

# 2012 INSTRUCTIONS FOR FILING RI-1040C

For more information on filing a Composite Return or to obtain forms, refer to the Rhode Island Division of Taxation's website : [www.tax.ri.gov](http://www.tax.ri.gov) or call (401) 574-8829, option #3.

## GENERAL INFORMATION

Form RI-1040C is used to report the Rhode Island source income of qualified electing non-resident members of LLCs, Sub S Corporations, Partnerships, and Trusts.

If a pass-through entity is doing business in Rhode Island, or has income, gain, loss, or deduction derived from or connected with sources within Rhode Island, it can file a composite return on behalf of those qualified electing nonresident members. All of the qualified electing nonresident members must have the same taxable year.

In order to be included in the composite filing, the nonresident member must complete a Form RI 1040C-NE and file it with the entity from which they are receiving the Rhode Island source income. The entity must keep all of these election forms on file and be able to furnish them to the Rhode Island Division of Taxation upon request.

**DUE DATE:** RI-1040C is due on the fifteenth day of the fourth month following the close of the taxable year of the qualified electing non-resident members. (**April 15, 2013** for calendar year taxpayers).

Send return to: R.I. Division of Taxation  
One Capitol Hill  
Providence, RI 02908-5806

## SPECIFIC INSTRUCTIONS

Complete the top of the return by filling in the name, address and federal employer identification number. Also, check off the entity's year end. If not a calendar year end, indicate the beginning and end dates of the entity's fiscal year. Only entities with a fiscal year beginning in 2012 may use this form.

Check the "Amended" box if filing an amended 2012 RI-1040C.

### SECTION A: COMPUTATION OF INCOME

**Line 1** - Enter your total Federal Taxable Income from Federal Form 1120S, line 21; Federal Form 1065, line 22 or Federal Form 1041, line 18, and add to that any separately stated income or deductions listed on your Federal K-1.

**Line 2 - Modifications Increasing Federal Taxable Income**

**Line 2A** - Enter any income from obligations of any state or its political subdivisions, other than Rhode Island.

**Line 2B** - Enter Bonus Depreciation and the increased Section 179 Depreciation that must

be added back to Rhode Island income.

Due to the passage of a bill disallowing federal bonus depreciation for Rhode Island purposes, any bonus depreciation taken for federal purposes must be added back as a modification to income.

Due to the passage of a bill disallowing the increase in the section 179 depreciation under the Jobs and Growth Tax Relief Reconciliation Act of 2003, section 179 depreciation will remain limited to \$25,000 for Rhode Island purposes. Therefore, any additional section 179 depreciation taken for federal purposes must be added back as a modification to income.

A separate schedule of depreciation must be kept for Rhode Island purposes. The gain or loss on the sale or other disposition of the asset is to be determined, for Rhode Island purposes, using the Rhode Island depreciation schedule.

For further information regarding bonus depreciation or section 179 depreciation refer to the General Instructions of Form RI-1040NR, Rhode Island Nonresident Income Tax return.

**Line 2C** - Enter any other modifications increasing Federal Taxable Income and provide an explanation for the modification.

Sub S Corporations and LLCs must include the amount of intangible expenses and costs and interest expenses and costs that must be added back pursuant to RIGL 44-11-11.

**Line 3** - Total Modifications Increasing Federal Taxable Income: Add lines 2A, 2B and 2C.

**Line 4 - Modifications Decreasing Federal Taxable Income**

**Line 4A** - Enter any income from obligations of the United States Government to the extent that it is included in income for federal tax purposes but exempt for state purposes.

**Line 4B** - Enter Bonus Depreciation and Section 179 Depreciation that has not been taken for federal purposes because the depreciation was not taken originally.

Since a bill was passed disallowing federal bonus depreciation for Rhode Island purposes, in the first year any bonus depreciation taken for federal purposes should have been added back as a modification to income. Therefore, in subsequent years, if federal depreciation is less than what previously would have been allowed, the difference can be deducted as a modification to income.

