

State of Rhode Island - Division of Taxation

Personal Income Tax

Regulation PIT 90-6

Fiscal Year Taxpayers' Method of Computing Rhode Island Tax

I. 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.

II. 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.

III. 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:
(Number of Months Rate was in Effect x 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.

IV. 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 1/1/19XX to 12/31/19XX; the second rate was 25% from 1/1/19AB to 12/31/19AB. 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

R. GARY CLARK
TAX ADMINISTRATOR

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