

# 2011 Rhode Island Business Corporation Tax Return

## GENERAL INSTRUCTIONS FOR FORM RI-1120C AND FORM RI-1120S

### 1. WHO MUST FILE:

**Domestic and Foreign Corporations:** Every business corporation, joint stock company or association exercising corporation functions or otherwise doing business in this state is required to file an annual tax return and is subject to the income tax (minimum \$500.00). Domestic corporations and foreign corporations qualified to do business in this state are liable to the franchise tax as provided in 44-12 of the General Laws of 1956, as amended, if it exceeds the tax on income.

Under the provisions of chapter 44-12 of the General Laws of 1956, as amended, corporations which are chartered in Rhode Island and foreign corporations qualified to do business in this state which were not engaged in any business activities in Rhode Island during the last taxable year will be subject to lower franchise tax rates (minimum of \$500.00) if tax returns are accompanied by a supplement affidavit certifying the fact of such inactivity.

**SUBCHAPTER "S" CORPORATIONS:** A small business corporation having an election in effect under subchapter S of the Internal Revenue Code is required to file an annual tax return on Form RI-1120S. Such corporation shall not be subject to the Rhode Island income tax on corporations but is subject to and liable for a franchise tax pursuant to §44-12-1 of the General Laws as last amended (minimum \$500.00), except that such corporation shall be subject to the Rhode Island income tax, to the extent of such income as is subject to federal tax under said subchapter S and in those cases will be required to file Form RI-1120S along with RI Schedule S.

If a subchapter S corporation is taxable for federal purposes, it must attach RI Schedule S and compute and pay any tax due at the 9% tax rate.

Legislation passed requiring Pass-Through Entities such as "S" corporations, general partnerships, limited partnerships, limited liability partnerships, trust or limited liability companies that are not taxed as corporations for federal tax purposes to withhold from the member's share of income of the entity which is derived from or attributable to sources within this state distributed to each nonresident member and pay the withheld amount to the tax division at either the highest individual rate or nine percent (9%) for corporations. A pass-through entity is not required to withhold tax for a nonresident member if:

1. the member has a pro rata or distributive share of income from the pass-through entity from doing business in this state of less than \$1,000.00 per annual accounting period,
2. the tax administrator has determined by regulation, ruling or instruction that the member's income is not subject to withholding, or
3. the member elects to have the tax due paid as part of a composite return filed by the pass-through entity, or
4. the entity is a publicly traded partnership as defined by section 7704(b) of the Internal Revenue Code that is treated as a partnership for the purposes of the Internal Revenue Code and that has agreed to file an annual information return reporting the name, address, taxpayer identification number and other information requested by the tax administrator of each unit holder with an income in this state in excess of \$500.00.

### 2. WHEN AND WHERE TO FILE:

Form RI-1120C and Form RI-1120S are due on or before the fifteenth day of the third month following the close of the taxable year. Returns must be filed with the State of Rhode Island, Division of Taxation, One Capitol Hill, Suite 9, Providence, RI 02908-5811. A return is considered timely filed if it is mailed so as to bear a U.S. postmark on or before the applicable due date. When the due date for filing Form RI-1120C or Form RI 1120S falls on a Saturday, Sunday, or a Rhode Island legal holiday, the filing is due on the next business day. For LLCs not taxed as corporations for federal income tax purposes, the due date for filing a return is the fifteenth day of the fourth month following the close of the taxable year.

### 3. EXTENSION OF TIME FOR FILING:

An automatic six month extension of time for the filing of the required return may be granted provided a Form RI-7004 is filed together with a payment equal to the full amount of tax reasonably estimated to be due for the taxable year based on income, or franchise whichever shall yield the greater tax. **Payment of a minimum amount if a larger amount is due will void the extension.**

### 4. PAYMENT OF TAX:

The balance of tax shown on the return to be due must be paid in full with the return. Failure to pay the tax on time will subject the taxpayer to an assessment of interest and penalties.

#### Interest Generally

Any tax not paid when due is subject to interest from the time the tax was originally due at the rates of 18% per annum.

#### Penalties - Failure to file returns on time

In case of failure to file a return within the time prescribed by law, or within the extension period, there shall be added to the tax 5% of such tax if delinquency is for not more than one month plus an additional 5% for each additional month or fractional part thereof during which such failure continues not exceeding 25% in the aggregate.

The law provides for the imposition of fines up to \$5,000.00 for failure to file the required returns of filing of false or fraudulent returns.

#### Penalties - Failure to pay tax on time

In case of failure to pay the tax with the return on or before the date prescribed (determined with regard to any extension of time for payment) there shall be added to the amount shown as tax on such return five-tenths percent (0.5%) of the amount of such tax if the failure is for not more than one month, plus an additional five-tenths percent (0.5%) for each additional month or fractional part thereof during which such failure continues, not exceeding 25% in the aggregate.

### 5. RATE OF TAX:

Nine percent (9%) of net income apportioned to Rhode Island; or an annual franchise tax on its authorized capital stock at the rate of \$2.50 for each \$10,000.00 or fractional part thereof minimum of \$500.00, whichever amount shall yield the greatest tax.

In the case of corporations having capital stock of no-par value, \$100.00 per share shall be deemed to be the par value for the purposes of the franchise tax.

### 6. DECLARATION OF ESTIMATED TAX BY CORPORATIONS:

Every corporation shall file a declaration of its estimated tax for the taxable year if its estimated tax on any basis (income or franchise) for such taxable year can reasonably be expected to exceed \$500.00. The entire amount of such estimated tax shall constitute the amount of the advance required to be paid. The due dates and amounts of the installments are as follows: The 15th day of the 3rd month of the taxable year (40%) and the 15th day of the 6th month of the taxable year (60%).

#### Underpayment-Interest on declaration of estimated tax

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

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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.

The law provides for the assessment of a penalty of 5% of the tax imposed on such corporations for such taxable year for failure to file required estimated tax payments.

### **7. CHANGE IN NET INCOME BY FEDERAL GOVERNMENT:**

Any change in net income for any prior year directly affects the tax liability to the State of Rhode Island and such changes must be reported to the Tax Administrator within 60 days of final adjustment or determination on Form RI-1120X.

### **8. SUPPORTING SCHEDULES:**

All schedules are to be firmly attached to back of page 3 of the return. Each schedule must be clearly identified with the item which it supports. Write upon one side of the sheet only, so that schedule may be read without detaching from the return. If space permits, more than one schedule may be placed on a single sheet.

### **9. CONSOLIDATED RETURNS:**

An affiliated group, as defined in regulations promulgated by the Tax Administrator, may file a consolidated return for the taxable year provided that all the corporations which constitute such affiliated group at any time during the period for which the return is made and which are subject to taxation under Chapter 44-11 shall consent to the making of such consolidated return. If the affiliated group includes corporations which are not subject to the Rhode Island Business Corporation Income Tax, these corporations must be excluded from the Rhode Island affiliated group. In filing a consolidated return separate income statements, balance sheets, and apportionment schedules for each corporation joining in the filing, must be filed with the consolidated return.

If only one company in an affiliated group has a Rhode Island filing requirement and is filing on a separate basis, the consolidated box should not be checked on the front of the return as this is not considered a consolidated return.

### **10. CAPITAL INVESTMENT IN SMALL BUSINESSES**

Title 44, Chapter 44-43 of the General Laws provides a deduction for purposes of computing net income under the Rhode Island Business Corporation Tax (Chapter 44-11) for a qualifying investment in a certified venture capital partnership and for credits to entrepreneurs of a qualifying business entity for certain wages paid to employees of such entity.