Since a bill was passed disallowing the increase in the section 179 depreciation under the Jobs and Growth Tax Relief Reconciliation Act of 2003, section 179 depreciation will remain limited to \$25,000 for Rhode Island purposes. Therefore, in the first year any additional section 179 depreciation taken for federal purposes should have been added back as a modification to income. Accordingly, in subsequent years, if federal depreciation is less than what previously would have been allowed, the difference can be deducted as a modification to income.

A separate schedule of depreciation must be kept for Rhode Island purposes. The gain or loss on the sale or other disposition of the asset is to be determined, for Rhode Island purposes, using the Rhode Island depreciation schedule.

For further information regarding bonus depreciation or section 179 depreciation refer to the General Instructions of Form RI-1040NR, Rhode Island Nonresident Income Tax return.

**Line 4C** - Enter any other modifications decreasing Federal Taxable Income and provide an explanation for the modification.

**Line 5** - Total Modifications Decreasing Federal Taxable Income: Add lines 4A, 4B and 4C.

**Line 6** - Modified Federal Taxable Income: Add line 1 to line 3 and then subtract line 5. (Line 1 + line 3 - line 5)

**Line 7** - Rhode Island apportionment ratio: If the entity operates solely in Rhode Island, enter 1.0000. If it is a multistate entity, enter computed ratio from line 29 of apportionment worksheet located on page 2, Section C. (**Calculate ratio to four decimal places.**)

**Line 8** - Rhode Island Source Income: Multiply your Modified Federal Taxable Income (line 6) by the apportionment ratio (line 7).

### SECTION B: COMPUTATION OF TAX

**Line 9** - Calculate the Rhode Island income tax using the Rhode Island Composite Income Tax rate of 5.99% (0.0599).

**Line 10** - Enter Rhode Island credit amounts, the credit number and attach the certificate or supporting carry forward schedule to Form RI-1040C. For tax year 2012, only the Tax Credit for Contributions to Scholarship Organizations (RI-2276), the Historic Preservation Investment Tax Credit (RI-286B), the Motion Picture Production Tax Credit (RI-8201) and the Musical and Theatrical Tax Credit (RI-8201) can be allowed to offset Rhode Island

composite income tax. No other credits may be allowed. This also pertains to any carry forward of a credit not included above.

**Line 11** - Rhode Island Tax after credits: Subtract Rhode Island credits (line 10) from Rhode Island Income Tax (line 9).

**If less than zero, enter zero.**

**Line 12** - Qualified electing nonresident members' percentage of ownership. If all members are nonresidents, enter 1.0000. **(Calculate ratio to four decimal places.)**

**Line 13** - Rhode Island Tax of the qualified electing nonresident members: Multiply Rhode Island Income Tax (line 11) by the qualified electing nonresident members' percentage of ownership (line 12).

**Line 14** - Rhode Island estimated payments made on RI-1040C-ES and amount applied from 2011 composite return.

**Line 15** - Enter any nonresident real estate withholding paid on behalf of the qualified electing nonresident members.

**Line 16** - Enter any Rhode Island nonresident withholding from pass-through entities from Form RI-1099PT, box 9 that was made on behalf of entity members before electing to be included on the composite return. Be sure to attach the Form(s) RI-1099PT to the composite filing.

**Line 17** - Other payments: If an extension was filed, enter the amount paid with the extension, attach the extension form, Form RI-4868C, to your return and check the box indicating that the extension is attached.

**Line 18** - Total Payments: Add lines 14, 15, 16 and 17.

**Line 19** - Amount due: If line 13 is larger than line 18, subtract line 18 from line 13. This is the amount of tax you owe.

**Line 20** - Underestimating interest due: If you have prepared Form RI-2210C, check the box on line 20, enter the amount of underestimating interest due and attach Form RI-2210C to the return.

**Line 21** - Total amount due: Add the tax due from line 19 to the underestimating interest due from line 20. This is the total amount due. Complete payment voucher RI-1040C-V and send in with return and payment made to R.I. Division of Taxation.

**Line 22** - Overpayment: If line 13 is smaller than line 18, subtract line 13 from line 18. This is your overpayment amount.

If there is an amount due on line 20 for underestimating interest, subtract line 20 from line 22.

