

2023 RI-1120S - Rhode Island Business Corporation Tax Return

SPECIFIC INSTRUCTIONS

INFORMATION SECTION:

Enter the requested entity information on the top of the form, including name, address, federal identification number, email address, NAICS code, and if the entity is not a calendar year filer, enter the beginning and end dates of the entity's fiscal year.

Enter the following information in the corresponding boxes:

- A. The gross receipts from U.S. Form 1120S, page 1, line 1a or other applicable Federal form.
- B. The depreciable assets from line 10a Column (c), Schedule L, U.S. Form 1120S, page 4 or other applicable Federal form.
- C. Enter the total assets from line 15, Column (d), Schedule L, U.S. Form 1120S, page 4 or other applicable Federal form.

NOTE: If filing a final return, a separate request for a letter of good standing for dissolution or withdrawal should also be filed. Attach the final return to the request form and follow the instructions for section V or VI. The final return and request form must be completed through the date of withdrawal. When filing for dissolution or withdrawal, an extension is not valid. Within thirty (30) days of the date of the letter, it must be recorded with the Secretary of State.

SUBCHAPTER S CORPORATION FILERS:

Form RI-1120S is to be used only by entities taxed as subchapter S corporations for federal tax purposes.

LIMITED LIABILITY COMPANY FILERS:

- (i) If the LLC is to be treated as a corporation for federal tax purposes, it shall pay a tax the same as a "C" corporation and file **Form RI-1120C**.
- (ii) If the LLC is to be treated as a subchapter S corporation for federal tax purposes, it shall pay a fee equal to the minimum tax as defined under R.I. Gen. Laws § 44-11-2(e) and file **Form RI-1120S**.
- (iii) All other LLCs shall pay a fee equal to the minimum tax as defined under R.I. Gen. Laws § 44-11-2(e) and file **Form RI-1065**.

QUALIFIED SUB-CHAPTER "S" SUBSIDIARY:

If Qualified Sub-Chapter "S" subsidiary(s) are included for federal purposes, they may also be filed on one return for Rhode Island purposes. They may do so by checking the "Q-sub Included" check box on page 1 and attaching RI-1120S Q-Sub Schedule to the tax return. The minimum tax must be included for each entity included in the return. See Reg 280-RICR-20-25-14 for further details.

SCHEDULE A - COMPUTATION OF TAX

TAXABLE INCOME

Line 1 - Federal Taxable Income

Enter the taxable income as it appears on Federal Form 1120S, Schedule K, line 18.

Line 2 - Total Deductions

Enter Total Deductions from page 2, Schedule B, line 1e.

Line 3 - Total Additions

Enter Total Additions from page 2, Schedule C, line 1f.

APPORTIONED TAXABLE INCOME

Line 4 - Adjusted Taxable Income

Subtract the total deductions amount on line 2 from the Federal Taxable Income amount on line 1. Add to that the total additions amount on line 3.

Line 5 - Rhode Island Apportionment Ratio

Complete Schedule I on page 4. Enter the amount from Schedule I, line 5.

Line 6 - Apportioned Rhode Island Taxable Income

Multiply your adjusted taxable income amount from line 4 times the Rhode Island Apportionment Ratio from line 5.

Line 7a - Minimum Tax

Rhode Island minimum tax is \$400.00.

If line 22a or 22b of Federal 1120S is applicable, refer to Rhode Island Schedule S for your tax calculation. Enter the tax from Schedule S, line 8.

If Qualified Sub-chapter S Subsidiary, multiply the number of Q-Subs that are a part of this filing by the minimum tax and enter here.

Line 7b - Jobs Growth Tax

Enter 5% of the aggregate performance-based compensation paid to eligible employees as per the Jobs Growth Act (R.I. Gen. Laws § 44-64.11-5).

Line 7c - Pass-Through Withholding

Enter Rhode Island Pass-Through Withholding from RI Schedule PTW, line 13. See the RI Schedule PTW section on page 4 of these instructions for more information.

Line 7d - Reserved for Future Use

Line 8a and 8b - RI Business Corporation Tax and Withholding

Add lines 7a through 7d.

Line 9a - Estimated Tax Payments

Enter the total estimated tax payments made with respect to the taxable year, if any, including any overpayment allowed from the preceding taxable year.

