

RHODE ISLAND TAX NEWS

A NEWSLETTER FOR TAX PROFESSIONALS

OCTOBER/NOVEMBER/DECEMBER 2021

COMING SOON: WEBSITE UPDATE

The Rhode Island Division of Taxation plans to launch an upgraded website soon.

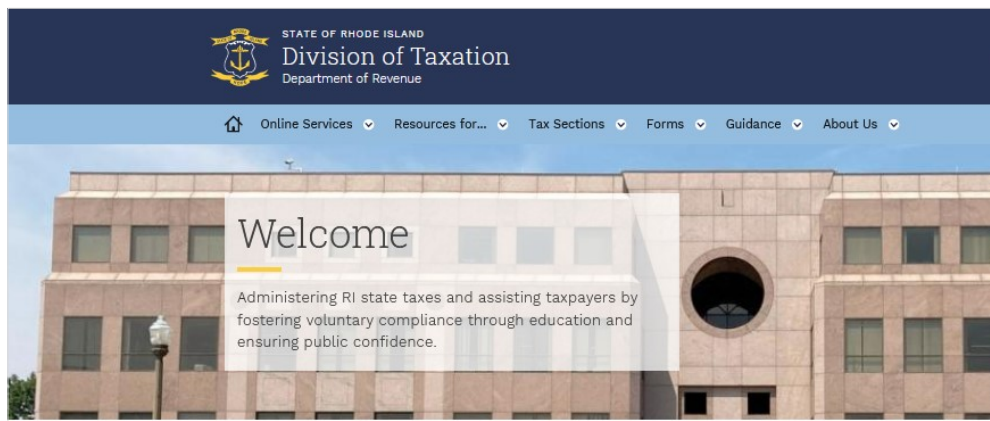
When the project is completed, the website will feature a sleek new look with improved navigation tools. There will be quick and easy access for tasks that taxpay-

ers most often seek to perform: making a payment, registering a business, checking on a refund, or filing certain returns.

“Our updated website will deliver top-class digital services to taxpayers, tax professionals, and other stakeholders,” said Rhode

Island Tax Administrator Neena Savage.

The Division will announce the launch of the upgraded website when the work is completed later this year. A screenshot below offers a glimpse of what the website may look like.



DID YOU KNOW?

Did you know that the Rhode Island Division of Taxation now offers the convenience of e-signatures on eight different forms?

Normally, the Division requires the submission of forms with their original, handwritten signatures.

However, due to the coro-

navirus (COVID-19) pandemic, the Division changed its standard practice as a convenience for taxpayers and their representatives.

“Early on, we realized the challenges that many taxpayers and their representatives were facing amid the crisis and we wanted to be as accommodating as possi-

ble given the circumstances,” said Rhode Island Tax Administrator Neena Savage.

It was in September of 2020 that the Division took the first step in its e-signature initiative.

(Please turn to page 4)

REMINDER

Effective January 2022, tax payments can no longer be made via the following link:

<https://www.ri.gov/taxation/business/index.php>

Instead, payments may be made via the Division’s taxpayer portal:

<https://taxportal.ri.gov>

For more information, please see page 2 of this newsletter.

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TAX-PAYMENT OPTIONS: A CHANGE AND A REMINDER

The Rhode Island Division of Taxation reminds taxpayers and tax professionals that October 15, 2021, is the deadline for filing one's Rhode Island personal income tax return on extension for the 2020 tax year.

Remember: Even though the usual April due date was postponed until May this year, there is no postponement of the extended due date, which remains October 15.

Please also note that it is an extension of the time to file, not of the time to pay. If you did not pay your balance due for 2020 by the deadline of May 17, 2021, pay what you can now, as soon as possible, in order to limit late charges.

There are several convenient options available for making your Rhode Island State tax payments.

✓ Portal

If you're already registered to use the Division of Taxation's taxpayer portal, you may use the portal to make your tax payments - whether for individual or business taxes.

To access the portal, use the QR code nearby or: <https://taxportal.ri.gov/>

If you're not already registered but want to use the taxpayer portal to make future payments, please use the following information.

To gain access to the taxpayer portal as a first-time

The screenshot shows the 'RI Business Tax Filings' page. At the top is the State of Rhode Island Business Taxes logo. Below is a 'Sign in' section with two input fields: 'Rhode Island Identification No. *' (with a note '(11-digit number)') and 'Password *' (with a note '(case sensitive)'). A blue 'SIGN IN' button is positioned below the password field.

