



# Rhode Island Department of Revenue Division of Taxation

Taxation Requirements of Single Member Limited Liability  
Companies

February 28, 2024



# Leo Lebeuf

## Taxpayer Experience Liaison



# Disclaimer

This presentation is neither designed nor intended to address complex issues in detail. It is not a substitute for the Rhode Island General Laws or for Rhode Island Division of Taxation regulations, rulings, or notices.

This presentation is intended to provide some guidance and direction to Single Member Limited Liability Companies on the application of Rhode Island tax laws. It is not intended to provide tax or legal advice. For that advice, a tax preparer or private attorney should be consulted.



# Agenda

- About the Division of Taxation
- Characteristics of Limited Liability Companies (LLC)
- Types of Limited Liability Companies
- Single Member LLC vs Sole Proprietor
- Federal and State Tax Treatment
  - Tax Form Samples
    - RI-1065
    - Federal 1040
    - State 1040
- Estimated Payment Requirements
- Tax Form Due Dates
- Sales Tax
- Trust Funds
- Other Common Taxes
- Other Resources
- Questions



# About Us

## The Division of Taxation: One of six agencies in the Department of Revenue

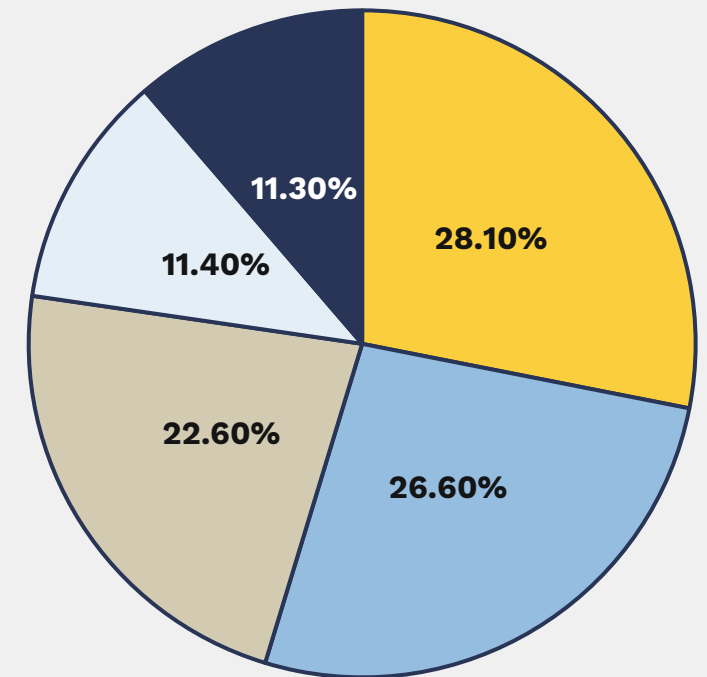
- The Rhode Island Division of Taxation employs **223 tax professionals**, administering more than **58 different taxes and fees**.
- Taxes represent **the most significant source of General Fund revenue** for Rhode Island – funds used to help pay for vital services including public safety, education, transportation, and recreation for all Rhode Islanders.
- Each year, the Division **collects and distributes more than \$5.2 billion** in funds to the State, municipalities, and other agencies (as of FY 23).

## Our Mission

- To foster voluntary compliance with the Rhode Island tax laws and instill public confidence through professional, impartial and ethical conduct.
- To administer and collect all taxes as required by Rhode Island law in the most efficient and cost-effective manner.
- To assist taxpayers by helping them understand and meet their tax responsibilities.

## Total State Tax Revenue Collected by the Division of Taxation for Fiscal Year 2023 (\$, In Millions)

FY23 Receipts: \$5.2B

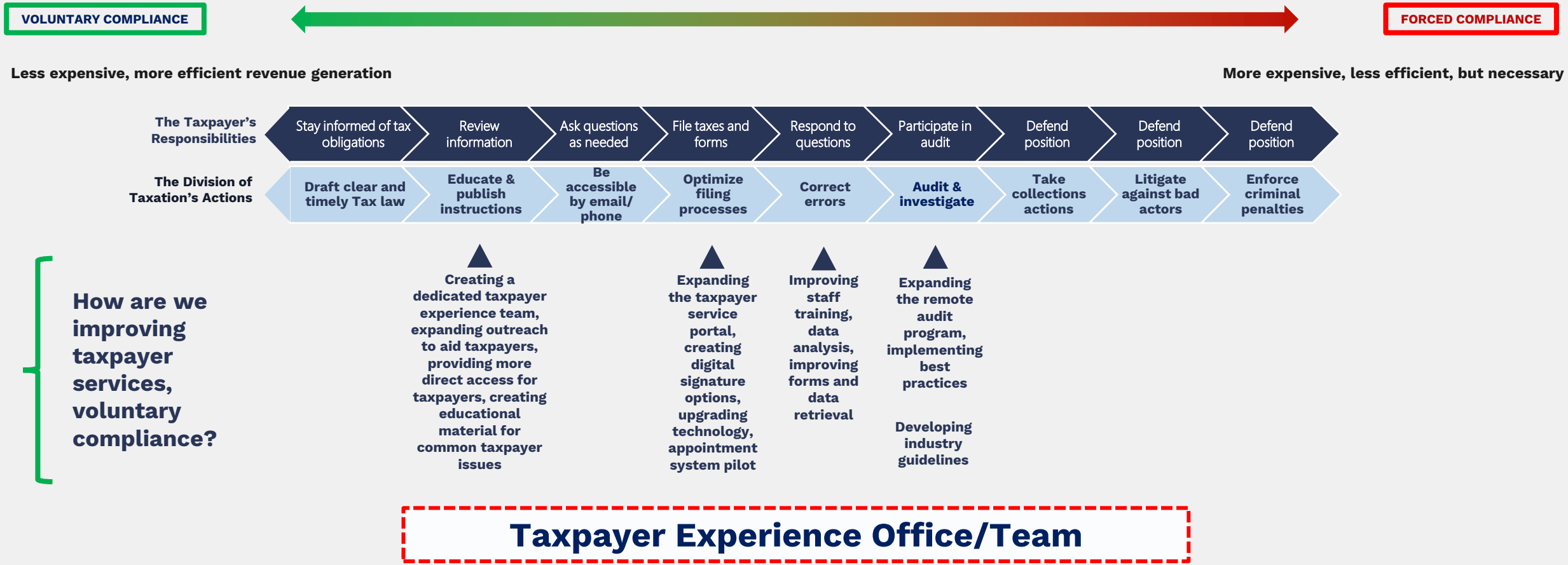


Withholding Sales Corp PIT Estate, M&B, Hotel & Other



# Division of Taxation: Mission

## The Tax Administration Efficiency Continuum





# Who is this presentation for?

- New or start-up businesses that do not have experience with State tax filing requirements;
- Individuals thinking of starting a business;
- Individuals who want to confirm their understanding of State tax filing requirements;
- Individuals who are guiding others on State tax compliance requirements.



