State of Rhode Island - Division of Taxation

Personal Income Tax

Regulation PIT 98-12

Credit for Income Taxes of other States

I. GENERAL

A. Credit and Limitation

Rhode Island personal income tax law, in section 44-30-18, generally provides that a resident will be allowed a credit against his/her Rhode Island personal income tax due for the taxable year for the aggregate of the net income taxes imposed on him/her for the taxable year by other states (including the District of Columbia) of the United States. This credit cannot exceed the proportion of the taxpayer's Rhode Island personal income tax that the taxpayer's Rhode Island income derived from the other taxing states bears to his or her entire Rhode Island income for the same taxable year.

B. Terminology

Rhode Island law in section 44-30-6 also generally provides that any term used in Rhode Island personal income tax law shall have the same meaning as when used in a comparable context in the laws of the United States relating to Federal income taxes, unless a different meaning is clearly required. Therefore, any resident of Rhode Island required to report and pay personal income taxes to another state(s) would be allowed a credit on his/her Rhode Island personal income tax return.

II. OUT OF STATE ADJUSTED GROSS INCOME

A. General

Regardless of terminology used by the statutes of the other taxing state(s), the adjusted gross income for another state to be used in the calculation of the credit is determined in the same manner as adjusted gross income used on the taxpayer's Federal income tax return and includes computation of gross income less any adjustments that would be comparable to Federal adjustments available to the taxpayer for the same tax year.

B. Gross Income

Out-of-state gross income is determined in the same manner as that which would be used for Federal purposes and generally include the net amounts of income that appear on the face of the other state's return or what would be comparable to the face of the Federal Income Tax Return.

When income is first reported on a supporting schedule and a lessor or different amount is carried forward to the face of the return, the amount on the face (or comparable to the face) of the return is what is used to arrive at the adjusted gross income.

III. RHODE ISLAND ADJUSTED GROSS INCOME

A. General Definition

The Rhode Island income of a resident individual is his/her adjusted gross income for Federal income tax purposes for the tax year plus or minus any allowable modifications.

B. Zero or Negative Amounts

A Rhode Island resident who has a zero or negative Federal adjusted gross income, after any allowable modifications, and a positive Federal income tax liability (such as would result from an alternative minimum tax) and is required to report and pay a personal income tax to another state would not be entitled to any Rhode Island out-of-state tax credit since the proper computation of the credit would result in zero or a number less than zero.

IV. CALCULATION OF OUT-OF-STATE TAX CREDIT WITH MORE THAN ONE STATE

A. General

A taxpayer who has properly allowable credits for personal income taxes paid by him or her to more than one state shall calculate each out-of-state credit separately (including the limitations provided by law) and then total the credits. this total is then applied as credit for out-of-state taxes paid. Taxpayers calculating the out-of-state credit for personal income taxes for more than one state should do so using form RI 1040MU and must attach a signed copy of each out-of-state tax return for which credit is claimed.

B. Computation

As an example of the computation of out-of-state credit for personal income taxes properly paid to more than one state, the following facts are assumed:

- The taxpayer is a full-year resident of Rhode Island
- has federal adjusted gross income of $34,469
- has no modifications either increasing or decreasing federal adjusted gross income for Rhode Island purposes
- and has Rhode Island personal income tax of $626.
- Additionally, the taxpayer has adjusted gross income from State A of $15,983 on which personal income taxes of $653 were paid
- and adjusted gross income from State B of $12,919 on which personal income taxes of $99 were paid.

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Calculation of out-of-state credit for State A:

  Federal AGI (RIAGI)                              $34,469.
  RI Tax                                               626.
  State 'A' AGI                                     15,983.
  Percentage:
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      State 'A' AGI/Federal AGI          0.4637
   Limitation:
      Percentage x RI Tax                 $626          291.
   Personal Income Tax - State 'A'                     $653.
   Out-of-State Credit - State 'A'
      Smallest of RI tax, limitation, or
      tax paid to State A                               291.

 Calculation of out-of-state credit for State B:

   Federal AGI (RIAGI)                               $34,469.
   RI Tax                                               626.
   State 'B' AGI                                      12,919.
   Percentage:
      State 'B' AGI/Federal AGI          0.3748
   Limitation:
      Percentage x RI Tax                 $626.         235.
   Personal Income Tax - State 'B'                       99.
   Out-of-State Credit - State B
      Smallest of RI tax, limitation, or
      tax paid to State B                                99.
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In the example cited above, the out-of-state credit to be applied is $390. ($291. from State A and $99 from State B).

V. PARTIAL YEAR RESIDENT WITH A RHODE ISLAND OUT-OF-STATE TAX CREDIT

A. General

Those taxpayers who are filing as a partial year resident and have to report and pay taxes to another state for the period of time they were (or are) residents of Rhode Island are entitled to the out-of-state tax credit.

B. Computation

In order to compute the out-of-state credit in this case, two forms have to be used, the RI-1040NR and the RI-1040. Taxpayers computing the out-of-state credit in this situation should follow these steps carefully:

- 1. Complete Schedule 2 on page 1 of the RI-1040NR first and do not complete the front of the form.
- 2. Using Schedule 2 as a worksheet, complete both the front and back of the RI-1040 with the following clarifications:
    - a. The amount of Federal tax to be entered on Line 1 of the RI-1040 is obtained from the adjusted Federal tax for Rhode Island on Line 33 of Schedule 1, RI-1040NR.
    - b. The amount of Federal adjusted gross income to be entered on Line 8 of Schedule 1, RI-1040 is obtained from Line 17, Column A, Schedule 1, of the RI-1040NR.

    - c. If there are modifications to the Rhode Island income, then the net amount of modifications on Line 21 that pertain to the Rhode Island income reported in Column A will be added or subtracted from the amount on Line 17 and the net result entered on Line 12 of Schedule 1, RI-1040.

- 3. If the partial year resident taxpayer has reported Rhode Island source income in Column A of Schedule 1, RI-1040NRthat was earned both as a resident and as a nonresident, then just the income earned as a resident is used on Lines 8 and/or 12 of Schedule 1, RI-1040.

IV. THE TAX DUE AND PAYABLE FROM THE OTHER STATE

The net amount of taxes as shown on the other state's return shall be comparable to the net tax after credits as shown on the Rhode Island return and/or on the Federal return.

V. RECOMPUTATION OF AN OUT-OF-STATE TAX CREDIT

The Rhode Island taxpayer should file an amended Rhode Island return claiming an increase or decrease in the out-of-state tax credit regardless of any other applicable Rhode Island statute of limitations which would appear to limit or prevent filing of the amended Rhode Island return:

- 1. When the other taxing state audits, corrects or changes the personal income tax return filed with that state; or

- 2. When the other taxing state changes or corrects the tax due and payable on that state's tax return; or

- 3. When the other taxing state notifies the Rhode Island taxpayer of a personal income tax due and payable to that state where no return had been previously filed.

R. GARY CLARK
TAX ADMINISTRATOR
EFFECTIVE: JANUARY 1, 1998

THIS REGULATION AMENDS AND SUPERCEDES REGULATION PIT 90-12 PROMULGATED MAY 1, 1990.