Line 9b - Other Payments

Enter the amount of all other tax payments (i.e. extension payment) made with respect to the taxable year.

Note: Rhode Island Pass-through Withholding Payments MAY NOT be claimed by subchapter S corporations or LLCs on Form RI-1120S since they themselves are pass-through entities. Subchapter S corporations and LLCs must complete their own RI Schedule PTW as part of Form RI-1120S and pass any pass-through withholding payments through to their members/shareholders.

Line 10 - Total Payments

Add the amounts from lines 9a through 9d.

Line 11 - Net Tax Due

Subtract the amount on line 10 from the amount on line 8b.

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Line 12 - Interest and Penalty Calculation

Enter the total of (a), (b) and (c) on this line.

(a) Interest on the balance due

For failure to pay the tax on time, interest at the rate of 12% (0.1200) per year; or 1.0% (0.0100) per month, shall be assessed.

Interest shall accrue on the amount from line 12 at the rate of 12% per annum from the due date for filing the return (the fifteenth day of the third month following the close of the taxable year) to the actual date of payment.

(b) Penalty on the balance due

For failure to file the return on time, a penalty at the rate of 5% (0.0500) per month not to exceed 25% (0.2500) shall be assessed.

For failure to pay the tax on time, a penalty at the rate of 0.5% (0.0050) per month not to exceed 25% (0.2500) shall be assessed.

(c) Interest for underpayment of estimated taxes

In the case of any underpayment of the estimated taxes by a corporation there shall be added to the tax as the case may be for the taxable year, an amount determined at the rate of 12% per annum upon the amount of the underpayment for the period of the underpayment.

The amount of the estimated payments made for the tax year must equal at least eighty (80%) percent of the current year tax amount, or one hundred (100%) percent of the prior year tax amount, whichever is less. In addition, unless using the annualization of income method, total payments and withholding for each quarter must be at least equal to one quarter of the amount of tax in order to avoid underestimating interest. An overpayment or underpayment from the immediately preceding quarter should be applied to the next quarter when determining the overpayment or underpayment for that quarter.

Line 13 - Total Due with the Return

Add lines 11 and 12. The amount is due and payable when the return is filed. See the **Electronic Mandate section** at the end of these instructions for information on how to file your return and remit payment.

Line 14 - Overpayment

If line 10 is more than line 8b, this is the amount of your overpayment. If there is an amount due on line 12c, subtract that amount from your overpayment.

If the amount on line 12c is more than your overpayment, enter the amount on line 13. This amount is due and payable when the return is filed.

Line 15 - Amount to be Applied to 2024 Estimated Tax

Enter the amount of the overpayment from line 14 that is to be credited against next year's estimated tax. The amount on this line may be adjusted by the Tax Administrator.

Line 16 - Amount to be refunded.

Subtract line 15 from line 14.

SCHEDULE B - DEDUCTIONS

Line 1a - Exempt Interest

Enter the amount of interest exempt from Rhode Island tax included on line 4, Schedule K of Federal 1120S.

Line 1b - Bonus Depreciation Adjustment

Enter the amount of adjustment which represents the difference between normal first year depreciation and residual depreciation as long as depreciation lasts.

Line 1c- Modification for Tax Incentives for Employers

Enter the amount of modification allowed under R.I. Gen. Laws § 44-55. Attach Form RI-107 and required documentation to the return.

Line 1d - Cash Basis Only- Deduction for Pass-through Entity Tax

Enter the amount of deductions for Pass-through Entity Tax claimed in prior year.

Line 1e- Total Deductions

Add lines 1a through 1d. Enter here and on page 1, Schedule A, line 2.

SCHEDULE C - ADDITIONS

Line 1a - Interest

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 line 4, Schedule K of Federal 1120S.

Line 1b - Bonus Depreciation Adjustment

Enter the entity's bonus depreciation amount less its normal depreciation amount.

Line 1c - Intangible Addback

Enter the total amount of interest expenses and costs and intangible expenses and costs that must be added back under R.I. Gen. Laws § 44-11-11(f).

Line 1d - Pass-through Entity Tax Elected to be Paid

Enter the total amount of the pass-through Entity elected to be paid under R.I. Gen. Laws § 44-11-2.3.

Line 1e - Taxable portion of Paycheck Protection Loan

Enter the taxable portion of the Paycheck Protection program loan amount under R.I. Gen. Laws § 44-11-11.