# After this presentation

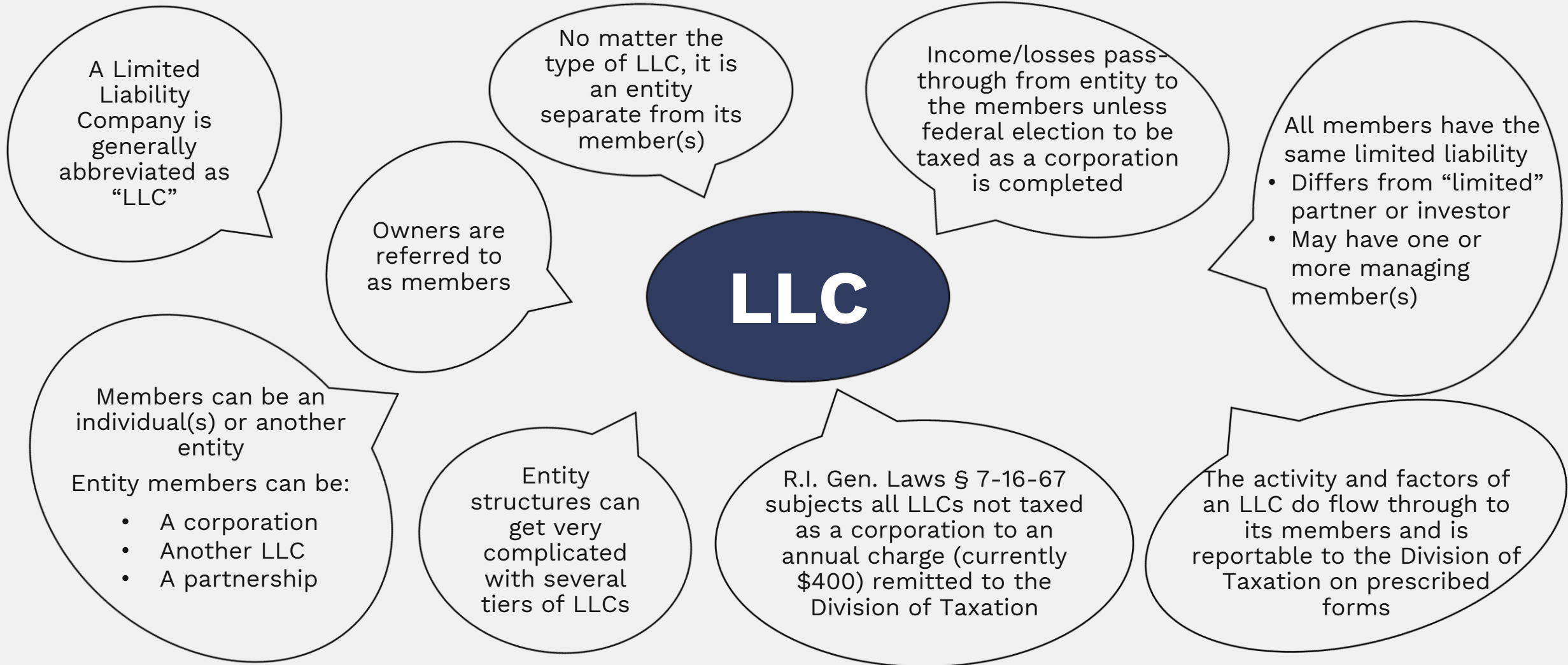
You will be able to:



- ☐ Identify characteristics of different types of entities.
- ☐ Determine the entity requirements of a Single Member LLC.
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- ☐ Determine the filings and due dates that apply to your entity.
- ☐ Find the information and resources you need online.

