



2006 RI-1041

Rhode Island Fiduciary Income Tax Return and Instructions



www.tax.ri.gov



RI-1041 FIDUCIARY INCOME TAX RETURN

GENERAL INSTRUCTIONS

WHO MUST FILE

The fiduciary of a **RESIDENT** estate or trust must file a return on Form RI-1041 if the estate or trust:

- (1) is required to file a federal income tax return for the taxable year or
- (2) had any Rhode Island taxable income for the taxable year.

The fiduciary of a **NONRESIDENT** estate or trust must file a return on Form RI-1041 if the estate or trust had income or gain derived from Rhode Island sources.

DEFINITIONS

A **RESIDENT ESTATE** is the estate of a decedent who at his death was a resident individual in this state.

A **RESIDENT TRUST** means, to the extent that one or more beneficiaries are residents in Rhode Island:

- (A) A trust created by will of a decedent who at his death was a resident individual in this state, or
- (B) A revocable trust which becomes irrevocable upon the occurrence of any event (including death) which terminates a person's power to revoke, but only after the event, and only if the person having the power to revoke was a Rhode Island resident individual at the time of such event, or
- (C) An irrevocable trust created by or consisting of property contributed by a person who is a resident individual in this state at the time the trust was created or the property contributed (a) while such person is alive and a resident individual in this state, and (b) after such person's death if such person died a resident individual of this state.

WHAT SCHEDULES TO COMPLETE

All estates and trusts must complete schedule I. If the trust has a nonresident beneficiary, follow the instructions for a nonresident estate or trust.

RESIDENT ESTATES AND TRUSTS: Complete schedule I and enter 1.000 on page 1, line 14. If the estate or trust is claiming credit for income taxes paid to another state, complete schedule I, schedule III and enter 1.000 on page 1, line 14.

NONRESIDENT ESTATES AND TRUSTS: If all the income of the estate or trust is derived solely from Rhode Island sources, complete schedule I and enter 1.0000 on page 1, line 14. If the estate or trust has taxable income both within and without Rhode Island, complete schedules I and II.

PERIODS TO BE COVERED

The fiduciary taxable year for Form RI-1041 shall be the same as the federal taxable year.

PAYMENTS OR REFUNDS

PAYMENTS: Any tax due must be paid in full with the return. Make check or money order payable to the Rhode Island Division of Taxation. An amount due of less than one dollar (\$1) need not be paid.

REFUNDS: If an overpayment of income tax is shown on the return, a refund will be issued unless indicated on the return that such overpayment is to be credited to the fiduciary's estimated tax liability for 2007. No other application for refund is necessary. Please note that no refund can be issued unless the return is properly signed. Refunds of less than \$1.00 will not be paid unless specifically requested.

SIGNATURE

The Rhode Island Fiduciary Income Tax Return must be signed. An unsigned return cannot be processed. Any paid preparer who prepares a taxpayer's return must also sign as "preparer". If a firm or corporation prepares the return, it should be signed in the name of the firm or corporation.

WHOLE DOLLAR AMOUNTS

The money items may be shown as whole dollar amounts. Any amount under 50 cents may be eliminated and any amount that is 50 cents or more must be increased to the next highest dollar.

ACCOUNTING PERIODS AND METHODS

The accounting period for which Form RI-1041 is filed and the method of accounting used are the same as for federal income tax purposes. If the taxable year or the method of accounting is changed for federal income tax purposes, such change applies similarly to the Rhode Island fiduciary return.

REPORT OF CHANGE IN FEDERAL TAXABLE INCOME

If the amount of the federal taxable income is changed or corrected by the Federal Government, the fiduciary must report to the Rhode Island Division of Taxation such change or correction within 90 days after the final determination of such change or correction. Any fiduciary filing an amended federal income tax return must also file within 90 days thereafter an amended Rhode Island return.

WHEN AND WHERE TO FILE

The due date is April 15, 2007 for returns filed for the calendar year 2006 and the 15th day of the fourth month following the close of the taxable year for returns filed for a year ending other than December 31. Mail your return to:

State of Rhode Island
Division of Taxation
One Capitol Hill
Providence, RI 02908-5806

EXTENSION OF TIME

Any extension of time granted for filing a Rhode Island Fiduciary Income Tax Return shall not operate to extend the time for the payment of any tax due on such return.

In General -

(1) A fiduciary that is required to file a Rhode Island Fiduciary Income Tax Return shall be allowed an automatic six month extension of time to file such return.

(2) An application must be prepared in duplicate on form RI-8736.

(3) The original of the application must be filed on or before the date prescribed for the filing of the return of the fiduciary with the Rhode Island Division of Taxation.

(4) Such application for extension must show the full amount properly estimated as tax for such fiduciary for such taxable year, and such application must be accompanied by the full remittance of the amount properly estimated as tax which is unpaid as of the date prescribed for the filing of the return.

NOTE: If no payment is required to be made with the Rhode Island extension form and the fiduciary is filing a federal extension form for the same period of time, then **the fiduciary does not need to submit the Rhode Island form.** Attach a copy of the Federal Form 8736 to the Rhode Island Fiduciary Income Tax Return at the time it is submitted.

WHERE TO GET FORMS

Additional forms and instructions may be obtained from:

The website: www.tax.ri.gov
The Division of Taxation: (401) 222-1111

INTEREST

Any tax not paid when due, including failure to pay adequate estimated tax, is subject to interest at the rates of 12% (.12) from April 15, 2006 through September 30, 2006 and 18% (.18) from October 1, 2006 through December 31, 2007.

Interest on refunds of tax overpayments will be paid if the refund is not paid within 90 days of the due date or the date the completed return was filed, whichever is later. The interest rate for tax overpayments is 8.25% (.0825).

PENALTIES

The law provides for penalties in the following circumstances:

- Failure to file an income tax return.
- Failure to pay any tax due on or before the due date.
- Preparing or filing a fraudulent income tax return.

TECHNICAL ASSISTANCE

If you have any questions regarding completion of your return, further assistance may be obtained by calling Taxpayer Assistance at (401) 222-1040 and selecting option #3.

