

2012 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, type of return being filed, and if the entity is not a calendar year filer, enter the beginning and end dates of the entity's fiscal year.

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:

Effective January 1, 2012, 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 §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 §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. The minimum franchise tax must be included for each entity included in the return. See Reg CT98-13 for further details.

Enter the following information in the corresponding boxes:

- A. The gross receipts from U.S. Form 1120S, page 1, line 1(c) 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.
- D. If the entity is registered with the Rhode Island Secretary of State, enter the entity's nine digit identification number. If not registered, leave this box blank. Note: this is not your Federal Identification number.

SCHEDULE A - COMPUTATION OF TAX

TAXABLE INCOME

Line 1 -

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

Line 3 - Total Deductions

Enter Total Deductions from page 2, Schedule B, line 2E.

Line 5 - Total Additions

Enter Total Additions from page 2, Schedule C, line 4D.

APPORTIONED TAXABLE INCOME

Line 6 - Adjusted Taxable Income

Subtract the total deductions amount on line 3 from the Federal Taxable Income amount on line 1. Add to that the total additions amount on line 5.

Line 7 - Rhode Island Apportionment Ratio

Complete Schedule J on page 3. Enter the amount from Schedule J, line 5.

Line 8 - Apportioned Rhode Island Taxable Income

Multiply your adjusted taxable income amount from line 6 times the Rhode Island Apportionment Ratio from line 7.

Line 9a - Franchise Tax

Enter the Franchise Tax from Schedule H, line 7. Minimum tax is \$500.00.

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.

Line 9b - Jobs Growth Tax

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

Line 9 - Rhode Island Business Corporation Tax

Add lines 9a and 9b.

Line 10a - 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 10b - 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 file their own Form RI-1096PT return and pass any pass-through withholding payments through to their members/shareholders.

Line 11 - Total Payments

Add the amounts from lines 10a and 10b.

Line 12 - Net Tax Due

Subtract the amount on line 11 from the amount on line 9.

Line 13 - 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 18% (0.1800) per year; or 1.5% (0.0150) per month, shall be assessed.

Interest shall accrue on the amount from line 21 at the rate of 18% 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 case of any underpayment of the estimate 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 18% per annum upon the amount of the underpayment for the period of the underpayment. "The amount of the underpayment" shall be the excess of the installment or installments which would be required to be paid if the advance payments were equal to eighty percent (80%) of the tax shown on the return for the taxable year or, if no return was filed eighty percent (80%) of the tax for such year, over the amount, if any, of the installment paid on or before the last date prescribed for payment. See chart on page 2 of Form RI-2220.

Line 14 - Total Due with the Return

Add lines 12 and 13. The amount is due and payable when the return is filed.

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Line 15 - Overpayment

If line 11 is more than line 9, this is the amount of your overpayment. If there is an amount due on line 13(c) for underestimating interest, subtract that amount from your overpayment.

If the amount of your underestimating interest is more than your overpayment, enter the amount on line 14. This amount is due and payable when the return is filed.

Line 16 - Amount to be Applied to 2013 Estimated Tax

Enter the amount of the overpayment from line 15 that is to be credited against next year's estimated tax. The amount on this line may be adjusted by the Tax Administrator.

Line 17 - Amount to be refunded.

Subtract line 16 from line 15.

SCHEDULE B - DEDUCTIONS

Line 2A - Exempt Interest

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

Line 2B - 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 2C - Discharge from Business Indebtedness

Enter the amount of income deferred under the American Recovery and Reinvestment Act of 2009 that was added back in previous years for Rhode Island purposes.

Line 2D - Modification for Tax Incentives for Employers

Enter the amount of modification allowed under RIGL 44-55. Attach Form RI-107 and required documentation to the return.

Line 2E - Total Deductions

Add lines 2A through 2D. Enter here and on page 1, Schedule A, line 3.

SCHEDULE C - ADDITIONS

Line 4A - 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 4B - Bonus Depreciation Adjustment

Enter the entity's bonus depreciation amount less its normal depreciation amount. Section 179 deduction is limited to a maximum of \$25,000.00.

Line 4C - Intangible Addback

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

Line 4D - Total Additions

Add lines 4A through 4C. Enter here and on page 1, Schedule A, line 5.

SCHEDULE D - RHODE ISLAND CREDITS

All supporting documentation for any credit being used must be attached to the RI-1120S in order for credit to be given. If complete documentation is not submitted, the credit will be disallowed until the documentation is provided.

Original certificates for the Historic Preservation Investment Tax Credit and the Motion Picture Production Company Tax Credit must be attached to the return along with a breakdown showing to whom the credit is passing through. The individual tax returns should include a copy of the credit certificate and the schedule.

Line A - RI-2276 - Contribution to Scholarship Organizations Tax Credit

- for business entities that make contributions to qualified scholarship organizations. The entity must apply for approval of the tax credit and will receive a tax credit certificate issued by the Division of Taxation. The credit must be used in the tax year that the entity made the contribution. The certificate will be issued in the name of the individual taxpayer who will be using the credit. A copy of the certificate should be attached to Form RI-1120S, and the original must be attached to Form RI-1040 or Form RI-1040NR. Unused amounts **CANNOT** be carried forward. RIGL §44-62

Line B - RI-286B - Historic Structures - Tax Credit (Historic Preservation Investment Tax Credit) - for approved rehabilitation of certified historic structures. Any unused credit amount may be carried forward for ten (10) years. RIGL §44-33.2

Line C - RI-8201 - Motion Picture Production Tax Credit or Musical and Theatrical Production Tax Credits

- for certified production costs as determined by the Rhode Island Film and Television Office and the Division of Taxation. Any unused credit amount may be carried forward for three (3) years. RIGL §44-31.2 and RIGL §44-31.3, respectively.

Line D - Total Rhode Island Credits - Add lines 14A through 14C and enter the total credit amount on this line. All credits flow through to the shareholder(s) or member(s) of the entity filing this return and do not reduce the tax due on this return.

SCHEDULE E - OTHER DEDUCTIONS TO FEDERAL TAXABLE INCOME

Line 1 - Elective Deduction for New Research and Development Facilities - Refer to Section 44-32-1 of the Rhode Island General Laws 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 Chapter 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 take deduction may be necessary under the law. This should be done by listing the recaptured amount as a negative number.

SCHEDULE H - FRANCHISE TAX CALCULATION

If multiple classes of stock are owned, a separate schedule should be attached to the return in order to calculate the authorized capital.

Line 1 - Number of Shares of Authorized Stock - this is the number of shares issued and outstanding.

Line 2 - Par Value per Share of Stock - the par value of the authorized shares of stock on line 1. "No par" value stock shall be valued at \$100 par.

Line 3 - Authorized Capital - Multiply line 1 times line 2. If a separate schedule was used due to multiple classes of stock ownership, then the authorized capital of each class should be combined and listed on this line.

Line 4 - Divide the authorized capital from line 3 by 10,000

Line 5 - Multiply line 4 by \$2.50.

Line 6 - Apportionment Ratio - Domestic corporations, should use a 100%

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apportionment factor as they are not allowed to apportion the franchise tax. In accordance with Regulation FT 09-01, Foreign corporations should list their apportionment factor from Schedule J, line 5.

Line 7 – Franchise Tax - Multiply line 5 times line 6, but not less than the minimum franchise tax of \$500.00. Enter the result here and on page 1, Schedule A, line 9a.

SCHEDULE J - ALLOCATION FACTOR

Prior to considering your apportionment factors, Regulation CT 88-01 and RIGL 44-11-13 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 RIGL §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.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 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 Schedule A, line 7.