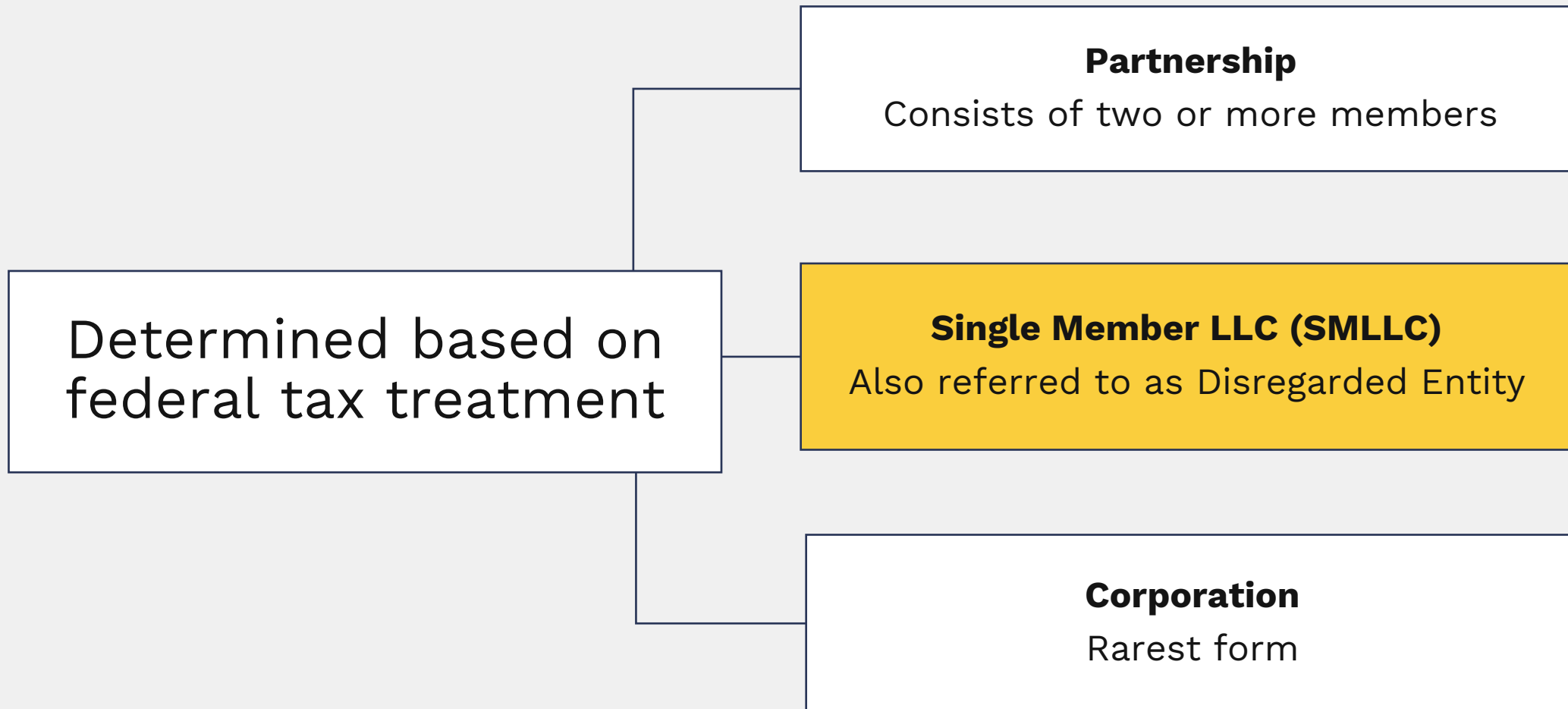


# Characteristics





# Types of Limited Liability Companies





# Single Member LLC vs Sole Proprietor

## Single Member LLC

- Entity separate from its owner
- Registered as an entity with RI Department of State
- Has liability protection—limited to investment
- Registration date—dissolution date
- Subject to annual charge (currently \$400) on separate tax form for state purposes

## Similarities

- Files Form 1040 reporting on Schedule C, E or F to pay federal income taxes
- Files RI-1040/RI-1040NR to pay state income tax on Federal AGI including Schedule C income

## Sole Proprietor

- Owner is the entity
- Can register a trade name with local municipality
- Personal liability
- No dissolution to close business
- No separate filing requirement or annual charge



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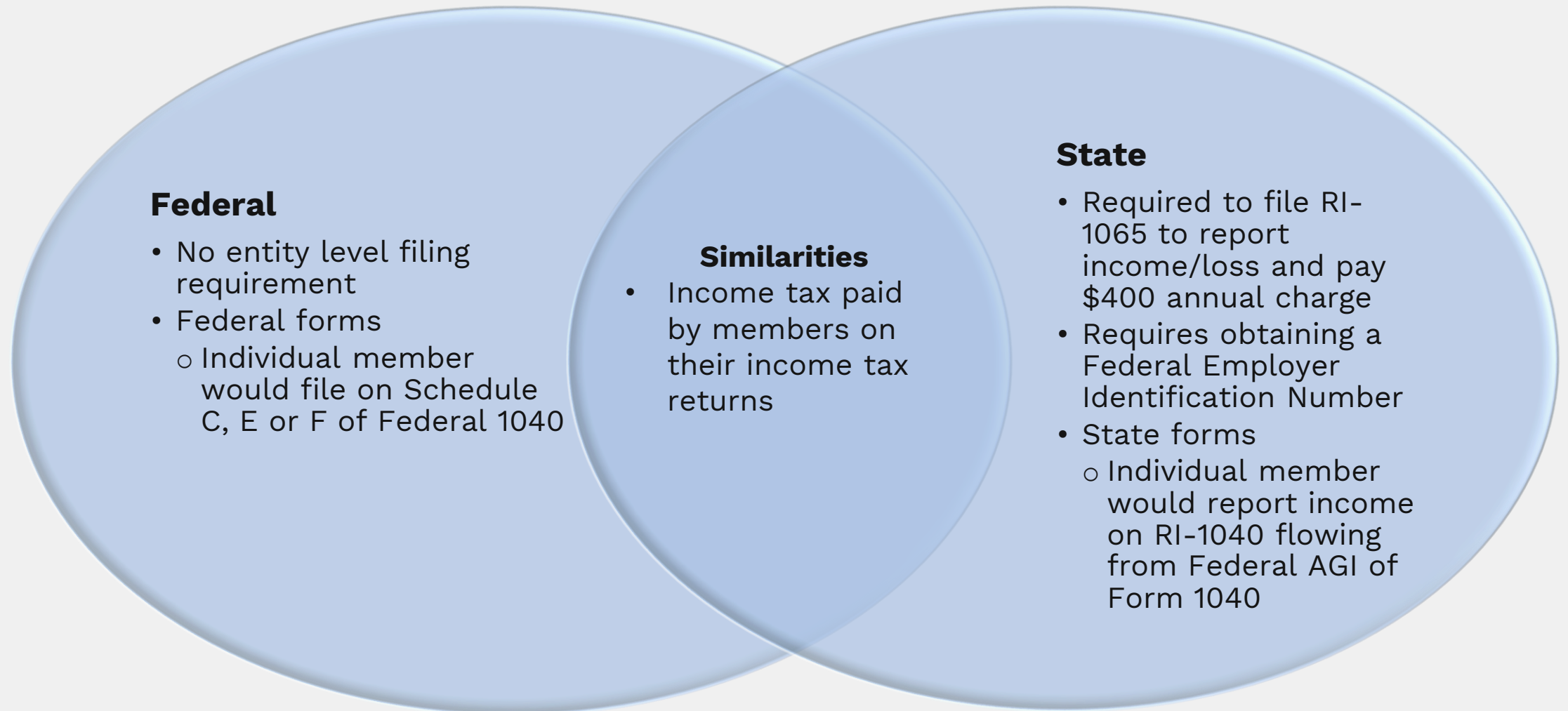
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# Federal and State Tax Treatment - SMLLC





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# Tax Forms and the Flow Between Them



