

Income/Franchise:

Rhode Island Division of Taxation Warns Against Offsetting Bonus Depreciation Addback with Passive Losses

Advisory 2022-39, R.I. Div. of Tax. (12/13/22). The Rhode Island Division of Taxation (Division) issued an advisory cautioning against the practice of reducing Rhode Island's bonus depreciation "addback" adjustment under R.I. Gen Laws § 44-61-1 for any passive losses unavailable on the federal income tax return due to the federal statutory loss limitations. In doing so, the Division explains that "while this practice may result in lower Rhode Island taxable income in the current year and a higher Rhode Island taxable income in a future year," such treatment is *not* permitted under state law for Rhode Island corporate income tax purposes. Through some numerical examples, the Division clarifies that there is no enumerated state modification related to the recognition of additional passive loss income and therefore, to remain in compliance for Rhode Island corporate income tax purposes, tax preparers "must follow the federal treatment for passive losses." Please contact us with any questions.

URL: https://tax.ri.gov/sites/g/files/xkgbur541/files/2022-12/ADV_2022_39_passive_loss.pdf

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