PAYMENT BY CREDIT CARD

To Pay by Credit Card. You may use your American Express® Card, Discover® Card, Visa® Card or MasterCard® card. To pay by credit card, call toll free or access by Internet the service provider listed on this page and follow the instructions of the provider. A convenience fee will be charged by the service provider based on the amount you are paying. You will be told what the fee is during the transaction and you will have the option to either continue or cancel the transaction. You can also find out what the fee will be by calling the provider's toll-free automated customer service number or visiting the provider's Web Site shown below. If you paid by credit card, enter on page 1 of Form RI-1041 in the upper left corner the confirmation number you were given at the end of the transaction and the amount of your tax payment (not including the convenience fee).

You may also use this method for making 2007 Rhode Island estimated income tax payments.

OFFICIAL PAYMENTS CORPORATION

Telephone payments:
1-800-2PAY-TAX (1-800-272-9829)
On line payments:
www.officialpayments.com
Customer Service:
1-877-754-4413

RI-1041 Rhode Island Fiduciary Income Tax Return

2006

You must check a box <input type="checkbox"/> Estates and Trusts <input type="checkbox"/> Bankruptcy Estate <input type="checkbox"/> Amended Return	Name of Estate or Trust <hr/> Name and Title of Fiduciary <hr/> Address Line 1 <hr/> Address Line 2 <hr/> City, Town or Post Office State Zip Code	Federal Identification Number <hr/>
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Year End Calendar Year: January 1, 2006 through December 31, 2006 Fiscal Year: beginning _____, 2006 through _____, 20__.

Income	1. Federal total income of fiduciary - Federal Form 1041, line 9	1.	
	2. Modifications increasing federal total income	2.	
	3. Modifications decreasing federal total income (enter as a negative amount)	3.	
	4. Net modifications - combine lines 2 and 3 (attach a list of all modifications)	4.	
	5. Modified federal total income - combine lines 1 and 4 (add net increases or subtract net decreases)	5.	
	6. Federal total deductions - add Federal Form 1041, lines 16 and 21.....	6.	
	7. RI taxable income - subtract line 6 from line 5	7.	

Tax and Credits	8. A. RI income tax (check only one box) <input type="checkbox"/> RI Tax Computation Worksheet <input type="checkbox"/> RI Schedule D	8A.	
	B. Other RI taxes - Page 2, RI Schedule OT, line 51.....	8B.	
	9. RI alternative minimum tax from RI-1041, page 4, line 14.....	9.	
	10. Total RI tax to be allocated - add lines 8A, 8B and 9	10.	
	11. Allowable federal credits - Federal Form 1041, Schedule G, line 3	11.	
	12. RI percentage of allowable federal credits - multiply line 11 by 25%	12.	
	13. RI tax after allowable federal credits before allocation - subtract line 12 from line 10 (not less than zero)	13.	
	14. Allocation - enter amount from page 2, line 39 (resident estate or trusts enter 1.0000)	14.	
	15. RI income tax after allocation - multiply line 13 by line 14	15.	
	16. Credit for income taxes paid to other states (resident estate or trust only) Enter amount from page 2, line 46	16.	
	17. Other RI credits - indicate credit form number(s) _____ attach form(s).....	17.	
	18. Total RI credits - add lines 16 and 17	18.	
	19. A. RI income tax after RI credits - subtract line 18 from line 15 (not less than zero)	19A.	
	B. Rhode Island Alternative Flat Tax from RI-1041, page 5, Schedule FT, line 11.	19B.	
	C. Rhode Island Income Tax - Enter the SMALLER of line 19A or 19B..... <input type="checkbox"/> Check if Alternative Flat Tax method is used.	19C.	

Payments	20. A. RI 2006 income tax withheld (attach supporting documents).....	20A.	
	B. Payments on 2006 Form RI-1041ES and credits carried forward from 2005.....	20B.	
	C. Nonresident real estate withholding (nonresident estate or trust only).....	20C.	
	D. Withholding from pass through entities (nonresident estate or trust only).....	20D.	
	E. Other payments	20E.	
	F. Total payments - add lines 20A, 20B, 20C, 20D and 20E.....	20F.	

Amount Due	21. If line 19C is larger than line 20F, SUBTRACT line 20F from line 19C. This is the amount you owe. ☹️	21.	
	Check <input type="checkbox"/> if form RI-2210 is attached - enter interest due \$ _____ or enter zero.....		
Refund	22. If line 20F is larger than line 19C, SUBTRACT line 19C from 20F. This is the amount you overpaid. 😊	22.	
	23. Amount of overpayment to be refunded	23.	
	24. Amount of overpayment to be applied to 2007 estimated tax	24.	

Under penalties of perjury, I declare that I have examined this return, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of fiduciary or officer representing fiduciary Date

Sign Here ➡

May the Division contact your preparer about this return? Yes

Signature of preparer other than fiduciary SSN, PTIN or EIN Telephone Number

SCHEDULE I BENEFICIARY INFORMATION (All estates and trusts must complete this schedule)

	Name	Address	State of Residence	Social Security Number
25. Beneficiary				
26. Beneficiary				
27. Beneficiary				

If more space is needed, please attach the required information on a separate sheet of paper.

SCHEDULE II ALLOCATION AND MODIFICATION (To be completed by trusts and estates with nonresident beneficiaries)

	Column A	Column B	Column C	Column D	Column E
	Percent of beneficiaries' interest (must equal 100%)	Column A times total federal income page 1, line 1	Column A times total net modifications page 1, line 4	Combine Columns B and C. (add net increases or subtract net decreases.)	Residents enter amount from col D. Nonresidents enter RI source income from col B.
		Total Federal Income	Modifications to Federal Income	Modified Federal Income	Total Rhode Island Source Income
Resident Beneficiaries	28. Beneficiary				
	29. Beneficiary				
	30. Beneficiary				
	31. Beneficiary				
Nonresident Beneficiaries	32. Beneficiary				
	33. Beneficiary				
	34. Beneficiary				
	35. Beneficiary				
36. Total	100%				
37. Modifications to Rhode Island source income - Enter amount from column C that is included in column E					37.
38. Modified Rhode Island source income - combine lines 36, column E and 37 (add net increases - subtract net decreases).					38.
39. RI allocation - divide line 38 by line 36, column D (not greater than 1.000) - enter here and on RI-1041, page 1, line 14.					39.