# Federal to State Example: Federal 1040

Part I Income		
1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . . . <input type="checkbox"/>	1 125000
2	Returns and allowances . . . . .	2
3	Subtract line 2 from line 1 . . . . .	3
4	Cost of goods sold (from line 42) . . . . .	4
5	<b>Gross profit.</b> Subtract line 4 from line 3 . . . . .	5
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) . . . . .	6
7	<b>Gross income.</b> Add lines 5 and 6 . . . . .	7
Part II Expenses. Enter expenses for business use of your home only on line 30.		
8	Advertising . . . . .	8 500
9	Car and truck expenses (see instructions) . . . . .	9 5000
10	Commissions and fees . . . . .	10
11	Contract labor (see instructions) . . . . .	11
12	Depletion . . . . .	12
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions) . . . . .	13 20000
14	Employee benefit programs (other than on line 19) . . . . .	14
15	Insurance (other than health) . . . . .	15 2000
16	Interest (see instructions):	
a	Mortgage (paid to banks, etc.) . . . . .	16a
b	Other . . . . .	16b
17	Legal and professional services . . . . .	17 10000
18	Office expense (see instructions) . . . . .	18 5000
19	Pension and profit-sharing plans . . . . .	19
20	Rent or lease (see instructions):	
a	Vehicles, machinery, and equipment . . . . .	20a
b	Other business property . . . . .	20b 12500
21	Repairs and maintenance . . . . .	21
22	Supplies (not included in Part III) . . . . .	22 5000
23	Taxes and licenses . . . . .	23
24	Travel and meals:	
a	Travel . . . . .	24a
b	Deductible meals (see instructions) . . . . .	24b
25	Utilities . . . . .	25
26	Wages (less employment credits) . . . . .	26
27a	Other expenses (from line 48) . . . . .	27a
b	<b>Reserved for future use</b> . . . . .	27b
28	<b>Total expenses</b> before expenses for business use of home. Add lines 8 through 27a . . . . .	28
29	Tentative profit or (loss). Subtract line 28 from line 7 . . . . .	29
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. <b>Simplified method filers only:</b> Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30 . . . . .	30
31	<b>Net profit or (loss).</b> Subtract line 30 from line 29. • If a profit, enter on both <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see instructions.) Estates and trusts, enter on <b>Form 1041, line 3</b> .	31 75000



# Federal to State Example: Federal 1040

SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, or 1040-NR. Go to <a href="http://www.irs.gov/Form1040">www.irs.gov/Form1040</a> for instructions and the latest information.		2022 Attachment Sequence No. 01	
Name(s) shown on Form 1040, 1040-SR, or 1040-NR		Your social security number			
<b>Part I Additional Income</b>					
1 Taxable refunds, credits, or offsets of state and local income taxes		1			
2a Alimony received		2a			
b Date of original divorce or separation agreement (see instructions):					
3 Business income or (loss). Attach Schedule C		3	75000		
4 Other gains or (losses). Attach Form 4797		4			
5 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		5			
6 Farm income or (loss). Attach Schedule F		6			
7 Unemployment compensation		7			
8 Other income:					
a Net operating loss	8a				
b Gambling	8b				
c Cancellation of debt	8c				
d Foreign earned income exclusion from Form 2555	8d				
e Income from Form 8853	8e				
f Income from Form 8889	8f				
g Alaska Permanent Fund dividends	8g				
h Jury duty pay	8h				
i Prizes and awards	8i				
j Activity not engaged in for profit income	8j				
k Stock options	8k				
l Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8l				
m Olympic and Paralympic medals and USOC prize money (see instructions)	8m				
n Section 951(a) inclusion (see instructions)	8n				
o Section 951A(a) inclusion (see instructions)	8o				
p Section 461(l) excess business loss adjustment	8p				
q Taxable distributions from an ABL account (see instructions)	8q				
r Scholarship and fellowship grants not reported on Form W-2	8r				
s Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d	8s				
t Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan	8t				
u Wages earned while incarcerated	8u				
z Other income. List type and amount:	8z				
9 Total other income. Add lines 8a through 8z		9			
10 Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8		10	75000		
For Paperwork Reduction Act Notice, see your tax return instructions.				Cat. No. 71479F Schedule 1 (Form 1040) 2022	

Income		Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.		If you did not get a Form W-2, see instructions.	
1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a			
b	Household employee wages not reported on Form(s) W-2	1b			
c	Tip income not reported on line 1a (see instructions)	1c			
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d			
e	Taxable dependent care benefits from Form 2441, line 26	1e			
f	Employer-provided adoption benefits from Form 8839, line 29	1f			
g	Wages from Form 8919, line 6	1g			
h	Other earned income (see instructions)	1h			
i	Nontaxable combat pay election (see instructions)	1i			
z	Add lines 1a through 1h	1z			
2a	Tax-exempt interest	2a		b Taxable interest	2b
3a	Qualified dividends	3a		b Ordinary dividends	3b
4a	IRA distributions	4a		b Taxable amount	4b
5a	Pensions and annuities	5a		b Taxable amount	5b
6a	Social security benefits	6a		b Taxable amount	6b
c	If you elect to use the lump-sum election method, check here (see instructions)				
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here			7	
8	Other income from Schedule 1, line 10			8	75000
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income			9	75000
10	Adjustments to income from Schedule 1, line 26			10	0
11	Subtract line 10 from line 9. This is your adjusted gross income			11	75000
12	Standard deduction or itemized deductions (from Schedule A)			12	12950
13	Qualified business income deduction from Form 8995 or Form 8995-A			13	
14	Add lines 12 and 13			14	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income			15	62050

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B Form 1040 (2022)



# Federal to State Example

RI-1040

FILING STATUS Check one		Single <input checked="" type="checkbox"/>	Married filing jointly <input type="checkbox"/>	Married filing separately <input type="checkbox"/>	Head of household <input type="checkbox"/>	Qualifying widow(er) <input type="checkbox"/>	
INCOME, TAX AND CREDITS	1	Federal AGI from Federal Form 1040 or 1040-SR, line 11 .....				1	75000
	2	Net modifications to Federal AGI from RI Sch M, line 3. If no modifications, enter 0 on this line.				2	
	3	Modified Federal AGI. Combine lines 1 and 2 (add net increases or subtract net decreases)....				3	75000
	4	RI Standard Deduction from left. If line 3 is over \$ 217,050 see Standard Deduction Worksheet .....				4	9300
	5	Subtract line 4 from line 3. If zero or less, enter 0.....				5	65700
	6	Enter # of exemptions from RI Sch E, line 5 in box, multiply by \$4,350 and enter result on line 6. If line 3 is over \$217,050, see Exemption Worksheet <span style="border: 1px solid black; padding: 2px;">1</span> X \$4,350 =				6	4350
	7	RI TAXABLE INCOME. Subtract line 6 from line 5. If zero or less, enter 0.....				7	61350
	8	RI income tax from Rhode Island Tax Table or Tax Computation Worksheet.....				8	2301
	9a	RI percentage of allowable Federal credit from page 3, RI Sch I, line 22				9a	

Rhode Island Standard Deduction  
Single \$9,300  
Married filing jointly or Qualifying widow(er) \$18,600  
Married filing separately \$9,300  
Head of household \$13,950



# Entity Level Filing Information

## Completion of RI-1065 Required

- Check appropriate entity type box
- RI-1065 Line 1
  - SMLLC-Federal Schedule C, Line 31
- Additions/Deductions
  - As applicable
- Apportionment Schedule
  - Completed even if 100% apportionment
  - 3 Factor Apportionment
  - Feeds into RI K-1
- Submit \$400 annual charge