Change ahead: Effective January 2022, tax payments can no longer be made using the website shown above, which uses the following web address: <https://www.ri.gov/taxation/business/index.php>. Instead, payments may be made via the Division's taxpayer portal, which can be accessed via the following address: <https://taxportal.ri.gov>. To obtain a portal account or for questions regarding the portal, please call the Division at (401) 574-8484.

user, you must first obtain a PIN. If you are interested in using the taxpayer portal and obtaining a PIN, please contact the Division by phone at (401) 574-8484 or by email: taxportal@tax.ri.gov.

Once you have your PIN, go to the portal's home page and click on the "Create a New User" link in order to create a new user account and register as a user. To go directly to the



"Create a New User" section:

<https://go.usa.gov/xsDd9>

As part of the registration process, you'll use your PIN to link your portal account with the Division.

To view the taxpayer portal's user guide:

<https://go.usa.gov/xsDd5>

If you have questions about the taxpayer portal, contact the Division at (401) 574-8484 or email:

taxportal@tax.ri.gov

✓ Bill Pay

Your bank or credit union may let you use its "bill pay" feature to make tax payments. Check with your financial institution to see if

the payment can be made by your upcoming deadline. If so, please remember to include as much information as possible on the payment so that the amount is properly credited to your account. That way, you can avoid incurring late charges. Also make sure that the payment goes to the correct address. If an address is not provided, use the following: Rhode Island Division of Taxation, One Capitol Hill, Providence, R.I. 02908.

✓ Debit/Credit

You can pay your balance due by using a debit card or credit card.

(Please turn to next page)

WHAT TO DO IF YOU CAN'T PAY YOUR TAXES

What if you can't pay what you owe? The Rhode Island Division of Taxation has options available for you.

As a first step, make sure to file your Rhode Island tax return by its due date. That way, you avoid failure-to-file penalties.

If you can't fully pay your Rhode Island state taxes, you can apply for an installment agreement, allowing you to pay what you owe in installments over time.

The form for requesting an installment agreement, along with instructions and other information, is available through the following link:

<http://www.tax.ri.gov/taxforms/misc.php>

If you already have an installment agreement but you're unable to make your monthly installment, please contact the Division by email:






Tax.Collections@tax.ri.gov
or by phone: (401) 574-8650.

TAX PAYMENT OPTIONS (CONTINUED FROM PREVIOUS PAGE)

A third-party provider charges a fee for the service. For more information, use the following link: <http://www.tax.ri.gov/misc/creditcard.php>

✓ Pay by check

If you prefer to pay by

Forms		
Delinquent Taxes / Collection		
Document	Description	File Download
433-A	Collection Information Statement For Individuals	 Download
433-B	Collection Information Statement For Businesses	 Download
656	Offer In Compromise	 Download
Install't Agreement	Installment Agreement Request	 Download
Penalty Waiver	Coronavirus Hardship Penalty Waiver Request	 Download

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Penalty relief

Taxpayers have the right, under Regulation 280-RICR-20-00-4 ("Taxpayer Rights and Responsibilities"), to request that penalties be abated where there was no negligence or intentional disregard of the law.

For taxpayers seeking penalty relief as a result of the coronavirus, the Division has developed a COVID-19 penalty-waiver request form. It can be completed and filed once the taxpayer receives a Notice of Assessment in the mail from the Division.

COVID-19 penalty-waiver requests should be for the periods beginning on or after January 1, 2020, and must

include a reason for the waiver request. (Please note: Tax and interest must be paid prior to a penalty-waiver request.)

Download the penalty-waiver request form from the table on the Division's COVID-19 webpage: <http://www.tax.ri.gov/COVID/>.

If you are in serious financial circumstances, you may wish to explore making an offer in compromise (OIC). In general, an OIC lets you settle your tax debt for less than the full amount you owe.

Filing an OIC may be a legitimate option if you can't pay your full tax liability -- or if paying your full tax liability

would create a major financial hardship.

The Division generally approves an OIC only when the amount offered represents the most that the Division can expect to collect within a reasonable period of time.

Filing an OIC is a serious step and is not for everyone. Consider consulting a tax professional first. Also see the Division's form: <http://www.tax.ri.gov/taxforms/misc.php>. (A screenshot on this page shows some forms on the Division's website.)

If you believe you need additional relief during the coronavirus (COVID-19) pandemic, help is available from the Division of Taxation.

You may email the Division's Compliance & Collections Section: Tax.Collections@tax.ri.gov, or call (401) 574-8650 between 8:30 a.m. and 3:30 p.m. business days.

For an at-a-glance table of key filings that are due on October 15, 2021, please see page 7.

DID YOU KNOW? - E-SIGNATURES (CONTINUED FROM PAGE 1)

That's when the Division officially unveiled the e-signature option for two forms (both involving the sale of real estate).

