.

Key dates involving PPP loan forgiveness for 2020 tax year	
November 1, 2021	Division begins mailing Form RI-PPP - Entity and notice to certain taxpayers.
December 15, 2021	Due date for Form RI-PPP.
January 31, 2022	Reminder mailing for those who filed Form RI-PPP but did not pay. Also, assessment mailing for those who have not filed and paid.
March 31, 2022	Pay by this date to avoid penalty and interest.
April 2022	Notice of penalty and interest sent to those not paid in full.

**8) Can I e-file the form, or file the form via the Division’s taxpayer portal?**

At this time, the form must be filed only in the way one would normally file a paper form: by using the United States Postal Service, certain private delivery services, or the drop box at the Division’s office. If you plan to use the drop box, please first review the information about the mask mandate for office visits and the information about drop box use, via the following two links:

- [http://www.tax.ri.gov/Advisory/ADV\\_2021\\_33.pdf](http://www.tax.ri.gov/Advisory/ADV_2021_33.pdf)
- [http://www.tax.ri.gov/Advisory/ADV\\_2021\\_35.pdf#page=3](http://www.tax.ri.gov/Advisory/ADV_2021_35.pdf#page=3)

**9) When is the payment due for the tax on this income?**

The Division encourages you to submit payment with your completed Form RI-PPP on or before December 15, 2021. But there is no requirement to pay by December 15, 2021. In order to avoid interest and penalty, the tax must be paid in full on or before March 31, 2022.

**10) Is this income subject to interest and penalties?**

Provided that the tax is paid in full on or before March 31, 2022, you will not be subject to any interest or penalties related to that tax payment. Interest and penalties will apply, however, if payment is not received by the Division on or before March 31, 2022.

**11) I understand that the Division will mail me Form RI-PPP - Entity, which includes instructions, and the related notice on or about November 1, 2021. Can I pay before then?**

It is best to wait until you receive the form, which includes instructions, and the related notice. That way, you’ll be able to make sure that you are correctly computing the tax due.

Also, sending in payment along with your completed Form RI-PPP - Entity will help to ensure that the payment is promptly and properly credited to your account. So, please wait until you receive your form in the mail in early November 2021. (The Division will be unable to process payments related to tax year PPP loan liabilities for the 2020 tax year without the form being filed.)



**12) If I file my completed Form RI-PPP on or before December 15, 2021, but do not pay the tax due, will the Division send me a notice or other reminder later on?**

Yes. If you do not pay the tax due when you file your completed Form RI-PPP, the Division will send you a notice in the mail on or about January 31, 2022, reminding you that your payment is due. Remember: Interest and penalty will be waived if the tax is paid on or before March 31, 2022.

**13) If I do not file my completed Form RI-PPP on or before December 15, 2021, will the Division send me a reminder?**

If your PPP loan forgiveness amount for 2020 exceeded \$250,000 and you do not file a completed Form RI-PPP on or before December 15, 2021, the Division will determine the amount of your balance tax due based upon the best available information. The Division will then send you an assessment in the mail, on or about January 31, 2022. In response, please submit a completed Form RI-PPP. You may also enclose payment with your submission. Although payment is not required at that point, sending in payment along with your completed Form RI-PPP will help to ensure that the payment is promptly and properly credited to your account. Doing so also may give taxpayers and tax professionals time to clear their desks in time for the regular tax-filing season, which starts in January 2022.

**14) If a pass-through entity had PPP loan forgiveness for 2020, that pass-through entity can pay the Rhode Island tax at the entity level or have the entity's owners pay the tax. What are the reporting differences?**

If the pass-through entity chooses to pay the tax, the pass-through entity completes and files Form RI-PPP - Entity on or before December 15, 2021 and is encouraged to make the tax payment at that time.

However, if the pass-through entity chooses to have the owners pay the tax, the entity must complete and file Form RI-PPP - Entity and provide each of the entity's owners with a copy of the completed Form RI-PPP - Entity. Furthermore, each owner will then have to fill out his or her own Form RI-PPP - Individual (see screenshot below), file the completed Form RI-PPP - Individual with the Division, and pay his or her proportionate share of the tax due.