SCHEDULE III CREDIT FOR INCOME TAXES PAID TO ANOTHER STATE

(resident estates or trusts only - a signed copy of the other state return must be attached)

40. RI income tax after allowable federal credits - page 1, line 13	40.	
41. Income from other state	41.	
42. Modified federal total income - page 1, line 5	42.	
43. Divide line 41 by line 42	43.	_____
44. Multiply line 40 by line 43	44.	
45. Tax due and paid to other state Insert name of state paid _____	45.	
46. Maximum tax credit (line 40, 44 or 45, whichever is the SMALLEST). Enter here and on RI-1041, page 1, line 16	46.	

RI SCHEDULE OT OTHER RHODE ISLAND TAXES (Tax on lump-sum distributions and recapture of federal tax credits)

47. Tax on lump-sum distributions - Federal Form 1041, Schedule G, line 1b	47.	
48. Amount of recapture of Federal tax credits - Federal Form 1041, Schedule G, line 5	48.	
49. Total - Add lines 47 and 48	49.	
50. RI percentage	50.	25%
51. Tax - Multiply line 49 by line 50 - Enter here and on RI-1041, page 1, line 8B	51.	

Name of Estate or Trust

Federal Identification Number

- 1. RI taxable income, RI-1041, line 7..... 1. _____
- 2. Enter the **SMALLER** of Federal Schedule D, lines 14a or 15, column (2).. 2. _____
- 3. Enter the amount from Federal Form 4952, line 4g..... 3. _____
- 4. Subtract line 3 from line 2 (If zero or less enter zero)..... 4. _____
- 5. Combine Federal Schedule D, lines 13 and 14c column (2). (If zero or less, enter zero)..... 5. _____
- 6. Enter the **SMALLER** of line 5 above or Federal Schedule D, line 14c column (2). (not less than zero)..... 6. _____
- 7. Enter the amount from Federal Schedule D, line 14b, column (2)..... 7. _____
- 8. Add lines 6 and 7..... 8. _____
- 9. Subtract line 8 from line 4. (If zero or less, enter zero)..... 9. _____
- 10. Subtract line 9 from line 1. (If zero or less, enter zero)..... 10. _____

- 11. Enter the **SMALLER** of:
 - the amount on line 1 or
 - \$2,050
 } 11. _____

- 12. Enter the **SMALLER** of line 10 or line 11..... 12. _____
- 13. Subtract line 4 from line 1. (If zero or less, enter zero)..... 13. _____
- 14. Enter the **LARGER** of line 12 or line 13..... 14. _____
- 15. Figure the tax on the amount on line 14. Use the 2006 Fiduciary Tax Computation Worksheet..... 15. _____

IF LINES 11 AND 12 ARE THE SAME, SKIP LINES 16 AND 17 AND GO TO LINE 18. OTHERWISE, GO TO LINE 16.

- 16. Subtract line 12 from line 11..... 16. _____
- 17. Multiply line 16 by 2.5% (.025)..... 17. _____

IF LINES 1 AND 11 ARE THE SAME, SKIP LINES 18 THROUGH 21 AND GO TO LINE 22. OTHERWISE, GO TO LINE 18.

- 18. Enter the **SMALLER** of line 1 or line 9..... 18. _____
- 19. Enter the amount from line 16 above. (If line 16 is blank, enter zero)..... 19. _____
- 20. Subtract line 19 from line 18..... 20. _____
- 21. Multiply line 20 by 5.00% (.05)..... 21. _____

IF LINE 7 IS ZERO OR BLANK, SKIP LINES 22 THROUGH 27 AND GO TO LINE 28. OTHERWISE, GO TO LINE 22.

- 22. Enter the **SMALLER** of line 4 or line 7..... 22. _____
- 23. Add lines 4 and 14..... 23. _____
- 24. Enter the amount from line 1..... 24. _____
- 25. Subtract line 24 from line 23. (If zero or less, enter zero)..... 25. _____
- 26. Subtract line 25 from line 22. (If zero or less, enter zero)..... 26. _____
- 27. Multiply line 26 by 6.25% (.0625)..... 27. _____

IF LINE 6 IS ZERO, SKIP LINES 28 THROUGH 30 AND GO TO LINE 31. OTHERWISE, GO TO LINE 28.

- 28. Add lines 14, 16, 20 and 26..... 28. _____
- 29. Subtract line 28 from line 1..... 29. _____
- 30. Multiply line 29 by 7.00% (.07)..... 30. _____
- 31. Add lines 15, 17, 21, 27 and 30..... 31. _____
- 32. Figure the tax on the amount on line 1. Use the 2006 Fiduciary Tax Computation Worksheet..... 32. _____

- 33. Tax on all taxable income (including capital gains). Enter the **SMALLER** of line 31 or line 32. Also enter this amount on RI-1041, page 1, line 8A and check the RI Schedule D box..... 33.

Name of Estate or Trust

Federal Identification Number

PART 1 ALTERNATIVE MINIMUM TAX

1. Federal Alternative Minimum Taxable Income from Federal Form 1041, Schedule I, line 29..... 1.
2. Exemption - if line 1 is LESS than \$79,100; enter \$23,700. Otherwise, complete the exemption worksheet on page 5..... 2.
3. Subtract line 2 from line 1..... 3.
4. If you figured the tax on RI-1041, Schedule D, complete part 2 and enter the amount from line 32 here. If you figured the tax using the fiduciary tax rate schedule and line 3 is less than \$175,000 then multiply line 3 by 6.5% (.065). Otherwise, multiply line 3 by 7% (.07) and subtract \$875 from the result..... 4.
5. Alternative minimum tax foreign tax credit - Federal Form 1041, Schedule I, line 53..... 5.
6. RI Rate..... 6. 25%
7. Alternative minimum foreign tax credit - multiply line 5 by line 6..... 7.
8. Tentative minimum tax - subtract line 7 from line 4..... 8.
9. RI tax from RI-1041, page 1, line 8A..... 9.
10. Foreign tax credit from Federal Form 1041, Schedule G, line 2a..... 10.
11. RI Rate..... 11. 25%
12. Multiply line 10 by line 11..... 12.
13. RI income tax less foreign tax credit - subtract line 12 from line 9..... 13.
14. RI Alternative minimum tax - subtract line 13 from line 8 (If zero or less, enter zero). Enter here and on RI-1041, page 1, line 9. 14.