"We had tested the e-signature option before the official launch, to make absolutely sure that it worked -- and it did. The option was well-received by real estate professionals, too. So we decided to go ahead," Savage said.

About six months later, the Division took the next step, officially launching the e-signature option for five more types of forms -- mainly annual returns involving insurance, utilities, and banks.

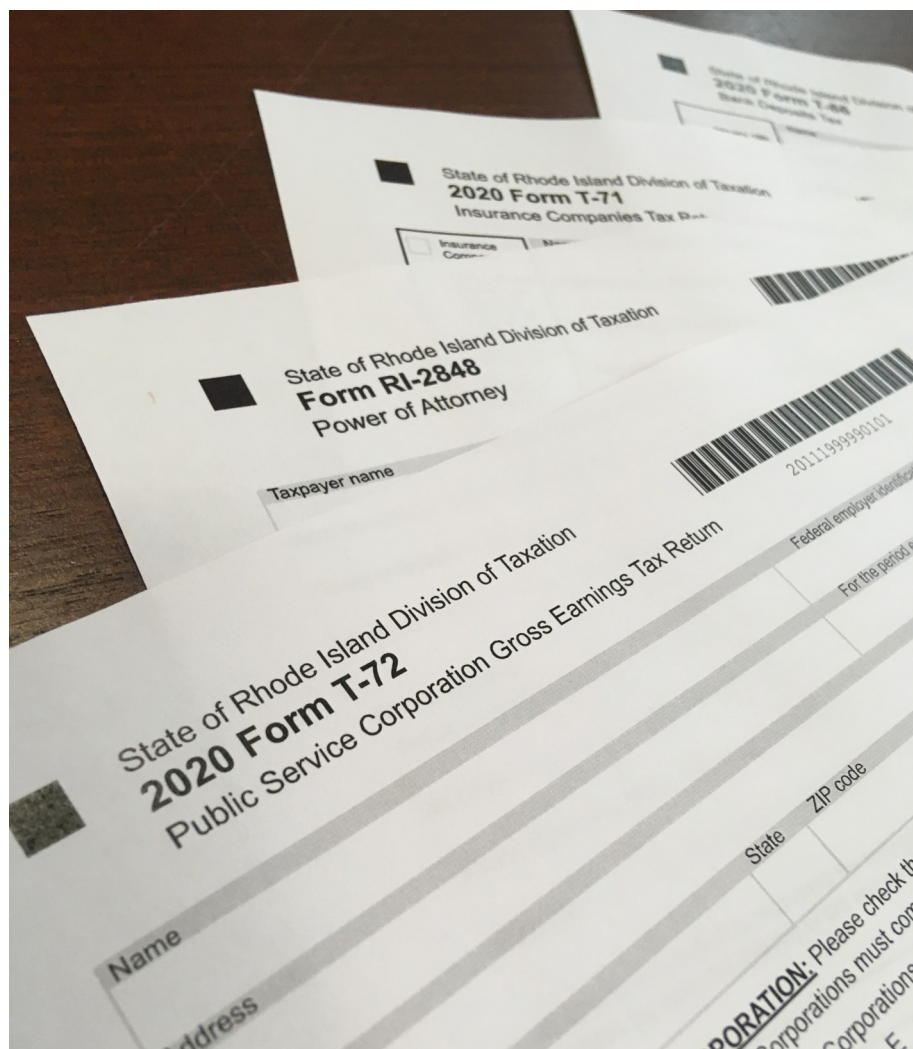
That, too, went well, so six months later, the Division rolled out the e-signature option for Form RI-2848 ("Power of Attorney"). "This step represented a convenience for taxpayers and tax professionals, providing them with more flexibility," Savage said.

In general, by using Form RI-2848, a taxpayer authorizes a certified public accountant, enrolled agent, or certain others to represent the taxpayer before the Division for certain State tax matters.

"We will continue to review our forms and processes to see whether the e-signature option would be a good fit," Savage said. "Our goal is to make filing as convenient as possible," she said.

Form/Link	Title
Form RI-71.3 Election	"Election to Have Withholding Based on Gain"
Form RI-71.3 Remittance	"Remittance of Withholding on Sale of Real Estate by Nonresident"
Form T-71	"Insurance Companies Tax Return of Gross Premiums"
Form T-71A	"Surplus Line Broker Return of Gross Premiums"
Form T-72	"Public Service Corporation Gross Earnings Tax Return"
Form T-74	"Banking Institution Excise Tax Return"
Form T-86	"Bank Deposits Tax"
Form RI-2848	"Power of Attorney"

Above: List of forms that have an e-signature option. Below: selected forms.



