

280-RICR-20-55-6

TITLE 280 - DEPARTMENT OF REVENUE

CHAPTER 20 - DIVISION OF TAXATION

SUBCHAPTER 55 - PERSONAL INCOME TAX

PART 6 - Fiscal Year Taxpayers' Method of Computing Rhode Island Tax

6.1 Purpose

These rules and regulations implement R.I. Gen. Laws §§ 44-30-2 and 44-30-60. Those sections outline the rate of Rhode Island personal income tax owed and elections regarding tax payment.

6.2 Authority

These rules and regulations are promulgated pursuant to R.I. Gen. Laws §§ 44-30-95(a) and 44-1-4. These 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.

6.3 Application

These rules and regulations shall be liberally construed so as to permit the Division of Taxation the authority to effectuate the purpose of R.I. Gen. Laws §§ 44-30-2, 44-30-60, and other applicable state laws and regulations.

6.4 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 hereby.

6.5 In General

Fiscal year taxpayers are those taxpayers who, for Federal income tax purposes as well as for Rhode Island income tax purposes, have tax years other than calendar years. Fiscal year taxpayers may include estates and trusts as well as individuals.

6.6 Election

When a taxpayer makes a fiscal year election for Federal purposes, he/she is considered to have made the election for Rhode Island income tax purposes. A Rhode Island taxpayer may not elect a Rhode Island fiscal year different from the taxpayer's Federal fiscal year; nor may the taxpayer elect a fiscal year for Federal purposes and a calendar year for Rhode Island purposes or a calendar year for Federal purposes and a fiscal year for Rhode Island purposes.

6.7 Computation

- A. A fiscal year taxpayer whose tax years involve calendar periods for which there was no change in the Rhode Island personal income tax rate need only determine the proper Federal income tax liability with any appropriate Rhode Island modifications.
- B. A fiscal year taxpayer whose tax years involve calendar periods for which the Rhode Island personal income tax rate changed should compute the Rhode Island personal income tax in the following manner:
 1. Determine the proper Federal income tax liability with any appropriate Rhode Island modifications.
 2. Determine the rates for the Rhode Island personal income tax in effect during the taxpayer's fiscal year and the number of months for which the rates were in effect.
 3. Calculate the fiscal period rates for each rate change: $(\text{Number of Months Rate was in Effect} \times \text{Rate})/12$
 4. Multiply each fiscal period rate by the Federal income tax liability and add the resulting amounts to determine the proper Rhode Island personal income tax liability.
 5. Fiscal year taxpayers should then show this amount as the Rhode Island tax liability on the appropriate line of the Rhode Island return and attach a schedule showing the computation details. Taxpayers should not enter any amount in the space provided for Federal tax liability on the Rhode Island Return.

6.8 Example

Assume that a fiscal year taxpayer's filing period (7/1 to 6/30) had two Rhode Island rates. The first rate was 20% from 1/1/20XX to 12/31/20XX; the second

rate was 25% from 1/1/20AB to 12/31/20AB. The Federal income tax liability was \$5,000.

Step #1: Fiscal period rates: $6/12 \times 20\% = 10.0\%$

$6/12 \times 25\% = 12.5\%$

Step #2: Tax: $10.0\% \times \$5,000.00 = \$ 500.00$

$12.5\% \times \$5,000.00 = \$ 625.00$

RHODE ISLAND INCOME TAX = \$1,125.00

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