PART 2 ALTERNATIVE MINIMUM TAX USING MAXIMUM CAPITAL GAINS RATES

15. Enter the amount from line 3 above..... 15.
16. Enter the amount from RI-1041, Schedule D, line 9 (As refigured for AMT, if necessary)..... 16.
17. Enter the amount from RI-1041, Schedule D, line 7 (As refigured for AMT, if necessary)..... 17.
18. A. Add lines 16 and 17..... 18A.
B. Enter the amount from RI-1041, Schedule D, line 4 (As refigured for AMT, if necessary)..... 18B.
C. Enter the SMALLER of line 18A or line 18B..... 18C.
19. Enter the SMALLER of line 15 or line 18C..... 19.
20. Subtract line 19 from line 15..... 20.
21. If line 20 is less than \$175,000 then multiply line 20 by 6.5% (.065). Otherwise, multiply line 20 by 7% (.07) and subtract \$875 from the result..... 21.
22. Enter the amount from RI-1041, Schedule D, line 16..... 22.
23. Enter the SMALLER of line 15 or line 16..... 23.
24. Enter the SMALLER of line 22 or line 23 (If zero, go to line 26)..... 24.
25. Multiply line 24 by 2.50% (.025)..... 25.
26. Subtract line 24 from line 23..... 26.
27. Multiply line 26 by 5.00% (.05)..... 27.
IF LINE 17 IS ZERO OR BLANK, SKIP LINES 28 AND 29 AND GO TO LINE 30. OTHERWISE, GO TO LINE 28.
28. Subtract line 23 from line 19..... 28.
29. Multiply line 28 by 6.25% (.0625)..... 29.
30. Add lines 21, 25, 27 and 29..... 30.
31. If line 15 is less than \$175,000 then multiply line 15 by 6.5% (.065). Otherwise, multiply line 15 by 7% (.07) and subtract \$875 from the result..... 31.
32. Enter the SMALLER of lines 30 or 31 here and on line 4 above..... 32.

Name of Estate or Trust

Federal Identification Number

- 1. Modified Federal income from RI-1041, page 1, line 5..... 1. _____
- 2. RI Alternative Flat Tax rate..... 2. 8%
- 3. Flat Tax before allocation - Multiply line 1 by line 2..... 3. _____
- 4. RI allocation from RI-1041, page 2, line 39..... 4. _____
- 5. Flat Tax after allocation - Multiply line 3 by line 4..... 5. _____

Resident Estates and Trusts only. If you are claiming a credit for taxes paid to other state complete lines 6 thru 9. otherwise, enter the amount from line 5 on line 11. NOTE: you must attach a signed copy of the other state return.

- 6. Income from other state..... 6. _____
- 7. Divide line 6 by line 1..... 7. _____
- 8. Tentative credit - Multiply line 5 by line 7..... 8. _____
- 9. Tax due and paid to other state..... Insert name of state paid _____ ... 9. _____
- 10. MAXIMUM credit - Line 5, 8 or 9 (whichever is the SMALLEST)..... 10. _____
- 11. RI Flat Tax after other state credit - subtract line 10 from line 5. Enter here and on RI-1041, page 1, line 19B..... 11.

EXEMPTION WORKSHEET for RI-1041, ALTERNATIVE MINIMUM TAX, part 1, line 2

NOTE: If RI-1041, Alternative Minimum Tax Schedule, part 1, line 1 is equal to or more than \$173,900 the exemption is zero. DO NOT complete this worksheet; instead, enter the amount from RI-1041, line 1 on RI-10401, line 3 and go to RI-1041, line 4.

- 1. Exemption amount..... 1. \$23,700
- 2. Alternative minimum taxable income from RI-1041, AMT Schedule page 4, line 1..... 2. _____
- 3. Phase out of exemption amount..... 3. \$79,100
- 4. Subtract line 3 from line 2 (if zero or less, enter zero)..... 4. _____
- 5. Multiply line 4 by 25% (.25)..... 5. _____
- 6. EXEMPTION - subtract line 5 from line 1 (if zero or less, enter zero) enter here and on RI-1041, AMT Schedule, page 4, line 2..... 6.

RI-1041 TAX RATE SCHEDULES

2006

These schedules are shown so you can see the tax rate that applies to all levels of taxable income. DO NOT use these schedules to calculate your Rhode Island tax. Instead, use the computation schedules below.

ESTATES AND NONGRANTOR TRUST

Taxable Income (line 7)		Pay	+	% on excess	of the amount over
Over	But not over				
\$ 0	\$ 2,050	\$ ---		3.75%	\$ 0
2,050	4,850	76.88	+	7.00%	2,050
4,850	7,400	272.88	+	7.75%	4,850
7,400	10,050	470.50	+	9.00%	7,400
10,050	709.00	+	9.90%	10,050

BANKRUPTCY ESTATES

Taxable Income (line 7)		Pay	+	% on excess	of the amount over
Over	But not over				
\$ 0	\$ 25,600	\$ ---		3.75%	\$ 0
25,600	61,850	960.00	+	7.00%	25,600
61,850	94,225	3,497.50	+	7.75%	61,850
94,225	168,275	6,006.56	+	9.00%	94,225
168,275	12,671.06	+	9.90%	168,275

RI-1041 TAX COMPUTATION WORKSHEET 2006

These schedules are to be used by calendar year 2006 taxpayers or fiscal year taxpayers that have a year beginning in 2006.

ESTATE OR NONGRANTOR TRUST use this schedule

If Taxable Income- RI-1041, line 7 is:		(a) Enter the amount from RI-1041, line 7	(b) Multiplication amount	(c) Multiply (a) by (b)	(d) Subtraction amount	TAX (e) Subtract (d) from (c) Enter here and on RI-1041, line 8A
At least	But not over					
\$0	\$2,050		3.75%		\$0.00	
\$2,050	\$4,850		7.00%		\$66.63	
\$4,850	\$7,400		7.75%		\$103.00	
\$7,400	\$10,050		9.00%		\$195.50	
Over \$10,050			9.90%		\$285.95	

BANKRUPTCY ESTATES use this schedule

If Taxable Income- RI-1041, line 7 is:		(a) Enter the amount from RI-1041, line 7	(b) Multiplication amount	(c) Multiply (a) by (b)	(d) Subtraction amount	TAX (e) Subtract (d) from (c) Enter here and on RI-1041, line 8A
At least	But not over					
\$0	\$25,600		3.75%		\$0.00	
\$25,600	\$61,850		7.00%		\$832.00	
\$61,850	\$94,225		7.75%		\$1,295.88	
\$94,225	\$168,275		9.00%		\$2,473.69	
Over \$168,275			9.90%		\$3,988.16	