CHIEF LEGAL OFFICER PLANS TO RETIRE

Bernard J. Lemos, chief legal officer for the Rhode Island Division of Taxation, has announced plans to retire in October 2021, capping a 37-year career in State service.

“To many attorneys in Rhode Island, Bernard has long been the public face of the Division’s Legal team,” said Rhode Island Tax Administrator Neena Savage.

“Over the years, from the Administrative hearing room in Providence to the United States Supreme Court in Washington, Bernard has been there, a passionate and hard-working barrister representing the Division and, by extension, the taxpayers of Rhode Island,” Savage said.

“More recently, Bernard has become the go-to person -- not just for the Legal interns, but also for the new attorneys on the staff and for the veterans. He simply has a wealth of knowledge and experience that is not available in any database, no matter how costly the subscription,” she said.

“We will most assuredly miss his wisdom, his intelligence, his insights, and his sense of humor. At the same time, we wish him the very best in his retirement,” she said.

Cumberland roots

Born in Providence and raised in Cumberland, Lemos graduated in 1972



Retiring: Chief Legal Officer Bernard J. Lemos is retiring in October 2021, capping a 37-year career in State service. (In the photo above, he is shown chairing a meeting of certain Division Legal personnel held in the Division’s Taxation Library.)

from Northeastern University, Boston, with a bachelor of arts degree in biology.

For the next seven years, he worked at various medical institutions in the Boston area as a clinical chemist.

Suffolk University

Changing tack, he enrolled in Suffolk University Law School, Boston, from which he graduated *cum laude* in 1982 with a Juris Doctor (J.D.) degree.

For the following 20 months he worked in various legal and non-legal jobs, including as a court-appointed defense counsel.

Lemos joined the Division of

Taxation in April 1984 as legal counsel, gradually working his way up the ranks to become senior legal counsel in the agency.

In 2004, as part of a government reorganization, he was transferred to the Department of Administration’s Division of Legal Services.

While there, Lemos for a time represented both the Division of Motor Vehicles and the Division of Taxation.

Assigned to Taxation

In 2008, he was named deputy chief of legal services for the Department of Revenue and was assigned to the Division of Taxation. Thus, Lemos returned to represent-

ing the Division of Taxation exclusively.

He has been closely involved in a variety of State tax cases. He has represented the Division in some of its most complex and challenging cases, and always applied himself with perseverance and grace, Savage said. “We have been fortunate to have his razor-sharp mind and his wit on our side,” she said.

In 2013, he was promoted to the rank of chief legal officer.

Bail commissioner

For approximately 20 years, Lemos also worked as a bail commissioner for the Rhode Island District Court system.

At night and on weekends, he was a bail commissioner conducting special arraignments when called upon to decide whether a person who had been arrested and taken into police custody should be released.

The arraignments usually took place at local police departments throughout the state and were held when court was not in session.

Lemos is a member of the Rhode Island Bar and Massachusetts Bar and is also admitted to practice before the U.S. Court of Appeals and U.S. Supreme Court. He and his wife reside in Cumberland. They are the parents of two children.

DIVISION TO HOLD ONLINE SEMINAR FOR TAX PREPARERS

In 2013, the Rhode Island Division of Taxation held its own seminar to give as many preparers as possible a briefing on the coming filing season.

The goal was to reach not just those with credentials who work full-time for large organizations year-round, but also preparers who might work only part-time during the tax season -- perhaps on their own or as part of an organization.

Thus was born the Division's "Seminar for Tax Preparers." For the first seven years, it was held in-person, at Community College of Rhode Island campuses in Newport and Warwick.

In 2020, however, the Division held the seminar online instead of in-person due to concerns about the coronavirus (COVID-19) pandemic.

For the same reason, the Division this year will hold the seminar online. It will be the ninth consecutive year in which the Division has sponsored its own seminar in advance of filing season.

Details

♦ The virtual seminar will be held on Tuesday, November 16, 2021, from 9:00 a.m. to 11:30 a.m.

♦ By early November, the Division will send an email to preparers containing seminar details -- including a link they may use to view the seminar on their computers or other

devices. There will be no charge to attend.

♦ The email will also contain further details about the seminar.

Although this year's seminar will be online, the Division will still offer its usual comprehensive presentation with several speakers.

For example, the Division will preview what's new for the coming filing season, including the April 18 due date; an increase in the property-tax relief credit; special tax treatment for certain East Providence artists; and the Rhode Island tax treatment of forgiven Paycheck Protection Program (PPP) loans.