State of Rhode Island Division of Taxation  
**2022 RI-1065**  
 Partnership Income Return

2211059990101

Federal employer identification number RI Secretary of State ID number

For the taxable year from MM/DD/2022 through MM/DD/YYYY

Name

Address 1

Address 2

City, town or post office State ZIP code

Email address NAICS code

☐ Initial Return ☐ Short Year ☐ Pro-Forma ☐ Final Return ☐ Amended Return

Entity type: ☐ LLC ☐ LLP ☐ LP ☒ Partnership ☒ SMLLC ☐ Address Change

A Gross Receipts..... A

B Depreciable Assets..... B

C Total Assets..... C

**Schedule A - Computation of Tax** Attach a complete copy of all pages and schedules of the federal return including all K-1's

1 Federal taxable income .....	1	75,000.00
2 Total Deductions from page 2, Schedule B, line 1e .....	2	
3 Total Additions from page 2, Schedule C, line 1f .....	3	
4 Adjusted taxable income. Line 1 less line 2 plus line 3 .....	4	75,000.00
5 Rhode Island Apportionment Ratio from page 4, Schedule I, line 5 .....	5	1.000000
6 Apportioned Rhode Island taxable income. Multiply line 4 times line 5 .....	6	75,000.00
7a Rhode Island Annual Fee - \$400.00.....	7a	400.00
b Jobs Growth Tax.....	7b	
8a TOTAL TAX. Add lines 7a and 7b.....	8a	400.00

☐ Check if a Jobs Growth Tax is being reported on line 7b.

Due on or before the 15th day of the 3rd month following the close of the taxable year  
 SMLLC entities please see instructions for information on the due date of your return

Mail to RI Division of Taxation - One Capitol Hill - Providence, RI 02908



# Personal Income Tax and Estimated Payments



# Personal Income Estimated Payment Requirements

- Federal and State Income Taxes are a “Pay as you go” system.
  - Withholding taxes as employee; or
  - Estimated payments
- A new business may have to file estimated payments in place of income taxes withheld by an employer.
- Required if annual liability is greater than \$250.
- How do I determine the dollar amount of estimated payments to make?
  - Payments must equal the lower of:
    - **100% of prior year tax liability (aka “safe-harbor”)** or
    - 80% of current year tax liability
- Underestimated interest assessment—statutory rate of 12% per year.
- State requirement mirrors [IRS requirement](#).



# Personal Income Estimated Payment Requirements

## Existing Business

2021

1	Federal AGI from Federal Form 1040 or 1040-SR, line 11 .....	1	65000
2	Net modifications to Federal AGI from RI Sch M, line 3. If no modifications, enter 0 on this line.	2	
3	Modified Federal AGI. Combine lines 1 and 2 (add net increases or subtract net decreases).....	3	65000
4	RI Standard Deduction from left. If line 3 is over \$ 210,750 see Standard Deduction Worksheet .....	4	9050
5	Subtract line 4 from line 3. If zero or less, enter 0.....	5	55950
6	Enter # of exemptions from RI Sch E, line 5 in box, multiply by \$4,250 and enter result on line 6. If line 3 is over \$210,750, see Exemption Worksheet <input type="text" value="1"/> X \$4,250 =	6	4250
7	RI TAXABLE INCOME. Subtract line 6 from line 5. If zero or less, enter 0.....	7	51700
8	RI income tax from Rhode Island Tax Table or Tax Computation Worksheet.....	8	1939

100% of prior year is \$1,939.00

2022

1	Federal AGI from Federal Form 1040 or 1040-SR, line 11 .....	1	85000
2	Net modifications to Federal AGI from RI Sch M, line 3. If no modifications, enter 0 on this line.	2	
3	Modified Federal AGI. Combine lines 1 and 2 (add net increases or subtract net decreases).....	3	85000
4	RI Standard Deduction from left. If line 3 is over \$ 217,050 see Standard Deduction Worksheet .....	4	9300
5	Subtract line 4 from line 3. If zero or less, enter 0.....	5	75700
6	Enter # of exemptions from RI Sch E, line 5 in box, multiply by \$4,350 and enter result on line 6. If line 3 is over \$217,050, see Exemption Worksheet <input type="text" value="1"/> X \$4,350 =	6	4350
7	RI TAXABLE INCOME. Subtract line 6 from line 5. If zero or less, enter 0.....	7	71350
8	RI income tax from Rhode Island Tax Table or Tax Computation Worksheet.....	8	2707

80% of current year is \$2,166



# Personal Income Estimated Payment Requirements

## New Business

2021				2022			
1	Federal AGI from Federal Form 1040 or 1040-SR, line 11 .....	1	75000	1	Federal AGI from Federal Form 1040 or 1040-SR, line 11 .....	1	75000
2	Net modifications to Federal AGI from RI Sch M, line 3. If no modifications, enter 0 on this line.	2		2	Net modifications to Federal AGI from RI Sch M, line 3. If no modifications, enter 0 on this line.	2	
3	Modified Federal AGI. Combine lines 1 and 2 (add net increases or subtract net decreases)....	3	75000	3	Modified Federal AGI. Combine lines 1 and 2 (add net increases or subtract net decreases)....	3	75000
4	RI Standard Deduction from left. If line 3 is over \$ 210,750 see Standard Deduction Worksheet .....	4	9050	4	RI Standard Deduction from left. If line 3 is over \$ 217,050 see Standard Deduction Worksheet .....	4	9300
5	Subtract line 4 from line 3. If zero or less, enter 0.....	5	65950	5	Subtract line 4 from line 3. If zero or less, enter 0.....	5	65700
6	Enter # of exemptions from RI Sch E, line 5 in box, multiply by \$4,250 and enter result on line 6. If line 3 is over \$210,750, see Exemption Worksheet <span style="border: 1px solid black; padding: 2px;">1</span> X \$4,250 =	6	4250	6	Enter # of exemptions from RI Sch E, line 5 in box, multiply by \$4,350 and enter result on line 6. If line 3 is over \$217,050, see Exemption Worksheet <span style="border: 1px solid black; padding: 2px;">1</span> X \$4,350 =	6	4350
7	RI TAXABLE INCOME. Subtract line 6 from line 5. If zero or less, enter 0.....	7	61700	7	RI TAXABLE INCOME. Subtract line 6 from line 5. If zero or less, enter 0.....	7	61350
8	RI income tax from Rhode Island Tax Table or Tax Computation Worksheet.....	8	2314	8	RI income tax from Rhode Island Tax Table or Tax Computation Worksheet.....	8	2301
14 a	RI 2021 income tax withheld from RI Schedule W, line 16. You must attach Sch W AND all W-2 and 1099 forms with RI withholding. ....	14a	3000	14 a	RI 2022 income tax withheld from RI Schedule W, line 16. You must attach Sch W AND all W-2 and 1099 forms with RI withholding. ....	14a	0
b	2021 estimated tax payments and amount applied from 2020 return ....	14b		b	2022 estimated tax payments and amount applied from 2021 return ....	14b	
100% of prior year is \$2,314.00				80% of current year is \$1,841			