State of Rhode Island Division of Taxation  
**2020 Form RI-PPP - Individual**  
Paycheck Protection Program Tax Return for an Individual

Your social security number		Spouse's social security number	
Your first name	MI	Last name	Suffix
Spouse's name	MI	Last name	Suffix
Address			
City, town or post office		State	ZIP code

**FILING STATUS**  
Check one

Single  Married filing jointly  Married filing separately  Head of household  Qualifying widow(er)

**15) Will the pass-through entity be able to claim PPP loan forgiveness tax payment on the PTE return?**

The Division is anticipating updating the RI-PTE form and instructions for 2021 tax year to include the ability to claim PPP loan forgiveness tax payment and report the income. Please check the 2021 RI-PTE instructions for more details. However, the ability to claim the payment is only available if the pass-through entity election is made for the 2021 tax year in its entirety.

**16) If the entity claims PPP loan forgiveness tax payment on the PTE return, will the resulting credit apply to 2020 PTE returns or 2021 PTE returns?**

The credit would apply to 2021 tax returns regardless of the taxpayer's method of accounting. This is because the liability did not exist at the end of tax year 2020 and it only became fixed and determinable once the legislation was signed by Governor McKee on July 6, 2021.

**16a) If the entity is a pass-through entity, how will it report the income and tax paid from its original tax filing on the RI-PPP – Entity form?**

The answer depends on whether a PTE election was made for the 2020 tax year:

- If the entity elected the PTE filing originally, it would report the income from its original tax filing (RI-1120S or RI-1065, line 4) on line 4 of the RI-PPP – Entity form and the tax reported on the 2020 RI-PTE line 5 on the RI-PPP - Entity form line 9.
- If the entity election was not made for 2020, then the amount reported on the RI-PPP – Entity form line 4 and line 9 would be zero and it would pay the full amount of tax due on the taxable portion of the PPP loan forgiveness. The minimum tax paid on any pass-through entity tax return (RI-1120S or RI-1065) would not be included in any tax due paid on the RI-PPP – Entity form.
- If electing to file the RI-PPP – Individual form, then the entity payments would not impact the calculation as the entity would use the RI-PPP - Entity Schedule A line 3 to populate Schedule C in order to calculate the individual's tax due.

*(Question 16a was added on 11/10/21)*

**17) Is there any other method of reporting our taxable PPP loan forgiveness amount?**

If the entity does not elect to pay the tax for the owners, the only method for reporting the taxable PPP loan forgiveness amount is as follows: The entity must complete and file Form RI-PPP - Entity and provide each of the entity's owners with a copy of the completed Form RI-PPP - Entity. Furthermore, each owner will then have to fill out his or her own Form RI-PPP - Individual, file the completed Form RI-PPP - Individual with the Division, and pay his or her proportionate share of the tax due.

**17a) What if one of the members is not an individual and could not be included in the RI-PTE filing for 2020, where would we get the amount for Line 4 of the RI-PPP – Entity form?**

In this scenario, multiple RI-PPP – Entity forms would need to be filed:

The entity which filed the RI-PTE would enter the amount from the 2020 RI-PTE form line 3. The reason for this is that the Form RI-1120S and Form RI-1065 line 4 amount would include the Rhode Island adjusted taxable income for all entities. Since the pass-through entity tax is only available to individuals, the PTE amount would account for the non-PTE entities only.

The entity's members that were not eligible to be included in the RI-PTE filing, will need to file their own RI-PPP – Entity form listing the Rhode Island adjusted taxable income from their particular tax return.

*(Question 17a was added on 11/10/21)*

**18) I received multiple PPP loans that were forgiven. Is each forgiven loan over \$250,000 taxable?**

Yes. If a taxpayer had two or more PPP loans, and there was forgiveness of more than \$250,000 for each loan for 2020, the increment that exceeded \$250,000 for each loan must be included in income and is taxable. Please see the third example in the Division's "Summary of Legislative Changes" via the following link: <https://go.usa.gov/xeY6k>.

If a taxpayer had multiple PPP loans, the threshold calculation is made on each loan. Tax is due on the amount of loan forgiveness above \$250,000 for each loan.

On the other hand, if a taxpayer had multiple PPP loans, and there was forgiveness of less than \$250,000 for each loan for 2020, none of it is treated as income for Rhode Island tax purposes. (Remember: The \$250,000 threshold test applies to each loan, not to the aggregate amount of multiple loans.)

**19) I have locations/businesses in multiple states. Will my entire loan amount be taxable in Rhode Island?**

The RI-PPP - Entity form will have a line item to apply the apportionment percentage per the original return. This will allow for the allocation of the PPP loan, and other income for businesses located in multiple states, based on the income allocation as filed on the original return.