The Division will also include information about what's new for 2022, including a change in the real estate conveyance tax and a change in the fee for sales permits.

The seminar will also focus on other new developments affecting tax preparation, forms and instructions, and tax administration issues.

"With this free seminar, we hope to reach tax return preparers who are employed by national, regional, or local tax preparation firms, as well as those who prepare returns seasonally and may be self-employed and not part of a professional association," said



Tax Administrator Neena Savage.

Certified public accountants, public accountants, enrolled agents, attorneys, Annual Filing Season Program participants, and other paid preparers are welcome to attend, too. (The seminar is chiefly for paid preparers. The Division will make a separate presentation to volunteer preparer organizations.)

"Our online seminar is intended to supplement, not replace, any presentations we may make that are sponsored by practitioner groups," she said.

Preparers who receive Division emails via the Division's listserv will automatically receive emails about the seminar when the time comes.

Subscribe

If you are not on the Division's listserv, send an email with the word "Subscribe" in the subject line to:

Neil.Downing@tax.ri.gov

Tax tip line



If you have information about wrongdoing involving state taxes, call the tax fraud tip line at (401) 574-TIPS or (401) 574- 8477 and leave a message.

The line is staffed by the Rhode Island Division of Taxation's Special Investigation Unit, which follows up on all tips. Callers can leave their names and contact information or remain anonymous. You may also leave your tip online:

<https://bit.ly/3mr5YdG>

FREE FILE STILL AVAILABLE FOR OCTOBER DUE DATE

Still haven't filed your Rhode Island personal income tax return for the 2020 tax year?

One option is to use the Rhode Island Free File program, which lets you prepare your own federal and Rhode Island returns online, and e-file them, at no charge.

The Rhode Island Free File program is available only through the Rhode Island Division of Taxation website.

Many, but not all, taxpayers qualify for the free program.

You may review the terms and conditions of the Rhode Island Free File program by

using the following link:

<http://www.tax.ri.gov/misc/efile.php>

The free service is made possible from Free File, which is a partnership of the Internal Revenue Service, the Rhode Island Division of Taxation, a number of other states, and the Free File Alliance.

The Free File Alliance is a group of industry-leading private-sector tax preparation companies that have agreed to provide free commercial online tax preparation and electronic filing to those taxpayers who qualify.

The Rhode Island Free File program's webpage shows offers available from seven different brand-name provid-

ers. Scroll through the list to see which may best suit your needs.



AT-A-GLANCE TABLE OF KEY DUE DATES

Extended due dates – calendar-year filers		
(For 2020 tax year returns)		
TAX / ENTITY	FORM	EXTENDED DUE DATE
Personal Income Tax	Form RI-1040, Form RI-1040NR	October 15, 2021
Business Corporation Tax	Form RI-1120C	October 15, 2021
Public Service Corporation Tax	Form T-72	October 15, 2021
Taxation of Banks	Form T-74	October 15, 2021
Taxation of Insurance Companies	Form T-71	October 15, 2021
Single-member LLC (SMLLC)	Form RI-1065	October 15, 2021

Notes: Extended due date for corporate income tax also applies to entities subject to mandatory unitary combined reporting. Single-member LLC (SMLLC) uses same due date and extended due date as its owner; this table assumes owner is individual or entity with extended due date of October 15. Table shows due dates for some key tax types/entities. For full list, including forms, instructions, and due dates, see: <http://www.tax.ri.gov/taxforms/>.

Legal Corner

RECENT STATE TAX CASES IN SUMMARY

Following is a summary of tax-related cases in which final decisions were made after administrative hearings. By law, decisions are public information, but taxpayer information cannot be disclosed. Administrative Decisions are online at www.tax.ri.gov

Refund for 2017

At issue is whether the taxpayer's claim for a personal income tax refund for 2017 should have been denied by the Division.

The Division received the taxpayer's 2017 Rhode Island personal income tax return in December of 2020.

On that return, the taxpayer claimed a refund for 2017, but the Division denied the refund, saying that the return wasn't filed in time.

Under the law, a claim for credit or refund of an overpayment of tax must be filed within two years of the time the tax was paid, or within three years of the time the return was filed, whichever of the periods expires the later.

In other words, there's a two-year rule and a three-year rule. (Please see table on next page.) In this case:

- ◇ The taxpayer's 2017 tax was deemed paid on April 17, 2018. The taxpayer was able to request a refund up



Rhode Island Tax News provides only summaries of some recent tax-case decisions, which are based on specific facts and circumstances.

The summaries are merely informative and provide general information. To determine how state tax laws and regulations apply to your particular circumstances, please consult your tax professional.

to two years from that date. However, the taxpayer in this case filed his return on December 29, 2020, which is eight months over the two-year limit.