# Personal Income Estimated Payment Requirements

- Federal tax or self-employment tax awareness
  - Includes social security contribution
- Can use the [RI-1040ES](#) as a worksheet
- Most payments are 4 equal installments
  - However, annualization based on current year is possible
- Portal payment options

**2023 RI-1040ES**

STATE OF RHODE ISLAND ESTIMATED PAYMENT COUPON  
DIVISION OF TAXATION - ONE CAPITOL HILL - PROVIDENCE, RI 02908



22101599990101

## PART 1 ESTIMATED RHODE ISLAND INCOME TAX WORKSHEET

Single \$10,000
Married filing jointly or Qualifying widow(er) \$20,050
Married filing separately \$10,025
Head of household \$15,050

1. Modified Federal AGI.....	1.	
2. Rhode Island Standard Deduction Amount from Deduction Worksheet below.....	2.	
3. Rhode Island Exemption Amount from Exemption Worksheet below.....	3.	
4. Taxable income. Subtract lines 2 and 3 from line 1.....	4.	
5. Figure your 2023 tax on the amount on line 4 using the 2023 Tax Rate Schedule located on the front.....	5.	
6. Enter your 2022 Rhode Island income tax.....	6.	
7. Enter the <b>SMALLER</b> of lines 5 or 6.....	7.	
8. Estimated Rhode Island credits. See instructions on the front for allowable credits.....	8.	
9. Line 7 less line 8.....	9.	
10. Rhode Island income tax withheld.....	10.	
11. Estimated Rhode Island income tax. Subtract line 10 from line 9.....	11.	
12. Enter amount of 2022 RI overpayment elected for credit towards your 1st quarter 2023 estimated tax.....	12.	
13. Amount of estimated payments to be paid. Subtract line 12 from line 11.....	13.	
14. Divide line 13 by the number of installments to be made and enter here.....	14.	



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# Tax Form Due Dates

## **Annual Return 04/15**

- RI-1065 (SMLLC)
- RI-1040 (Individual Members)

## **Individual Estimated Payment (RI-1040-ES)**

- 4/15
- 6/15
- 9/15
- 01/15



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# Key Points

- All LLCs are required to file with the RI Division of Taxation.
  - The type of LLC determines the required form.
  - All LLCs not taxed as a corporation are subject to an annual charge of \$400 including SMLLCs.
- The federal and state requirements differ.
- A single member LLC and sole proprietor are not the same.
- The activity of an LLC does flow through to its members and is reportable to the Division of Taxation on prescribed forms.
- Appendix attached shows information applicable to other LLC types.



# Sales Tax Responsibilities

- When is a sales permit required?
  - For every business making sales at retail or renting living quarters.
  - Retail sale includes:
    - Sale, lease, or rental of tangible personal property.
      - “Tangible personal property” means personal property which may be seen, weighed, measured, felt, or touched, or which is in any other manner perceptible to the senses.
    - Prewritten computer software
    - Specified digital products
    - Taxable services
  - A sales permit is required even if all products sold are not subject to tax.
  - There is no fee for the annual renewal which is due 02/01.



# Sales Tax Responsibilities

- To obtain a sales permit, you must submit a [Business Application and Registration](#).
- [Sales & Use Tax | RI Division of Taxation](#)
- Returns are due monthly or quarterly
  - More than \$200 tax per month average - monthly filing frequency.
    - STR form is due by the 20<sup>th</sup> of month following the sale.
  - Less than \$200 per month on average - quarterly filing frequency.
    - STR form due by last day of the month following the end of the quarter.
  - Initial registration is monthly for first 6 months.
  - Must file “zero” returns.
- Current rate is 7%.



# Sales Tax Responsibilities

- What is Taxable?
  - All Tangible Personal Property and certain enumerated services.
    - Prewritten computer software and specified digital products.
    - [§ 44-18-7.3. Services defined](#)
      - Taxicab and limousine services
      - Other road transportation services
      - Pet care services
      - Room resellers
      - Investigation, Guard, and Armored Car Services
- A better question: “What is **not** taxable?”
  - [§ 44-18-30. Gross receipts exempt from sales and use taxes](#)



# Additional Taxes and Fees

- Withholding Taxes
- Local Meals and Beverage Taxes
- Litter Permit Fee
  - Only for businesses existing in 2023 or prior.
- Cigarette Dealer's License
  - Fee of \$25
- Tobacco Tax
- Hotel Tax

Business Application and Registration form:

	Yes	No	Fee:
Do you have employees <u>working</u> in RI?	<input type="checkbox"/>	<input type="checkbox"/>	None
Do you have RI Withholding?	<input type="checkbox"/>	<input type="checkbox"/>	None
Do you lease employees in RI?	<input type="checkbox"/>	<input type="checkbox"/>	None
Do you make sales at retail?	<input type="checkbox"/>	<input type="checkbox"/>	None *
A separate permit is required for each location. * Permits effective			
Sales Tax liability greater than \$200 per mo.?	<input type="checkbox"/>	<input type="checkbox"/>	None
Will you be selling:			
Gasoline -	<input type="checkbox"/>	<input type="checkbox"/>	None
Beverages or food -	<input type="checkbox"/>	<input type="checkbox"/>	\$25.00
Liquor -	<input type="checkbox"/>	<input type="checkbox"/>	None
Cigarettes/Tobacco/Other Tobacco -	<input type="checkbox"/>	<input type="checkbox"/>	\$25.00
Motor Vehicles -	<input type="checkbox"/>	<input type="checkbox"/>	None
Motor Vehicles leasing -	<input type="checkbox"/>	<input type="checkbox"/>	None
Rental of room(s)/home(s) -	<input type="checkbox"/>	<input type="checkbox"/>	None
Prepaid wireless phone cards -	<input type="checkbox"/>	<input type="checkbox"/>	None
Other -	<input type="checkbox"/>	<input type="checkbox"/>	
Total Fees enclosed			



# Trust Fund Taxes

## What are Trust Fund Taxes?

- Trust Fund Taxes are taxes that are collected by one taxpayer from another taxpayer and are held in trust for the state.
  - Sales Tax, Hotel Tax, Meals and Beverage Tax, Withholding Tax
- For these taxes, the business collects the taxes on behalf of the state and must remit those taxes to the state by the due date.
  - [R.I. Gen Laws § 44-19-35](#)
  - [R.I. Gen Laws § 44-30-76](#)
- Additional details can be found in an article from the Division's [newsletter](#).



