

TITLE 280 – DEPARTMENT OF REVENUE

CHAPTER 20 – DIVISION OF TAXATION

SUBCHAPTER 25 – BUSINESS CORPORATION TAX

PART 14 – Qualified Sub Chapter S Subsidiary Corporations

14.1 Purpose

The purpose of this regulation is to implement R.I. Gen. Laws Chapter 44-11. This amendment requires a Sub Chapter S Corporation parent and its Qualified Sub Chapter S Subsidiaries to each obtain a federal employer identification number.

14.2 Authority

This regulation is promulgated pursuant to R.I. Gen. Laws § 44-1-4. The rules and regulations have been prepared in accordance with the requirements of R.I. Gen. Laws §§ 42-35-1 *et. seq.* of the Rhode Island Administrative Procedures Act.

14.3 Application

These rules and regulations shall be liberally construed so as to permit the Division of Taxation to effectuate the purpose of R.I. Gen. Laws Chapter 44-11 and other applicable state laws and regulations.

14.4 Severability

If any provision of these rules and regulations, or the application thereof to any person or circumstances, is held invalid by a court of competent jurisdiction, the validity of the remainder of the rules and regulations shall not be affected thereby.

14.5 Filing of Returns

A. Combined Returns

1. A Sub Chapter S Corporation parent and its Qualified Sub Chapter S Subsidiaries ("QSSS") may file a combined return for the taxable year provided that such corporations:
 - a. Meet the requirements as set forth in 26 U.S.C. § 1361(b) and files on a combined basis for federal purposes, and

- b. Apportion one hundred percent (100%) of their business activity and income to Rhode Island and are included in the combined return for federal purposes, and
 - c. Submit a copy of the federal election to be a Qualified Sub Chapter S Subsidiary, and
 - d. Make a separate Rhode Island election to file on a combined basis by the original due date of the return by either attaching a letter of intent to a valid extension request or by checking the "Q-Sub included" check box on the tax return if it is filed by the original due date.
- 2. A combined return filed pursuant to this regulation shall bear the Federal identification number of the Parent S Corporation.
- 3. The minimum tax for the group is the aggregate of the minimum tax for each member joining in the filing of the combined return.
- 4. Each member of the combined group during any part of the combined return period shall be severally liable for the tax (including any deficiency in respect thereof) computed on the basis of the combined return of the group.
- 5. A copy of the Federal Form 1120S must accompany the filing of the Form RI-1120.

B. Separate Returns

A Sub Chapter S Corporation parent and its qualified Sub Chapter S Subsidiaries may not file a combined return if all member corporations do not apportion one hundred percent (100%) of their business activity and income to Rhode Island.

C. Special Rule

- 1. The members of a combined group within the Sub Chapter S Parent and Qualified Sub Chapter S Subsidiary which apportion all of their business to Rhode Island and are part of a federal combined return may file a combined return with Rhode Island; however, those members which do not apportion 100% of their business activity and income to Rhode Island may not be included in the combined return and must file on a separate basis.
- 2. Combined filers must have a common parent. Brother/sister corporations without a common parent may not file on a combined basis.
- 3. Separate filers must file their returns with their own Federal identification number as required in § 14.1 of this Part.

4. If a corporation is a separate filer in Rhode Island but files a combined return for federal purposes, a full copy of the Federal Form 1120S, plus a pro-forma basis federal return must accompany each separate Rhode Island corporate return filed.

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Type of Filing: Refile Capabilities

Department of State

Regulation Effective Date

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Department of State Initials

Department of State Date