- ◇ Under the three-year rule, a refund may be claimed within three years of filing a return. However, the amount of the refund (credit) cannot exceed the amount of tax paid within that three-year period. In this case, the taxpayer had not paid any tax (related to the 2017 tax year) from

December 2020 to the present.

After a hearing, and after reviewing the record and the law, Hearing Officer Catherine R. Warren on September 13, 2021, recommended a finding that the taxpayer is not entitled to the refund and that the Division properly denied the taxpayer's refund claim. On September 16, 2021, Tax Administrator Neena S. Savage adopted the hearing officer's decision and recommendation.

- [Final Decision and Order No. 2021-03](#)

Refund for 2016

At issue is whether the taxpayers' request for a personal income tax refund on their 2016 personal income tax return was filed on time.

The return for the 2016 tax year, which was due on April 18, 2017, was filed by the taxpayers on November 8, 2019. Shortly afterward, the Division issued a letter to the taxpayers denying their refund request.

(Please turn to next page)



Tax hearings

Any taxpayer aggrieved by the action of the Tax Division in determining the amount of tax, surcharge, or penalty, may make written request for a formal hearing.

The taxpayer is first afforded an opportunity to have a preliminary review ("preliminary conference"). Should the matter not be resolved, it may then proceed to formal hearing under the terms of the state Administrative Procedures Act (Rhode Island General Laws § 42-35-1 et seq.) and Division of Taxation regulation 280-RICR-20-00-2.

If not satisfied with the outcome, the taxpayer may appeal to Sixth Division District Court (Rhode Island General Laws § 8-8-24 et seq.).

Legal Corner

RECENT STATE TAX CASES IN SUMMARY (CONTINUED FROM PREVIOUS PAGE)

- ◇ The taxpayer’s 2016 tax was deemed paid on April 18, 2017. The taxpayers were able to request a refund up to two years from that date. However, the taxpayers in this case filed their return, claiming a refund, on November 8, 2019, which was too late under the two-year rule.
- ◇ Under the three-year rule, a refund may be claimed within three years of filing a return. However, the amount of the refund (credit) cannot exceed the amount of tax paid within that three-year period. In this case, the taxpayer had not paid any tax (related to the 2016 tax year) from November 8, 2019, to the present.

After a hearing, which the taxpayers did not attend, the hearing officer on September 28, 2021, recommended a finding that the taxpayers are not entitled to the claimed refund and that the Division properly denied the taxpayers’ refund claim. On September 29, 2021, the tax administrator adopted the hearing officer’s decision and recommendation.

- [Final Decision and Order No. 2021-04](#)

Statute of limitations for Rhode Island personal income tax refunds [Rhode Island General Laws § 44-30-87]

A claim for credit or refund of an overpayment of tax must be filed within three years from the time the return was filed or two years from the time the tax was paid, whichever of the periods expires the later.

Three-year rule	If the claim is filed within the three-year period, the amount of the credit or refund cannot exceed the amount of the tax paid within the three-year period.
Two-year rule	If the claim is not filed within the three-year period, but is filed within the two-year period, the amount of the credit or refund cannot exceed the amount of the tax paid during the two years immediately preceding the filing of the claim.

Note: Any income tax withheld from the taxpayer during any calendar year, and any amount paid as estimated income tax for a taxable year, is deemed to have been paid on the fifteenth day of the fourth month following the close of the taxable year for which the payments were being made.

Example of how the rules apply

Maria’s 2012 return was due on April 15, 2013. She actually filed the return on July 1, 2015. As a result, July 1, 2015, becomes the starting date for the three-year rule. The three-year period thus runs from July 1, 2015, to July 1, 2018. Were there any Rhode Island income tax payments attributable to 2012 during this three-year period? No. Thus, Maria does not pass the test under the three-year rule.

When Maria worked in 2012, Rhode Island personal income tax was withheld from her wages each week for 52 weeks. By statute, the wage withholding was deemed paid on April 15, 2013. Maria then had two years from the April 15, 2013, payment date to file a 2012 return. Was the return filed within the two-year period? No. Maria does not pass either the three-year rule or the two-year rule. Her refund claim is therefore denied.