SPECIAL INSTRUCTIONS FOR BANKRUPTCY ESTATES

1. A Bankruptcy Estate return does not relieve the individual debtor's obligation to file a RI-1040 or RI-1040NR.
2. The Bankruptcy Estate must have an Employer Identification Number. The Social Security Number of the individual cannot be used.
3. Use Form RI-1041 only as a transmittal for Form RI-1040 or RI-1040NR.
4. On the top of form RI-1040 or RI-1040NR write "**Bankruptcy Estate - DO NOT DETACH.**"
5. Compute the tax on Form RI-1040 or RI-1040NR using the Bankruptcy Estate tax rate schedule.
6. Attach Form RI-1040 or RI-1040NR to RI-1041.
7. Complete only the identification area at the top of Form RI-1041.
8. Enter the name of the individual in the following format: "John Q. Public Bankruptcy Estate."
9. Enter the name of the trustee in the following format: "Jane Smith, Trustee."
10. Enter the tax from line 15 of RI-1040 or line 15C of RI-1040NR on line 19C of RI-1041.

RI-1041 FIDUCIARY INCOME TAX RETURN

SPECIFIC INSTRUCTIONS

COMPLETE THE FEDERAL INCOME TAX RETURN FIRST

The Federal Fiduciary Income Tax Return is the basis for preparing your Rhode Island Fiduciary Income Tax Return. In general, the Rhode Island fiduciary income tax is based on the fiduciary's federal total income. Accuracy and attention to detail in completing the return in accordance with these instructions will facilitate the processing of your tax return.

Type of Return - Indicate by checking the appropriate box what type of return you are preparing. If you are preparing a bankruptcy estate, see the 2006 Rhode Island Fiduciary Tax Rate Schedules for instructions on how to file.

Names, Address and Federal Employer Identification Number - Make sure the names, address and federal employer identification number on the return are correct. Incorrect entries could delay the processing of your return.

Year End - Indicate by checking the appropriate box whether the fiduciary is a calendar or fiscal year filer. If the fiduciary is a fiscal year filer, indicate the beginning and the year-end of the fiduciary in the space provided. Only fiduciaries with a fiscal year beginning in 2006 may use this form.

Line 1 - Federal Total Income of Fiduciary: Enter the amount of income from Federal Form 1041, line 9.

Line 2 - Modifications Increasing Federal Total Income: Enter the amount of modifications increasing federal total income.

Examples of modifications increasing federal income:

- (1) Interest income on obligations of any state, or its political subdivisions other than Rhode Island or its political subdivisions.
- (2) Interest or dividend income on obligations or securities of any authority, commission or instrumentality of the United States, but not of Rhode Island or its political subdivisions, to the extent exempted by the laws of the United States from federal income tax but not from state income taxes.
- (3) Rhode Island fiduciary adjustment as beneficiary of an estate or trust under Section 44-30-17.
- (4) Interest on indebtedness incurred or continued to purchase or carry obligations or securities the income of which is exempt from Rhode Island personal income tax, to the extent such interest has been deducted in determining federal total income or taxable income.
- (5) Bonus depreciation that has been taken for federal purposes that must be added back to Rhode Island income.
- (6) Depreciation that has not been taken for federal purposes because of the increased section 179 depreciation was not taken originally.

Line 3 - Modifications Decreasing Federal Income: Enter as a negative number the amount of modifications decreasing federal income.

Examples of modifications decreasing federal income:

- (1) Income from obligations of the United States Government to the extent included in gross income for federal tax purposes but exempt for

state purposes. Example - United States Government Series E bond interest.

- (2) Rhode Island fiduciary adjustment as beneficiary of an estate or trust under Section 44-30-17.
- (3) Interest or dividend income on obligations or securities of any authority, commission or instrumentality of the United States to the extent included in gross income for federal income tax purposes but exempt from state income taxes under laws of the United States.
- (4) Depreciation that has not been taken for federal purposes because of the bonus depreciation that must be subtracted from Rhode Island income.
- (5) Increased Section 179 depreciation that has been taken for federal purposes that must be added back to Rhode Island income.

Line 4 - Net Modifications: Combine lines 2 and 3.

Line 5 - Modified Federal Total Income: Combine lines 1 and 4. Add net increases or subtract net decreases, whichever applies.

Line 6 - Federal Total Deductions: Enter the amount of federal deductions from Federal Form 1041, lines 16 and 21. **However, if the fiduciary claimed modifications to federal total income, the fiduciary may need to recalculate the federal total deductions based on the fiduciary's modified federal total income. Attach a copy of the calculation to the return.**

Line 7 - Rhode Island Taxable Income: Subtract line 6 from line 5.

Line 8A - Rhode Island Income Tax: Enter the RI tax from the RI Fiduciary Tax Computation Worksheet or RI Schedule D, whichever applies. Check the box to indicate the method used to calculate the RI tax. Check only one box.

Line 8B - Other Rhode Island Taxes: Enter the amount of other RI taxes from RI Schedule OT, page 2, line 51.

Line 9 - Rhode Island Alternative Minimum Tax: If the fiduciary is reporting an alternative minimum tax on the Federal Fiduciary Income Tax Return, the fiduciary must complete the AMT Schedule on page 4 and enter the amount from page 4, part 1, line 14 on page 1, line 9 of Form RI-1041. Attach a copy of the AMT Schedule to the RI-1041. **However, if the fiduciary claimed modifications to federal total income, the fiduciary may need to recalculate the federal alternative minimum tax based on the fiduciary's modified federal total income. If the fiduciary did not report a federal alternative minimum tax, but a federal alternative minimum tax would be required based on the modified federal total income, the fiduciary must calculate a federal alternative minimum tax for Rhode Island purposes.**

Line 10 - Total RI Tax To Be Allocated: Add lines 8A, 8B and 9.

Line 11 - Allowable Federal Credits: Enter amount from Federal Form 1041, schedule G, line 3.

Line 12 - RI Percentage of Allowable Federal Credits: Multiply the amount on line 11 by 25% (.25).

Line 13 - RI Tax After Allowable Federal Credits Before Allocation: Subtract line 12 from line 10.