# Trust Fund Taxes

## Examples of Trust Fund Taxes:

- Sales Tax
  - State Sales Tax is collected by a retailer from their customers. All sales taxes collected must be remitted to the state by the 20th of the following month. The retailer's tax obligation or liability relates directly to its collection of taxes from another taxpayer - in this case their customer.
- Withholding Taxes
  - Withholding Taxes are withheld by an employer from their employee's wages. The tax withheld or collected is held in trust for the state and not for the employer's use.



# Trust Fund Taxes

## How does this impact a business?

- When Trust Fund Taxes are collected, the law indicates that these funds **must** be remitted by the prescribed due date **without exception**.
- There are penalties for misappropriation of trust funds including holding a responsible officer personally liable for the misappropriation.
- It is important for a business owner and their representatives to understand the importance of trust fund remittance.

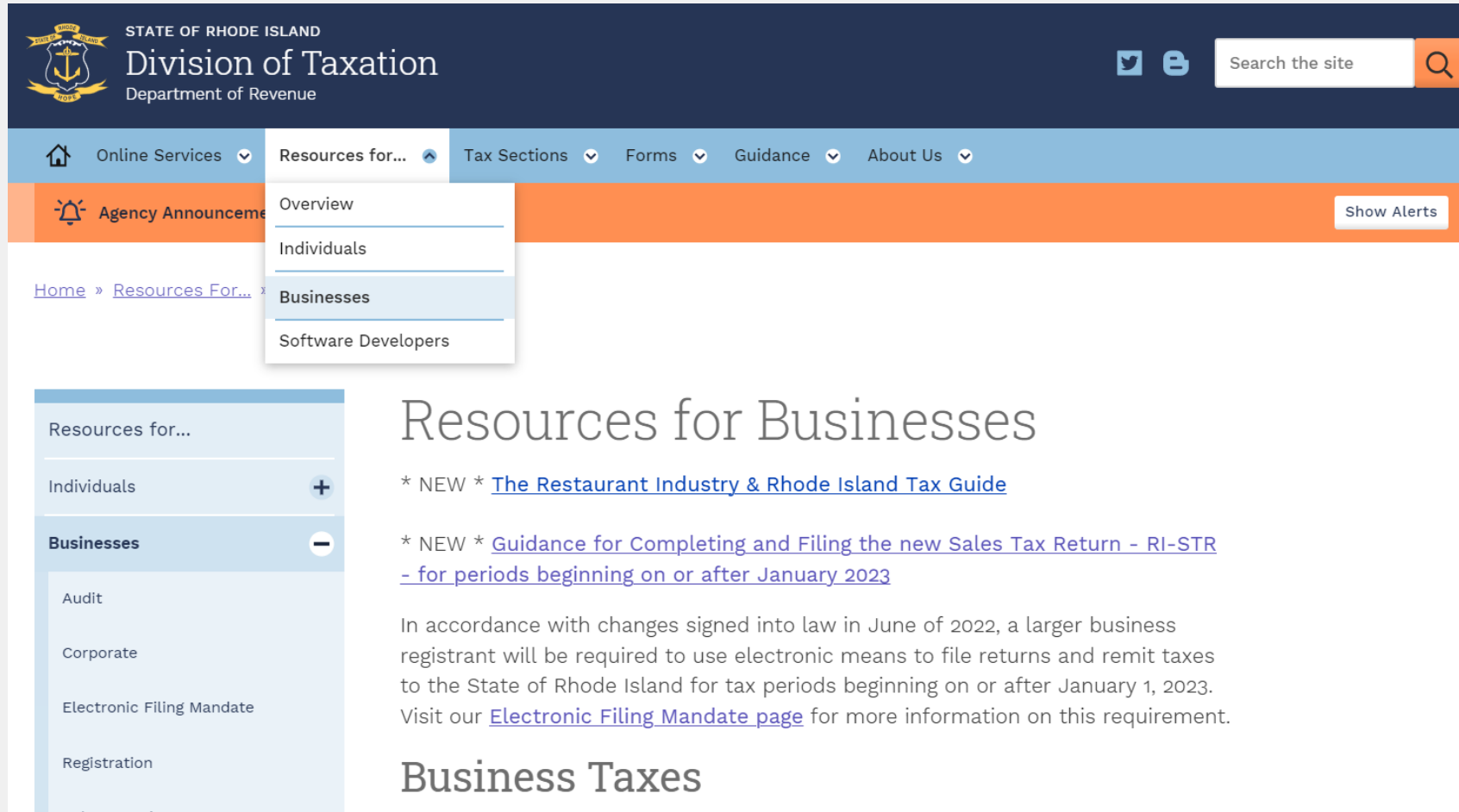


# Additional Resources

[Choosing a Tax Professional | Internal Revenue Service \(irs.gov\)](#)

## Resources for Businesses

- [Sales & Excise | RI Division of Taxation](#)
- [Corporate | RI Division of Taxation](#)
- [Contact Us | RI Division of Taxation](#)



The screenshot shows the official website of the State of Rhode Island Division of Taxation, Department of Revenue. The header includes the state seal and navigation links for Online Services, Resources for..., Tax Sections, Forms, Guidance, and About Us. A search bar is located in the top right corner. The 'Resources for...' dropdown menu is open, displaying options: Overview, Individuals, Businesses (highlighted), and Software Developers. Below the dropdown, a sidebar lists 'Resources for...' with expandable sections for Individuals (+) and Businesses (-). The main content area is titled 'Resources for Businesses' and features two new guides: 'The Restaurant Industry & Rhode Island Tax Guide' and 'Guidance for Completing and Filing the new Sales Tax Return - RI-STR - for periods beginning on or after January 2023'. A paragraph explains that businesses will be required to file returns electronically starting January 1, 2023, with a link to the 'Electronic Filing Mandate page'. The section concludes with the heading 'Business Taxes'.



# After this presentation

You will be able to:



- ☒ Identify characteristics of different types of entities.
- ☒ Determine the entity requirements of a Single Member LLC.
- ☒ Determine the individual requirements as the member of a Single Member LLC.
- ☒ Determine the filings and due dates that apply to your entity.
- ☐ Find the information and resources you need online.



