

Rhode Island Department of Revenue Division of Taxation

ADV 2024-12
Tax Administration

ADVISORY FOR TAXPAYERS AND TAX PROFESSIONALS

March 7, 2024

RI Pass-through Tax Form Changes & Procedural Updates

PROVIDENCE, R.I. – The Rhode Island Division of Taxation continues its efforts to streamline filing requirements for both taxpayers and tax preparers. As part of this process, updates continue to be made to the filing of pass-through withholding. For tax year 2023, the Schedule PTW or the Schedule PTW-1041 will replace the discontinued RI-1096PT as part of the phase-out of the RI-1096PT form series.¹

Statutory mandates require that all pass-through entities doing business in Rhode Island, or having income derived from or connected with sources within Rhode Island, pay Rhode Island income tax on behalf of nonresident members.² The nonresident member claims withholding in the same manner in which an employee claims withholding remitted by their employer on the wages they earn.

As part of overall modernization efforts, the Division has transformed the RI-1096PT into two pass-through schedules. The Schedule PTW will be included with the RI-1120S or RI-1065, and the Schedule PTW-1041 will be included with the RI-1041, depending on the entity type.

The changes have already been underway, with the RI-1096PT-ES being phased out in January 2023. Taxpayers instead used either the BUS-EST tax form or the RI-1041ES to make these estimates.

Impact

By converting the pass-through withholding filing to a schedule required to be attached to the entity or fiduciary return, rather than a stand-alone form, taxpayers will be able to more easily and accurately file their tax returns. This change also leverages commercial software that taxpayers already use to file their return. Additionally, taxpayers who may not have been aware of the pass-through withholding statute, will be more easily able to comply, as they will now have the schedule included with their returns. Taxpayers can remain assured that this change will streamline filings. The schedules will have a similar look and feel to the retired RI-1096PT, and its addition to entity level filings will provide a more intuitive filing experience than the stand-alone form process.

¹ RI-1096PT form series includes the following forms:

[•] RI-1096PT form (with instructions)

[•] RI-1096PT-ES – estimated payment coupon

[•] RI-2210PT – underestimating form

[•] RI-1096V - payment voucher

[•] RI-4868PT – extension request

RI-1099PT – pass-through withholding reporting form

² R.I. Gen. Laws § 44-11-2.2.

Another benefit of the conversion of pass-through filing to the Schedule PTW or the Schedule PTW-1041 is that the entity or fiduciary may file pass-through information as part of its return through tax preparation software.³

The filing of a RI-1065/1120S or the RI-1041 with the Schedule PTW or the Schedule PTW-1041 does not allow for excess withholding to be claimed by a nonresident member or beneficiary. Any excess payments may be refunded to the entity or trust and/or may be a carryforward to the following tax year.

Statute requires the pass-through entity to make pass-through withholding payments on behalf of its nonresident members.⁴ An individual nonresident member cannot remit additional payments in lieu of the pass-through entity making pass-through withholding payments.

As the Division finalizes this transition, more information will be made available to taxpayers and tax preparers. All information and updates will be posted on the Division's website: https://tax.ri.gov/.

Any questions or concerns regarding the Schedule PTW or Schedule PTW-1041 should be directed to the Division's Corporate Income Tax Section by email at: Tax.Corporate@tax.ri.gov or by phone between 8:30 a.m. and 3:30 p.m. business days at: (401) 574-8829, option #6 or the Division's Personal Income Tax Section by email at: Tax.Assist@tax.ri.gov or by phone between 8:30 a.m. and 3:30 p.m. business days at: (401) 574-8829, option #3.

See the following pages for a Schedule PTW overview.

The Rhode Island Division of Taxation, part of the Rhode Island Department of Revenue, is open to the public from 8:30 a.m. to 3:30 p.m. business days. For more information, contact the Division of Taxation at (401) 574-8829 or see https://tax.ri.gov/about-us/contact-us.

³ Software vendors may choose which forms to support. Not all vendors provide software that supports all Rhode Island forms. To determine if your filing needs are met by a specific software, check the Division's list of <u>approved software</u> vendors.