Line 14 - Allocation: Nonresident estates or trusts enter the amount from page 2, schedule II, line 39. Resident estates or trusts enter 1.0000.

Line 15 - RI Income Tax After Allocation: Multiply the amount on line 13 by the percentage on line 14.

Line 16 - Credit For Income Taxes Paid To Other States: Resident estates or trusts only. Enter the amount from page 2, schedule III, line 46.

Line 17 - Other RI Credits: Enter the amount of RI credits. Indicate the credit form number in the space provided and attach the credit form to the RI-1041.

Line 18 - Total RI Credits: Add lines 16 and 17.

Line 19A - RI Income Tax After RI Credits: Subtract line 18 from line 15 (if zero or less enter zero).

Line 19B - Alternative Flat Tax: Enter the amount of Rhode Island Alternative Flat Tax from page 5, RI Schedule FT, Line 11.

Line 19C - Rhode Island Tax: Enter the **SMALLER** of your RI tax on line 19A or your RI Alternative Flat Tax on line 19B. If your tax is calculated using the Alternative Flat Tax Method on Schedule FT, make sure you check the box on line 19C.

Line 20A - RI Income Tax Withheld: Enter total amount of Rhode Island 2006 income tax withheld. (Attach the state copy of all forms W-2, 1099s, etc. to the front of the return) Credit for Rhode Island income tax withheld will be allowed only for those amounts supported by attached W-2s, 1099s, etc.

Line 20B - Payments on 2006 Form RI-1041ES and Credits Carried Forward From 2005: Enter the amount of estimated payments on 2006 Form RI-1041ES and the amount applied from the fiduciary's 2005 return.

Line 20C - Nonresident Real Estate Withholding: Enter the amount of Rhode Island income tax withheld on sales of real estate located in Rhode Island.

Line 20D - Nonresident withholding from pass-through entities: Enter the amount of pass-through withholding paid on the fiduciary's behalf from form RI 1099-PT, box 8 (attach Form RI 1099-PT to the return).

Line 20E - Other Payments: Enter any other payments, including advance payments made with the fiduciary's application for an automatic extension of time to file (Form RI-8736). Attach a copy of Form RI-8736 to the RI-1041.

Line 20F - Total Payments: Add lines 20A, 20B, 20C, 20D and 20E.

Line 21 - Amount Due: If the amount on line 19C is greater than the amount on line 20F, SUBTRACT line 20F from line 19C and enter the balance due on line 21. This is the amount the fiduciary owes. This amount is payable in full with the return. An amount

due of less than one dollar (\$1) need not be paid. If the fiduciary owes underestimating interest, complete Form RI-2210 and indicate the amount of interest due in the space provided on line 21. Add the interest to the amount due, enter the total on line 21 and include the total amount due with the return.

Line 22 - Overpayment: If the amount on line 20F is greater than the amount on line 19C then subtract line 19C from line 20F and enter the overpayment on line 22.

Line 23 - Refund: Enter the amount of the overpayment on line 22 that is to be refunded. Refunds of less than \$1.00 will not be paid unless specifically requested.

Line 24 - Overpayment to be applied to 2007: Enter the amount of overpayment on line 22, which is to be applied to the fiduciary's 2007 estimated tax.

RESIDENT ESTATE AND TRUST DEFINED

- (1) The Estate of a decedent who at his or her death was a resident individual of Rhode Island.
- (2) A revocable trust which becomes irrevocable upon the occurrence of any event which terminates a person's power to revoke if the person having the power to revoke is a Rhode Island resident at the time of such event.
- (3) A trust created by a will of a decedent who is a Rhode Island resident.
- (4) An irrevocable trust created by or consisting of property contributed by a person who is a Rhode Island resident at the time the trust was created or at the time of death is a Rhode Island resident.
- (5) In cases 2, 3 and 4 such trust is only a resident trust to the extent that the beneficiaries are Rhode Island residents.

WHAT SCHEDULES TO COMPLETE?

If the trust defined in cases 2, 3 or 4 has a nonresident beneficiary, follow the instructions for a nonresident estate or trust.

Resident Estates and Trusts:

- (1) Complete Schedule I and enter 1.0000 on page 1, line 14.
- (2) If you are claiming a credit for income tax paid to another state, complete Schedule III.

Nonresident Estates or Trusts:

- (1) If the taxable income of the estate or trust is derived solely from Rhode Island sources, complete Schedule I and enter 1.0000 on page 1, line 14.
- (2) If the estate or trust has taxable income both within and without Rhode Island, complete Schedules I and II.

SCHEDULE I BENEFICIARY INFORMATION

Lines 25 through 27 - Beneficiary Information: Enter in lines 25 through 27 the name, address, state of residence and social security number of each beneficiary. If additional space is required, attach a supporting schedule containing the required information.

SCHEDULE II ALLOCATION AND MODIFICATION

Lines 28 through 35 - Allocation and Modification

Column A - Percent Of Ownership: Enter in column A the percentage of ownership of each beneficiary.

Column B - Federal Income: Enter in column B the amount of federal income attributable to each of the beneficiaries and the fiduciary. Multiply the percent of ownership in column A by the fiduciary's total federal income from RI-1041, page 1, line 1.

Column C - Modifications To Federal Income: Enter in column C the amount of modifications to the income reported in column B for each of the beneficiaries and the fiduciary. Multiply the percent of ownership in column A by the fiduciary's net modifications from RI-1041, page 1, line 4. For examples of modifications see the instructions for lines 2 and 3 on the preceding page.

Column D - Modified Federal Income: Combine columns B and C. Add net increases or subtract net decreases.

Column E - Rhode Island Source Income: Enter in column E the amount of Rhode Island source income included in the following column:

Nonresidents: Enter the amount of Rhode Island source income included in column B. Examples of Rhode Island source income include business conducted in RI, RI rental property, wages earned in RI and sale or exchange of RI property.

Residents: Enter the amount from column D in column E.

Line 36, Columns B Through E - Total: Add the amounts in each column and enter the total on line 36 of each column.

Line 37 - Modifications to RI Source Income: Enter the amount of modifications in column C included in Rhode Island source income reported on line 36, column E.

Line 38 - Modified RI Source Income: Combine lines 36, column E and line 37. Add net increases or subtract net decreases.

Line 39 - RI Allocation: Divide line 38 by line 36, column D (not greater than 1.000). Enter here and on page 1, line 14.