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STATE OF RHODE ISLAND

## Division of Taxation

Department of Revenue

# Compliant Taxpayer Guide: Online Retailer

### Example:

On-line Retailer organized as a Single member LLC (SMLLC) with annual gross receipts from sale of shirts and other apparel of \$110,000. Taxpayer has no employees.



This example is for educational and informational purposes only. It is not a substitute for compliance with the R.I. General Laws and any relevant rules or regulations. Depending on your specific business model, you may have additional or different requirements.

## Basics

- Registered for [Taxpayer Portal](#)
- Annual [Sales Permit](#) renewal filed by 2/1
- [RI-STR](#) (Sales tax return) filed by the 20th day of the month following the month in which the tax was collected\*

## → Annual filing

- [RI-1065](#) filed by 4/15 with \$400 annual charge and RI K1s to member

## → Personal Income Tax

- Member filed [RI-1040ES](#) making estimated payments on 4/15, 6/15, 9/15, and 1/15
- Member filed [RI-1040](#) by 4/15

\* Quarterly filing frequency may be requested by taxpayers with six months of filings under \$200.

## [Compliant Taxpayer Profiles](#)

NEED HELP?



[Tax.Experience@tax.ri.gov](mailto:Tax.Experience@tax.ri.gov)



401-574-8983



<https://tax.ri.gov/>



# Record Keeping Requirements

## What records should a taxpayer maintain?

- Federal & State Income Tax returns
- Copies of all state tax returns filed and backup detail
- Sales records and credit card receipts including
  - Any exemption certificates
  - Daily sales receipts/reports
  - Merchant statements and 1099K forms
  - Delivery slips
- Purchase invoices and ledger listings
- Asset schedules and invoices
- Bank statements, General Ledger and chart of accounts
- Other records as needed
- [Printable record keeping guide](#)
- [Publication 583 \(Rev. January 2021\) \(irs.gov\)](#)



# Stay Informed

- Sign up for our emails
  - Tax news delivered to your inbox
  - Quarterly newsletters
  - Important updates



or

A screenshot of a web form for signing up for email updates. The form has a dark blue header with the Rhode Island Division of Taxation logo and name. Below the header, it says "Subscribe for tax news" and "Sign up to receive free RI tax news updates in your inbox." There is a white input field for an email address, followed by a blue "Sign Up" button. Below the button, there is a paragraph of text explaining the consent to receive marketing emails and how to unsubscribe. At the bottom right, there is a small icon for a privacy policy and a link to "Privacy - Terms".

STATE OF RHODE ISLAND  
Division of Taxation  
Department of Revenue

Subscribe for tax news

Sign up to receive free RI tax news updates in your inbox.

\* Email

Sign Up

By submitting this form, you are consenting to receive marketing emails from: Rhode Island Division of Taxation, 1 Capitol Hill, Providence, RI 02908, US, <http://www.tax.ri.gov/>. You can revoke your consent to receive emails at any time by using the SafeUnsubscribe® link, found at the bottom of every email.  
[Emails are serviced by Constant Contact](#)

Privacy - Terms



# Contact Information

## Corporate Tax

- Phone: 401-574-8935
- Email: [Tax.Corporate@tax.ri.gov](mailto:Tax.Corporate@tax.ri.gov)

## Sales & Excise Tax

- Phone: 401-574-8955
- Email: [Tax.Excise@tax.ri.gov](mailto:Tax.Excise@tax.ri.gov)

## Taxpayer Portal

- Phone: 401-574-8484
- Email: [Tax.Portals@tax.ri.gov](mailto:Tax.Portals@tax.ri.gov)



# Questions?





# Thank you



STATE OF RHODE ISLAND

## Division of Taxation

Department of Revenue

### Contact Us

401-574-8983

[Tax.Experience@tax.ri.gov](mailto:Tax.Experience@tax.ri.gov)

One Capitol Hill

Providence, RI 02908





# Appendix A-Other LLC Entity Type of Requirements





# Federal and State Taxation

## Partnership

### Federal

- Files Federal 1065 including K-1s to report income/loss
- Income tax paid by members on tax return
  - Corporation member(s) would pay on Form 1120
  - Individual member(s) would pay on Schedule E of Form 1040
  - A partnership or another LLC member would flow through the activity to their member(s) through its respective tax form

### State

- Required to file RI-1065 to report income/loss and pay annual charge of \$400
- Income tax paid by members on their income tax return
  - Corporation member(s) would pay on RI-1120C
  - Individual member(s) would pay on RI-1040 based on Federal AGI of federal Form 1040
  - A partnership or another LLC member would flow through the activity to their member(s) through its respective tax form



# Federal and State Taxation

## Corporation

### Federal

- Files Form 1120 subject to corporate income tax rates
- No filing for the members
- Requires filing of election on [Federal Form 8832](#)
- Can make separate S-corporation election on [Federal Form 2553](#)
  - Same tax treatment as partnership

### State

- Follows federal election
- Files RI-1120C subject to corporate 7% tax rate
- No filing for the members
- If S-corporation election is made federally
  - Same tax treatment as partnership



# Other Entity Level Filing Information

## Pass-Through Withholding Requirement

- |   |  |  |
|---|--|--|
| <ul style="list-style-type: none"><li>• R.I. Gen Laws § 44-11-2.2(b)</li><li>• Entities required to withhold taxes against income of non-resident members</li><li>• This is a withholding against member's income in similar manner as employer withholding against wages</li></ul> | <ul style="list-style-type: none"><li>• Withholding at rate of 5.99% of income</li><li>• Not required for SMLLCs</li><li>• Can only be waived if one of two elections are made<ol style="list-style-type: none"><li>1) Election to file a composite return (R.I. Gen Laws § 44-11-2.2(d)) or</li><li>2) Election to pay state income tax at entity level tax (R.I. Gen Laws § 44-11-2.3)</li></ol></li></ul> | <ul style="list-style-type: none"><li>• Beginning with 2023, reported through PT Schedule as part of RI-1065. Prior years, filed on form RI-1096PT</li><li>• More information on <a href="#">Pass-through Entities</a></li></ul> |
|---|--|--|



# Other Entity Level Filing Information

## Election to File Composite

- Only available for non-resident **individual** members; entity members are not includable
- Combined income tax filing/payment for the non-resident members
- Can be a member-by-member election; however, must include at least two members
- Filed on the RI-1040C

## Election to File Pass Through Entity Tax

- Statute was enacted in 2019
- For resident and non-resident **individual** members
- Can only be made by **all** individual members
- Does require members to still file own RI-1040 or RI-1040NR
- Filed on the RI-PTE—changes coming in Tax Year 2024