If the amount of underestimating interest from

line 20 is more than the amount of overpayment from line 22, subtract line 22 from line 20 and enter the result on line 21.

**Line 23** - Enter the amount of the overpayment from line 22 that you would like refunded.

**Line 24** - Enter the amount of the overpayment from line 22 that you would like applied to your 2013 RI-1040C estimated tax.

### **SECTION C: APPORTIONMENT**

In the apportionment section, you will be using a three factor formula to determine the Rhode Island apportionment ratio for the qualified electing nonresident members.

In column A, enter the Rhode Island portion of each item. In column B, enter the Total (from everywhere) amount of each item.

#### **Average Net Book Value**

**Line 25A** - Enter the Rhode Island and the Total amounts for **Inventory**.

**Line 25B** - Enter the Rhode Island and the Total amounts for **Depreciable Assets**.

**Line 25C** - Enter the Rhode Island and the Total amounts for **Land**.

**Line 25D** - Enter the Rhode Island and the Total amounts for **Rent** (8 times the annual net rental rate).

**Line 25E** - Total the Net Book Value items - Add lines 25A, 25B, 25C and 25D.

**Line 25F** - Average Rhode Island Net Book Value Ratio - divide line 25E in column A by line 25E in column B **(Calculate ratio to four decimal places.)**

#### **Receipts**

**Line 26A** - Enter the Rhode Island amount for sales under R.I.G.L. 44-11-14(a)(2)(i)(B), the amount for all other Rhode Island sales and the Total amount for **Gross Receipts**.

**Due to the passage of R.I.G.L. 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 included in the Receipts section of the Rhode Island apportionment column. This gross receipts amount will be listed separately on the apportionment schedule from the amount of all other Rhode Island sales.**

**Line 26B** - Enter the Rhode Island and the Total amounts for **Dividends**.

**Line 26C** - Enter the Rhode Island and the Total amounts for **Interest**.

**Line 26D** - Enter the Rhode Island and the Total amounts for **Rents**.

**Line 26E** - Enter the Rhode Island and the Total amounts for **Royalties**.

**Line 26F** - Enter the Rhode Island and the Total amounts for **Net Capital Gains**.

**Line 26G** - Enter the Rhode Island and the Total amounts for **Ordinary Income**.

**Line 26H** - Enter the Rhode Island and the Total amounts for **Other Income**.

**Line 26I** - Enter the Rhode Island and the Total amounts for **Income Exempt from Federal Taxation**.

**Line 26J** - Total the Receipts items - Add lines 26A, 26B, 26C, 26D, 26E, 26F, 26G, 26H and 26I

**Line 26K** - Average Rhode Island Receipts Ratio - Divide line 26J in column A by line 26J in column B. **(Calculate ratio to four decimal places.)**

#### **Salaries**

**Line 27A** - Enter the Rhode Island and the Total amounts for Salaries and Wages paid or incurred.

**Line 27B** - Average Rhode Island Salaries Ratio - Divide line 27A in column A by line 27A in column B. **(Calculate ratio to four decimal places.)**

#### **Rhode Island Apportionment Ratio**

**Line 28** - Total the three ratios by adding lines 25F, 26K and 27B.

**Line 29** - Apportionment Ratio: If all three ratio factors were used, divide line 28 by the number 3. If all three ratio factors were not used, divide line 28 by the number of ratios used. **(Calculate ratio to four decimal places.)** Enter the number here on line 29 and on page 1, Section A, line 7.

### **SECTION D: MEMBER INFORMATION**

Enter the names, addresses, social security numbers, the amount of Rhode Island source income and the amount of Rhode Island tax for each qualified electing nonresident member.

If more space is needed, attach additional schedules to the return.

#### **SIGN AND DATE THE RETURN**

An officer representing the pass-through entity must sign and date the return. An unsigned return cannot be processed. Any paid preparer who prepares the return must also sign as "preparer." If a firm or corporation prepares the return, the return should be signed in the name of preparer on behalf of the firm or corporation.

If you wish to allow the R.I. Division of Taxation to contact your paid preparer should questions arise regarding your return, please check the box above your preparer's name.