Line 1f - Total Additions

Add lines 1a through 1e. Enter here and on page 1, Schedule A, line 3.

SCHEDULE D - RHODE ISLAND CREDITS

If the entity has credits passing through to its members, complete

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RI Schedule CR-PT - Other RI Credits for RI-1065 & RI-1120S filers.

SCHEDULE E – OTHER DEDUCTIONS TO FEDERAL TAXABLE INCOME

Line 1 - Elective Deduction for New Research and Development Facilities - Refer to R.I. Gen. Laws § 44-32-1 for more details.

Line 2 - Capital Investment Deduction - Rhode Island General Laws provide for a deduction for purposes of computing net income in accordance with R.I. Gen. Laws § 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. A recapture of a previously taken deduction may be necessary under the law. This should be done by listing the recaptured amount as a negative number.

SCHEDULE I - ALLOCATION FACTOR

Prior to considering your apportionment factors, R.I. Gen. Laws § 44-11-13 and Regulation 280-RICR-20-25-9 should be considered to determine whether a company has the ability to apportion its Rhode Island adjusted taxable income. All apportionment factors must be filled out even if your apportionment is 100% Rhode Island.

If utilizing an alternative allocation apportionment as allowed under R.I. Gen. Laws § 44-11-14.1, § 44-11-14.2, § 44-11-14.3, § 44-11-14.4, § 44-11-14.5 or § 44-11-14.6, check the box above the apportionment schedule.

Line 1 - Average Net Book Value Factor

Real and tangible personal property owned is valued at book value. Real and tangible personal property rented is valued at 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 subrentals.

“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.

Line 2 - Receipts Factor

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.

Gross income from services is attributed to Rhode Island if the services are performed in Rhode Island.

Pursuant to R.I. Gen. Laws § 44-11-14(a)(2)(i)(B), gross sales of tangible personal property where shipments are made from an office, store, warehouse, factory or other place of storage in this state and the taxpayer is not taxed in the state of purchase must now be includ-

ed in the Receipts section of the Rhode Island apportionment column. This gross receipts amount must be listed separately as shown on the apportionment schedule.

2b) Dividend income. This amount should not be included in 2(h).

2c) Interest income. This amount should not be included in 2(h).

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

2e) Royalty income associated with Rhode Island activities.

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.

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).

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 I, line 2(h), Column A. For corporations organized under Rhode Island laws, all gross income from interest and dividends must be shown on Schedule I, lines 2(b&c), Column A.

2i) Income exempt from federal taxation.

Line 3 - Salaries and Wage Factor

Schedule I, 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.

Line 4 - Rhode Island Ratios

Total the Rhode Island ratios from lines 1f, 2k and 3b.

Line 5 - Allocation Factor

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 not found 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. Also, enter this ratio on page 1, Schedule A, line 5.

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RI SCHEDULE PTW

For tax years beginning on or after January 1, 2023, Rhode Island pass-through withholding of a pass-through entity with **nonresident** partners, members, beneficiaries and shareholders will be reported and calculated using RI Schedule PTW as part of Form RI-1120S rather than using Form RI-1096PT.

RI Schedule PTW is not required to be filed if there are no nonresident members of the pass-through entity.

The pass-through entity is required to include RI Schedule PTW showing the amount of Rhode Island withholding for all nonresident members for whom Rhode Island taxes were withheld. This does not include any nonresident members who have elected to file a composite return using Form RI-1040C-NE or elected to file on Form RI-PTE - Pass-through Entity Election.

When submitting RI Schedule PTW with Form RI-1120S, the pass-through entity **must** attach all corresponding RI Schedule K-1s.

If any of the following exceptions apply to the pass-through entity, check the applicable box at the top of the form and enter the amount of income associated with the exception on the appropriate line under Part B.

- Cannot distribute funds due to Federal or State restrictions
- Exempt from income tax
- Nonresident member(s) with less than \$1,000.00 in Rhode Island source income
- All Rhode Island source income for the nonresident member(s) is being reported on Form RI-1040C - Composite Income Tax Return.
- A pass-through entity election was made and all Rhode Island source income for the nonresident member(s) is being reported on Form RI-PTE.

If the pass-through entity cannot distribute funds due to Federal or state restrictions, a statement explaining what is prohibiting the distribution of the funds along with all of the corresponding RI Schedule K-1s containing all required information.