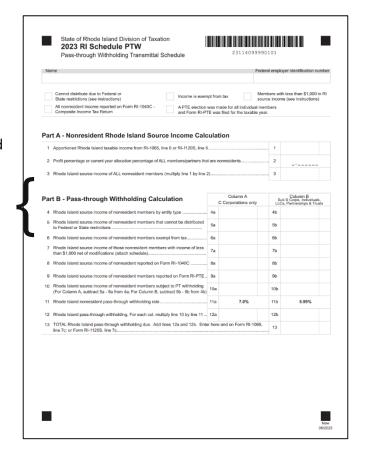
⁴ R.I. Gen. Laws 44-11-2.2(b).

Overview

A. Taxpayers filing Form RI-1065 or Form RI-1120S would attach RI Schedule PTW to their return.

The transition from Form RI-1096PT to the RI Schedule PTW includes changes intended to bring clarity and consistency to withholding.

The changes in lines one through three (indicated by "{", right) make it easier to identify the correct line items for pass-through income reporting.

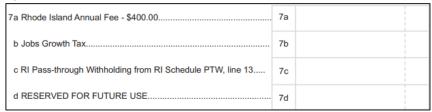


Name		Federal employer identification number			
	Cannot distribute due to Federal or State restrictions (see instructions) All nonresident income reported on Form RI-1040C - Composite Income Tax Return APTE election and Form RI-PT	was i		income	ess than \$1,000 in RI (see instructions)
Pai	rt A - Nonresident Rhode Island Source Income Calc	cula	tion		
1	1 Income distribution deduction from Federal Form 1041, line 18			1	
2	2 Rhode Island source income included in the amount on line 1			2	
3	3 Nonresident portion of Rhode Island source income included in the amount on line 2			3	
Pai	rt B - Pass-through Withholding Calculation		Column A C Corporations only	Sub	Column B S Corps, Individuals, Partnerships & Trusts
4	Rhode Island source income of nonresident members by entity type	4a	C Corporations only	4b	Partnerships & Trusts
5	Rhode Island source income of nonresident members that cannot be distributed to Federal or State restrictions	5a		5b	
6	Rhode Island source income of nonresident members exempt from tax	6a		6b	
7	Rhode Island source income of those nonresident members with income of less than \$1,000 net of modifications (attach schedule)	7a		7b	
8	Rhode Island source income of nonresident reported on Form RI-1040C	8a		8b	
9	Rhode Island source income of nonresident members reported on Form RI-PTE	9a		9ь	
10	Rhode Island source income of nonresident members subject to PT withholding (For Column A, subtract 5a - 9a from 4a; For Column B, subtract 5b - 9b from 4b)	10a		10b	
11	Rhode Island nonresident pass-through withholding rate	11a	7.0%	11b	5.99%
12	Rhode Island pass-through withholding. For each col. multiply line 10 by line 11	12a		12b	
13	OTAL Rhode Island pass-through withholding due. Add lines 12a and 12b. Enter here and on Form RI-1041, line 14d			13	
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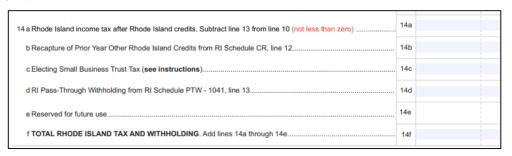
B. Taxpayers filing Form RI-1041 would attach RI Schedule PTW-1041 to their return.

For example, Fiduciaries, including Trusts and Estates who file Form RI-1041 would use RI Schedule PTW-1041.

- C. The updates to the RI Schedule PTW and the RI Schedule PTW-1041 were made to allow for the electronic filing of the pass-through withholding through a schedule incorporated into the primary entity filing. This change also may shorten preparation time as line items populate from the primary form, and demographic information on the filer and preparer do not need to be repeated.
 - Lines 7a-7c on RI Form RI-1065 and RI Form RI-1120S. Line 7c populates from Schedule PTW:



• Lines 14a-14d on RI-1041. Line 14d populates from Schedule PTW-1041:



D. Additionally, all withholding will now be reflected on the RI Schedule K-1, as the RI Schedule PTW/PTW-1041 change eliminates the need for the Form RI-1099PT.

Section IV (indicated by "{", right) is the section containing the information to be included from the entity's PTW. The taxpayer then uses this information provided on the RI Schedule K-1 to complete the RI-1040.