⇒ *When it comes to taxation, federal and state laws are often different – no matter which state is involved. For example, Rhode Island laws and federal laws are not the same when it comes to personal income tax refunds.*



CHANGE OF ADDRESS

Have you changed your name or address? Don’t forget to let the Rhode Island Division of Taxation know. That way, you’ll be sure to receive any refunds, notices, or other mailings in your correct name and at your correct address. Whether you’re an individual, a married couple, a business, or other entity, let the Division know if you’ve changed your name or address (or both) by using Form RI-COI, “Change of Name or Address Form”, available on the Division’s website. The form can be filled in and saved prior to printing. Here’s a link:

[http://www.tax.ri.gov/forms/2013/Misc/COI_m%20\(2\).pdf](http://www.tax.ri.gov/forms/2013/Misc/COI_m%20(2).pdf)

Practitioners' Corner

QUESTIONS AND ANSWERS ABOUT STATE TAXES

Q: On the form for payments of estimated tax (for individuals), it says that the next due date is January 15. However, that falls on a weekend in 2022. Will there be late charges for someone who makes payment on the next business day?

Under Rhode Island General Laws § 44-30-56 ("Payments of estimated tax"), the January estimated payment is due on or before January 15. Thus, based only on the statute, the deadline for the January 2022 payment would be January 15, 2022.

However, according to our own regulation, 280-RICR-20-00-7 ("Filing

Deadlines: Weekends, Holidays and Mailings"), when the due date for filing any Rhode Island tax return or making a payment falls on a Saturday, Sunday, or Rhode Island legal holiday, the filing or payment is considered timely if it is made on the next business day which is not a Saturday, Sunday or Rhode Island legal holiday.

So in summary, here's how it will work:



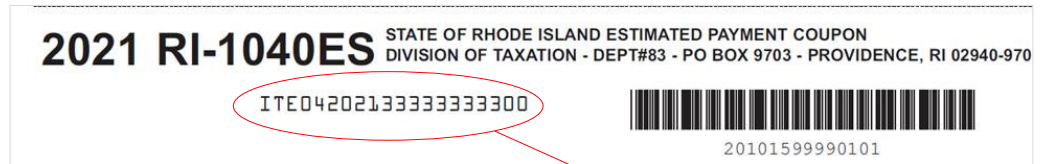
- ◇ The normal due date would be January 15, 2022. But that falls on a Saturday.
- ◇ The following Monday (January 17, 2022) is a federal and Rhode Island holiday.
- ◇ Therefore, the due date will be Tuesday, January 18, 2022.

Note: For a full list of Rhode Island state holidays:

<https://go.usa.gov/xMUqE>

Q: The instructions for the Division's blank estimated tax form for personal income tax shows an address for mailing the coupon and the payment. But I've seen another version of the form that uses a post office box. Which is correct?

You're talking about Form RI-1040ES ("Rhode Island Resident and Nonresident



20-digit scan line that begins with letters ITE

Estimated Payment Coupons").

The short answer to your question depends on whether the form you're using has a 20-digit scan line that begins with the letters ITE.

If the Form RI-1040ES you're using has a 20-digit line that begins with the letters ITE (see partial screenshot on this page), send the completed form and payment to the mailing address that includes a post office box.

If the Form RI-1040ES you're using does not have a 20-digit line that begins with the letters ITE, send the completed form and payment to the mailing address that does not include a post office box.

Either way, the completed form and payment will still get to us. But using the correct mailing address aids in processing.

Of course, when it comes to making estimated payments -- and keeping track of them -- the best option for your client (and for you) is to use our taxpayer portal.

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About 'Practitioners' Corner'

The "Practitioners' Corner" feature provides general answers to some of the questions that the Tax Division encounters through the normal course of business.

The answers are intended solely to provide general information. They do not represent formal guidance, and are not substitutes for Rhode Island General Laws, Tax Division regulations, or Tax Division rulings.

Practitioners' Corner**QUESTIONS AND ANSWERS ABOUT STATE TAXES** (CONTINUED FROM PREVIOUS PAGE)

For more information on the portal, please use the following link:

<https://go.usa.gov/x6nGN>

Q: If a taxpayer is awarded a Wavemaker Fellowship, is there an option as to how you receive it?

When you receive final confirmation of the award from the Rhode Island Commerce Corporation, you also receive a form on which you choose how to receive the award:

- ◇ As a refund, or
- ◇ As a tax credit.

You send your decision to the Division of Taxation with a copy of the confirmation letter. When you do that, depending on what you elected, the Division will issue you:

- ◇ A refund, or
- ◇ A tax credit certificate.

Most people choose the refund. The reason is that if you choose the refund, the Division sends it to you promptly.

If, however, you choose the tax credit, the Division sends you a tax credit certificate; you generally have to wait until the next tax-filing season to use the certificate.