SCHEDULE III CREDIT FOR INCOME TAXES PAID TO ANOTHER STATE

This schedule pertains only to the fiduciary of a resident estate or trust. The fiduciary of a resident estate or trust is entitled to a credit against its RI tax liability for income taxes paid to other states. The credit cannot exceed the RI tax on line 8A.

Line 40 - RI Income Tax After Allowable Federal Credits: Enter the amount from page 1, line 13.

Line 41 - Income From Other State: Enter the amount of income reported to the other state.

Line 42 - Modified Federal Total Income: Enter the amount from page 1, line 5.

Line 43 - Divide line 41 by line 42.

Line 44 - Multiply line 40 by line 43.

Line 45 - Tax Due and Paid To Other State: Enter the amount of tax due and paid to the other state.

Line 46 - Maximum Tax Credit: Enter the SMALLER of lines 40, 44 or 45. Enter here and on page 1, line 16.

RI SCHEDULE OT OTHER RHODE ISLAND TAXES

Line 47 - Tax on lump-sum distributions: Enter the amount from Federal Form 1041, Schedule G, line 1b.

Line 48 - Amount of recapture of Federal tax credits: Enter the amount from Federal Form 1041, Schedule G, line 5.

Line 49 - Total: Add lines 47 and 48.

Line 50 - RI percentage: The Rhode Island percentage is 25%.

Line 51 - Tax: Multiply line 49 by line 50. Enter here and on RI-1041, line 8B.

RHODE ISLAND SCHEDULE D – CAPITAL GAINS

This form is to be used by estates or trusts reporting capital gains or figuring their tax on Federal Form 1041, Schedule D.

Line 1 - Rhode Island Taxable Income: Enter the amount from Form RI-1041, page 1, line 7. **(If this line is zero or less, do not complete this form).**

Line 2 – Enter the SMALLER of Federal Schedule D, lines 14a or 15, column (2).

Line 3 – Enter the amount of investment interest expense deduction from Federal Form 4952, line 4g.

Line 4 – Subtract line 3 from line 2.

Line 5 – Combine Federal Schedule D, lines 13 and 14c, column (2). If zero or less, enter zero.

Line 6 – Enter the SMALLER of RI Schedule D, line 5 or Federal Schedule D, line 14c, column (2). If zero or less, enter zero.

Line 7 – Enter the amount of unrecaptured section 1250 gain from Federal Schedule D, line 14b, column (2).

Line 8 – Add lines 6 and 7.

Line 9 – Subtract line 8 from line 4. (If zero or less, enter zero).

Line 10 – Subtract line 9 from line 1. (If zero or less, enter zero).

Line 11 – Enter the SMALLER of the amount on line 1 OR \$2,050.

Line 12 – Enter the SMALLER of line 10 or line 11.

Line 13 – Subtract line 4 from line 1. (If zero or less, enter zero).

Line 14 – Enter the LARGER of line 12 or line 13.

Line 15 – Figure the tax on the amount on line 14. Use the 2006 Fiduciary Tax Computation Worksheet.

IF LINES 11 AND 12 ARE THE SAME, SKIP LINES 16 AND 17 AND GO TO LINE 18. OTHERWISE, GO TO LINE 16.

Line 16 – Subtract line 12 from line 11.

Line 17 – Multiply line 16 by 2.5% (.025).

IF LINES 1 AND 11 ARE THE SAME, SKIP LINES 18 THROUGH 21 AND GO TO LINE 22. OTHERWISE, GO TO LINE 18.

Line 18 – Enter the **SMALLER** of line 1 or line 9.

Line 19 – Enter the amount from line 16 above. (If line 16 is blank, enter zero).

Line 20 – Subtract line 19 from line 18.

Line 21 – Multiply line 20 by 5.00% (.05).

IF LINE 7 IS ZERO OR BLANK, SKIP LINES 22 THROUGH 27 AND GO TO LINE 28. OTHERWISE, GO TO LINE 22.

Line 22 – Enter the **SMALLER** of line 4 or line 7.

Line 23 – Add lines 4 and 14.

Line 24 – Enter the amount from line 1 above.

Line 25 – Subtract line 24 from line 23. (If zero or less, enter zero).

Line 26 – Subtract line 25 from line 22. (If zero or less, enter zero).

Line 27 – Multiply line 26 by 6.25% (.0625).

IF LINE 6 IS ZERO, SKIP LINES 28 THROUGH 30 AND GO TO LINE 31. OTHERWISE, GO TO LINE 28.

Line 28 – Add lines 14, 16, 20 and 26.

Line 29 – Subtract line 28 from line 1.

Line 30 – Multiply line 29 by 7.00% (.07).

Line 31 – Add lines 15, 17, 21, 27 and 30.

Line 32 – Figure the tax on the amount on line 1. Use the 2006 Fiduciary Tax Computation Worksheet.

Line 33 – Tax on All Taxable Income (Including Capital Gains): Enter the **SMALLER** of line 31 or line 32. Also enter on RI-1041, page 1, line 8A and check the RI Schedule D box.

FIDUCIARY ALTERNATIVE MINIMUM TAX

PART 1 – ALTERNATIVE MINIMUM TAX

Line 1 – Federal Alternative Minimum Taxable Income: Enter your federal alternative minimum taxable income from Federal Form 1041, Schedule I, line 29.

Line 2 – Exemption: If line 1 is less than \$79,100 then enter \$23,700. Otherwise, complete the Fiduciary Alternative Minimum Tax Exemption Worksheet on page 5 and enter the amount from line 6 on Fiduciary Alternative Minimum Tax Schedule, part 1, line 2.

Line 3 – Subtract line 2 from line 1.

Line 4 – If you figured your tax on RI-1041, Schedule D, complete part 2 and enter the amount from line 32 on line 4. If you figured your tax using the fiduciary tax rate schedule and line 3 is less than \$175,000 then multiply line 3 by 6.5% (.065). Otherwise, multiply line 3 by 7% (.07) and subtract \$875 from the result.

Line 5 – Enter the amount of alternative minimum tax foreign tax credit from Federal Form 1041, Schedule I, line 53.

Line 6 - The RI rate is 25% (.25).

Line 7 - Multiply line 5 by line 6.

Line 8 - Tentative Minimum Tax: Subtract line 7 from line 4.