**20) I am a Massachusetts entity that received a PPP loan from the SBA, but I do not have nexus in Rhode Island. Some of the entity's shareholders are Rhode Island residents. How should the Rhode Island resident shareholders report their portion of the PPP loan received by the Massachusetts entity?**

The PPP loan forgiveness income is added to the federal taxable income for the entity and then apportioned to Rhode Island. As this Massachusetts entity has no nexus with Rhode Island, there would be a 0% apportionment and the Rhode Island resident would have no PPP loan forgiveness income to apportion. If the apportionment factor was not 0%, any individual -- whether a Rhode Island resident or nonresident -- would have to file to include that income, or the entity would have to file the return on the shareholder's behalf.

**20a) If my entity does business in multiple states but chose the RI-PPP – Individual option, how would my entity complete the apportionment to Rhode Island?**

The individuals would take the amount attributed to them on Schedule C of the RI-PPP – Entity form and apply the entity apportionment amount from RI-PPP – Entity form, Schedule A, line 6, before entering the amount on the RI-PPP – Individual form line 2.

*(Question 20a was added on 11/10/21)*

**21) PPP loan funds were intended to be used for payroll costs and keeping people employed. Our company had people employed in multiple states. Would we use the payroll costs to apportion the taxable amount of PPP loans to Rhode Island?**

Because the PPP loan forgiveness amount that exceeds \$250,000 must be included in Rhode Island taxable income, the apportionment factor on the Rhode Island tax return would be used to apportion the income for a multi-state entity to Rhode Island. Thus, you would not use the payroll factors exclusively. If the entity including the PPP loan forgiveness is a C corporation, it would use the single-sales factor apportionment method. If the entity including the PPP loan forgiveness is a pass-through entity, it would use the three-factor apportionment method. (Three-factor apportionment applies to all taxpayers other than C corporations.)

**22) My original tax return had negative taxable income or negative adjusted taxable income. With the inclusion of this additional income (from PPP loan forgiveness), I now have a balance due to Rhode Island. Can I use my net operating loss carryforward, or loss in basis of assets, to offset any of this additional income?**

No additional net operating loss (NOL) would be allowable against the PPP loan forgiveness. Pursuant to Rhode Island General Laws § 44-11-11(b), a NOL deduction for Rhode Island shall be the same as the federal, “except that: (1) [a]ny net operating loss included in determining the deduction shall be adjusted to reflect the inclusions and exclusions from entire net income required under [§ 44-11-11] and § 44-11-11.1....”



Thus, any NOL must be adjusted to include the taxable portion of the forgiven PPP loan, subject to the limitations set forth in § 44-11-11(b). Such limitation includes that any deduction “shall not exceed the deduction for the taxable year allowable under 26 U.S.C. § 172; provided, that the deduction 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 carry forward basis for the five (5) succeeding taxable years,” according to Rhode Island General Laws 44-11-11(b)(3).

Given that the additional income from PPP loan forgiveness is not claimed on the federal return, Rhode Island statute would not allow for an increase in NOL deduction greater than the amount taken on the federal return.

**23) Are we allowed to track basis in assets or passive losses separately from federal since Rhode Island will have additional income to report allowing additional losses that were previously suspended for federal purposes due to the basis limitations?**

No. Pursuant to Rhode Island General Laws § 44-11-11, “net income” is defined as “taxable income of the taxpayer for that taxable year under the laws of the United States, plus...[.]” in part, any forgiven PPP loan amount that exceeds \$250,000.

As such, Rhode Island starts with the federal taxable income with applicable additions (here, the PPP forgiven loan in excess of \$250,000), and the only subtractions allowed are under § 44-11-11(a)(v) (interest on U.S. obligations and other exempt interest) and (vi) (federal net operating loss deduction). Thus, there is no allowance for reporting of additional passive losses or loss bases in assets. As these are tracked on the federal level, they would continue to be used in accordance with federal law.



**24) If I am not an active participant in this business and this additional income (from PPP loan forgiveness) would have been considered passive income on the federal return had it been taxable, would I be able to offset the PPP loan forgiveness income with prior passive losses?**

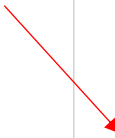
As the Rhode Island statute is written, the possible federal treatment is not considered in the taxability of this income. Thus, any passive losses tracked under federal statute would not be available to offset this additional income.

- For C corporations, the amount of PPP loan forgiveness above \$250,000 is included in the Rhode Island definition of “net income” as an addition to federal taxable income for the taxable year.
- For the personal income tax, the amount of PPP loan forgiveness above \$250,000 is a modification increasing federal taxable income for Rhode Island purposes.
- For the bank excise tax, the amount of PPP loan forgiveness above \$250,000 is includable in the definition of “gross income.”