If all the nonresident members of the pass-through entity have Rhode Island source income less than \$1,000.00, RI Schedule PTW must be filed reporting the Rhode Island source income of all nonresident members on line 1, calculating the pass-through withholden due and listing the Rhode Island source income of all members on line 7. All of the corresponding RI schedule K-1s should show the nonresident members' withholding as zero.

Part A - Nonresident Rhode Island Source Income Calculation

Line 1 – Enter the pass-through entity's apportioned Rhode Island taxable income from RI-1065, line 6; RI-1120s, line 6.

Line 2 – Enter the profit percentage or current year allocation percentage of all members/partners that are nonresidents.

Line 3 – Multiply the apportioned Rhode Island taxable income on line 1 by the profit percentage or current year allocation percentage of all nonresident members/partners from line 2 to calculate Rhode Island source income for all nonresidents.

Part B - Pass-through Withholding Calculation

Line 4 – Using the amount of Rhode Island source income for all nonresidents from line 3, enter the amount attributed to nonresident members that are C Corporations on line 4a and that are Sub S Corporations, Individuals, LLCs, Partnerships and Trusts.

Lines 4a and 4b must equal line 3.

For lines 5 through 9: Use the appropriate column(s) based on entity type and enter the Rhode Island source of income of the nonresident member(s) not subject to pass-through withholding on RI Schedule PTW.

Column A: C Corporations

Column B: Sub S Corporations, Individuals, LLCs, Partnerships and Trusts.

Line 5 – Enter the amount of Rhode Island source income for all nonresident members of the pass-through entity which cannot be distributed due to Federal or State restrictions.

Line 6 – Enter the amount of Rhode Island source income for all nonresident members of the pass-through entity exempt from tax.

Line 7 – Enter the amount of Rhode Island source of income of those nonresident members with income less than \$1,000 net modifications.

Line 8 – Enter the amount of the Rhode Island source of income of nonresident members being reported on Form RI-1040C - Composite Income Tax Return.

Line 9 – Enter Rhode Island source of income of those nonresidents being reported on Form RI-PTE - Pass-through Entity Election.

Line 10 – Rhode Island source income of nonresident members subject to PT withholding

Column A, subtract the amounts from lines 5a - 9a from line 4a

Column B, subtract the amounts from lines 5b - 9b from line 4b

Line 11 – Rhode Island pass-through withholding rate.

For C corporations only, the rate is 7.0%.

For Sub S corporations, individuals, LLCs, partnerships and trusts, the rate is 5.99%.

Line 12 – For each column, multiply the amount of Rhode Island source income of those nonresidents from line 10 by the pass-through withholding rate line 11 to calculate the pass-through withholding amount.

Line 13 – Add lines 12a and 12b. Enter here and on Form RI-1065, line 7c; or Form RI-1120S, line 7c.

Part C - Pass-through Withholding Paid on Entity's behalf by another Pass-through Entity

Part C must be completed if claiming an amount on either Form RI-1120S or Form RI-1065, page 2, line 9b. Attach a separate sheet if additional room is needed. In addition, a copy of Form(s) RI K-1 issued to the entity must be attached in order for credit to be given. Failure to attach a copy will result in the disallowance of the pass-through withholding amount until documentation is provided.

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Enter the amount of any nonresident pass-through withholding payments made on the entity's behalf by another pass-through entity. This amount should equal the Total Pass-through withholding amount from RI Schedule PTW, Part C, line 1f.

ELECTRONIC MANDATE

The R.I. Division of Taxation has an electronic mandate that requires Larger Business Registrants use electronic means to file returns and remit taxes beginning on January 1, 2023.

A "larger business registrant" is defined as any person who:

- 1) Operates as a business whose combined annual liability for all taxes administered by the Division of Taxation for the entity is or exceeds \$5,000; or
- 2) Operated as a business whose annual gross income is over \$100,000 for the entity.

If you meet either of the above criteria you are required to file returns and remit taxes electronically.

Visit the RI Division of Taxation's website for additional information.

<https://tax.ri.gov/resources/businesses/electronic-filing-mandate>

**YOU MAY BE SUBJECT TO A PENALTY FOR
FAILURE TO FILE RETURNS AND/OR REMIT
PAYMENTS VIA ELECTRONIC MEANS.**

DRAFT
09/26/2023