Line 9 - Enter your RI tax from RI-1041, page 1, line 8A.

Line 10 - Foreign Tax Credit: Enter the amount from Federal Form 1041, Schedule G, line 2a.

Line 11 - The RI rate is 25% (.25).

Line 12 - Multiply line 10 by line 11.

Line 13 - Subtract line 12 from line 9.

Line 14 – RI Alternative Minimum Tax: Subtract line 13 from line 8. (If zero or less, enter zero). Enter here and on RI-1041, page 1, line 9.

PART 2 – ALTERNATIVE MINIMUM TAX USING MAXIMUM CAPITAL GAINS RATES

NOTE: If you are required to refigure your Federal Form 1041, Schedule D for the AMT, your RI-1041, Schedule D must also be refigured for AMT purposes, based on the refigured Federal Form 1041, Schedule D.

Line 15 – Enter the amount from part 1, line 3.

Line 16 – Enter the amount from RI-1041, Schedule D, line 9. (As refigured for AMT, if necessary).

Line 17 - Enter the amount from RI-1041, Schedule D, line 7. (As refigured for AMT, if necessary).

Line 18A - Add lines 16 and 17.

Line 18B – Enter the amount from RI-1041, Schedule D, line 4. (As refigured for AMT, if necessary).

Line 18C – Enter the **SMALLER** of line 18A or line 18B.

Line 19 – Enter the **SMALLER** of line 15 or line 18C.

Line 20 – Subtract line 19 from line 15.

Line 21 – If line 20 is less than \$175,000 then multiply line 20 by 6.5% (.065). Otherwise, multiply line 20 by 7% (.07) and subtract \$875 from the result.

Line 22 – Enter the amount from RI-1041, Schedule D, line 16.

Line 23 – Enter the **SMALLER** of line 15 or line 16.

Line 24 – Enter the **SMALLER** of line 22 or line 23 (if zero, go to line 26).

Line 25 - Multiply line 24 by 2.50% (.025).

Line 26 - Subtract line 24 from line 23.

Line 27 - Multiply line 26 by 5.00% (.05).

IF LINE 17 IS ZERO OR BLANK, SKIP LINES 28 AND 29 AND GO TO LINE 30. OTHERWISE, GO TO LINE 28.

Line 28 - Subtract line 23 from line 19.

Line 29 - Multiply line 28 by 6.25% (.0625).

Line 30 - Add lines 21, 25, 27 and 29.

Line 31 - If line 15 is less than \$175,000 then multiply line 15 by 6.5% (.065). Otherwise, multiply line 15 by 7% (.07) and subtract \$875 from the result.

Line 32 - Enter the **SMALLER** of lines 30 or 31 here and on line 4 above.

RI SCHEDULE FT - RI ALTERNATIVE FLAT TAX

Line 1 - Modified Federal Income: Enter the Modified Federal income from RI-1041, page 1, line 5.

Line 2 - RI Alternative Flat Tax Rate: The RI Alternative Flat Tax Rate for 2006 is 8.0% (.08).

Line 3 - Flat Tax Before Allocation: Multiply line 1 by line 2.

Line 4 - RI Allocation: Enter the RI allocation from RI-1041, page 2, line 39.

NOTE: Resident estates and trusts, enter 1.0000 on this line. Nonresident estate and trusts, if all income is derived from Rhode Island Sources enter 1.0000 on this line.

Line 5 - Flat Tax After Allocation: Multiply 3 by Line 4.

LINES 6 THROUGH 10 - CREDIT FOR TAXES PAID TO ANOTHER STATE (Resident estate and trusts only)

NOTE: you only need to complete lines 6 through 10 if you are a resident estate or trust **AND** you are claiming a credit for income taxes paid to another state. If you are not claiming the credit, then enter the amount from line 5 on line 11. Otherwise, continue to line 6.

Line 6 - Income From Other State: Enter the income from the other state.

Line 7 - Divide line 6 by line 1.

Line 8 - Tentative Credit: Multiply line 5 by Line 7.

Line 9 - Tax Due and Paid To Other State: Enter the amount of tax due and paid to the other state. Make sure to indicate the name of the state in the space provided.

NOTE: You must attach a signed copy of the other state return. Failure to attach a copy of the other state return could result in the credit being disallowed.

Line 10 - Maximum Credit: Enter the **SMALLER** of lines 5, 8 or 9.

Line 11 - RI Flat Tax: Subtract line 10 from line 5. If you are not claiming credit for income taxes paid to another state, enter the amount from line 5 on this line. Enter here and on page 1, line 19B.

NOTE: If you elect to use the Alternative Flat Tax, you must check the box on RI-1041, page 1, line 19C.

WHERE TO GET FORMS, INFORMATION AND TAX ASSISTANCE



On the World Wide Web

www.tax.ri.gov



Telephone

Information (401) 222-1040 Option #3
Forms (401) 222-1111



In person

Monday through Friday
8:30^{am} to 3:30^{pm}

**Free walk-in assistance and forms are available Monday through Friday 8:30^{am} to 3:30^{pm}.
One Capitol Hill · Providence, RI · 02908-5800**

The following non-profit organizations operate Low Income Tax Clinics partially funded by the IRS which assist qualified individuals with tax problems. While this is not a recommendation or endorsement by the R.I Division of Taxation, the information below is supplied as a public service.

Rhode Island Tax Clinic, Inc. (401) 421-1040
Rhode Island Legal Services, Inc. (401) 274-2652

Directions

From points south

Take 95 north to exit 23 (State Offices). At the end of the exit ramp, go straight through the traffic light onto State Street. Take your first right into the parking lots. The Department of Administration building is the second building on your left.

From points north

Take 95 south to exit 23 (State Offices). At the end of the exit ramp, you can only continue in one direction onto Charles Street. Take a left onto Ashburton Avenue (at the liquor store). This will lead you back onto Charles Street in the opposite direction. At the second traffic light, take a right onto Orms Street (at the Marriott). At the next traffic light, take a left onto State Street. Take your first right into the parking lots. The Department of Administration building is the second building on your left.

RHODE ISLAND DIVISION OF TAXATION MISSION STATEMENT

To assess and collect all revenue that the legislature places under the control of the Tax Administrator in the most efficient and cost effective manner and to foster voluntary compliance with the tax laws by instilling public confidence through professional, impartial and ethical conduct.