**25) Will individual taxpayers be able to claim items such as carry-forward tax credits and losses disallowed due to basis limitations against the tax due?**

Rhode Island credits would be allowable. However, any items tracked in accordance with federal law would not be allowed -- because Rhode Island law starts with federal taxable income/federal adjusted gross income and does not allow for the separate accounting. There is a line on Form RI-PPP -- the version for the entity and the version for the individual -- on which the additional Rhode Island credit can be claimed. (See screenshot below.) Note: If you claim any applicable credit, you must include an updated credit schedule with your filing.

1	Paycheck Protection Program Loan forgiveness amount.....	1		
2	Paycheck Protection Program Loan forgiveness amount not subject to tax.....	2	250000	00
3	Net Paycheck Protection Program Loan forgiveness amount. Subtract line 2 from line 1.....	3		
4	Reported Adjusted Taxable Income from RI-1120C, RI-1120S, or RI-1065, line 4.....	4		
5	New adjusted taxable income. Add lines 3 and 4.....	5		
6	Apportionment Ratio.....	6		
7	Apportioned adjusted taxable income.....	7		
8	Tax: Multiply line 7 by the applicable tax rate - C-Corps 7.0%, All others 5.99%.....	8		
9	Tax due on original return.....	9		
10	Additional Rhode Island Credits from RI Schedule B-CR. Do not include any amount used on original return	10		



**26) My subtraction modification related to bonus depreciation resulted in a negative Rhode Island taxable income for 2020. Will I be able to offset my PPP loan forgiveness income above \$250,000 with this excess bonus depreciation?**

Yes. The excess bonus depreciation, along with any other subtraction modifications, would be allowed to offset the PPP loan forgiveness income.

The following questions relate only to returns for the 2021 tax year.

**27) I had a PPP loan forgiven in 2021. Will I use Form RI-PPP for 2021?**

No. Form RI-PPP will not be used for tax year 2021 returns. Although the Division is still reviewing and revising its forms and instructions for the coming filing season, the Division plans to provide for reporting 2021 PPP loan forgiveness taxable income as part of the corporation's 2021 return.

Exactly where on the 2021 return the incremental amount will be reported depends on the form filed by the entity.<sup>3</sup> It is likely that, on returns for the 2021 tax year:

- For a C corporation, the taxable increment would be reported on Form RI-1120C, Schedule C ("Additions to Federal Taxable Income").
- For a subchapter S corporation, the taxable increment would be reported on Form RI-1120S, Schedule C ("Additions to Federal Taxable Income").
- For a partnership, the taxable increment would be reported on Form RI-1065, Schedule C ("Additions to Federal Taxable Income").
- If a limited liability company (LLC) is treated as a corporation for federal tax purposes, it must file Form RI-1120C and would report the taxable increment on Schedule C of Form RI-1120C.
- If an LLC is treated as a subchapter S corporation for federal tax purposes, it must file Form RI-1120S and would report the taxable increment on Schedule C of Form RI-1120S.
- All LLCs other than those listed above must file Form RI-1065 and would report the taxable increment on Form RI-1065, Schedule C ("Additions to Federal Taxable Income").

However, as noted above, final decisions have not been made on all of the forms and instructions for the 2021 tax year, which are still under review.

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<sup>3</sup> The instructions for the applicable form will provide additional information.

**28) How will the reporting of the PPP loan forgiveness income affect my estimated payments and underestimated interest calculation on my 2021 tax return?**

The safe harbor calculation for underestimated interest works as follows:

- ✓ For taxpayers other than individuals, estimated payments are required for 100% of the current year's tax due or 100% of the prior year's tax.
- ✓ For individuals, estimated payments are required for 80% of the current year's tax due or 100% of the prior year's tax.

For 2021 estimates, a taxpayer would still meet the safe harbor if estimated payments are made up to 100% of the taxpayer's 2021 tax due (80% of the 2021 tax for individual returns).

To the extent there would be underestimated payment interest in relation to the taxable portion of the PPP forgiven loan for the 2020 tax year, such interest would be waived pursuant to statutory authority based on the circumstances and timing of the enactment of the tax.

Note: This publication is intended only as a plain-language summary of Rhode Island tax law as it relates to PPP loan forgiveness and is subject to revision. The information contained in this publication is not a substitute for Rhode Island statutes or for Rhode Island Division of Taxation regulations, rulings, or decisions.



*The Rhode Island Division of Taxation, part of the Rhode Island Department of Revenue, operates from 8:30 a.m. to 3:30 p.m. business days. For more information, contact the Division of Taxation at (401) 574-8829 or see <http://www.tax.ri.gov/contact/>.*