

State of Rhode Island - Division of Taxation

Business Corporation Tax

Regulation CT 98-13

Qualified Sub Chapter S Subsidiary Corporations

I. Combined Returns

A. 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:

1. Meet the requirements as set forth in IRC Section 1361(b) and files on a combined basis for federal purposes, and
2. 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
3. Submit a copy of the federal election to be a Qualified Sub Chapter S Subsidiary, and
4. 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 to the tax return if it is filed by the original due date.

B. A combined return filed pursuant to this regulation shall bear the Federal identification number of the Parent S Corporation plus the two digit suffix 01. For example: if the Federal identification number on the return is 05-1234567, the RI-1120 identification number shall be 05-1234567-01.

C. The minimum tax for the group is the aggregate of the minimum tax for each member joining in the filing of the combined return.

D. 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.

E. A copy of the Federal 1120S must accompany the filing of the RI-1120.

II. Separate Returns

A. 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.

III. Special Rule

A. 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.

B. Combined filers must have a common parent. Brother/sister corporations without a common parent may not file on a combined basis.

C. Separate filers must file their returns with their Federal identification number plus a suffix.

EXAMPLE: QSSS - A must file using ID number 05-1234567-02
QSSS - B must file using ID number 05-1234567-03

All additional QSSS separate filers must file using an identification number suffix in chronological order.

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

R. GARY CLARK

TAX ADMINISTRATOR

EFFECTIVE DATE: May 1, 1988