(Note: The tax credit is not refundable, but it can be carried forward. Example: Joe Taxpayer, a Wavemaker Fel-

low, elects the tax credit. He receives a \$1,000 tax credit certificate. His Rhode Island tax liability is \$800. So, he can apply, or “use”, \$800 of his credit against the \$800 in Rhode Island tax liability, but he does not receive the remaining \$200. Instead, he must carry over the \$200 to the following tax season and use it then.)

Also note: Whether you choose the refund or the tax credit, the Division will send you (and the IRS) a Form 1099-G, showing the amount of your Wavemaker award as certified by the Rhode Island Commerce Corporation.



In other words, your Wavemaker refund or your Wavemaker credit counts as income for purposes of your federal income tax. However, it does NOT count as income for purposes of your Rhode Island personal income tax. Do not assume that your software will do this for you. Instead, make sure that you list the amount on Schedule M of your Rhode Island return.

Example: In 2021, Jane receives a check for \$1,000 for her Wavemaker refund. In early 2022, Jane receives a Form 1099-G from the Division of Taxation, showing that she received a \$1,000 refund in 2021. A copy of the 1099-G also goes to the IRS. Jane must include the

\$1,000 as income on her federal income tax return.

On her Rhode Island return, she lists the \$1,000 as a “decreasing modification” on Schedule M. (The line references are subject to change, but the words on the line you’ll use on Schedule M will look something like this: “Tax Credit income reported on Federal return exempt for Rhode Island purposes...”)

By entering that amount as a decreasing modification on Schedule M of your Rhode Island return, you are, in effect, backing out the \$1,000 from income for Rhode Island tax purposes. In other words, you won’t be taxed on that \$1,000 from a Rhode Island tax standpoint.

Q: Do you accept electronically filed income tax returns for estates and trusts?

Yes. We accept electronically filed income tax returns for estates and trusts on Form RI-1041 (“Fiduciary Income Tax Return”). Check with your tax software provider to see if the provider allows for it. A number of software providers do allow for it.

As of October 6, 2021, we accepted and processed a total of 8,525 electronically filed income tax returns for estates and trusts (Form RI-1041) covering the 2020 tax year.

E-file reminder

For the coming filing season, the Rhode Island Division of Taxation will accept the following returns under its electronic filing program (e-file):

- Form RI-1040
- Form RI-1040NR
- Form RI-1120C
- Form RI-1120S
- Form RI-1065
- Form RI-1041

Rhode Island and many other states take part in the joint federal-state e-file program, a cooperative tax-filing effort with the Internal Revenue Service.

In general, the program allows for federal and state returns to be e-filed simultaneously to the IRS. Once the returns are filed, the IRS keeps the federal portion; the state portion is passed along electronically to the applicable state.



☞ A MESSAGE FOR TAX PROFESSIONALS ☞



HEALTH INSURANCE MANDATE

Special
Notice

*A message for tax professionals from the
Rhode Island Division of Taxation*

The mandate involving health-care coverage was part of Rhode Island legislation enacted on July 5, 2019.

- ◆ The mandate to have sufficient health-care coverage (known as “minimum essential coverage”) took effect January 1, 2020.
- ◆ If you fail to have sufficient health-care coverage or qualify for an exemption, you will have to pay a penalty on your Rhode Island personal income tax return.
- ◆ Most people have minimum essential coverage (through employer-sponsored health insurance, Medicaid, Medicare, TRICARE, or some other means) and will not have to pay the penalty.



Rhode Island requires its residents to maintain health-care coverage.

The Rhode Island law requires you and your family to have minimum essential health-care coverage throughout the year, unless you qualify for an exemption.

Failure to have health coverage or qualify for an exemption will result in a “shared responsibility payment” (in other words, a penalty) when you file your Rhode Island personal income tax return.

To learn about health insurance options:

<https://healthsourceri.com/>

For more about the mandate:

<http://www.tax.ri.gov/healthcoveragemandate/index.php>

Note: If you are not required to file a Rhode Island personal income tax return, you will be exempt from the mandate for that year. The new Rhode Island law is similar to the federal health insurance mandate in effect on December 15, 2017, prior to enactment of the federal Tax Cuts and Jobs Act.



Rhode Island Department of Revenue Division of Taxation

NEWSLETTER POLICY

Rhode Island Tax News is a newsletter from the Rhode Island Department of Revenue's Division of Taxation. It is typically published each quarter. Its purpose is to provide taxpayers and tax professionals with general information regarding Rhode Island tax laws, regulations, and rulings, and procedures. It is neither designed nor intended to address complex issues in detail. Nothing contained in this newsletter in any way alters or otherwise changes any provisions of the Rhode Island General Laws, regulations of the Tax Division, or formal rulings. The Tax Division is at One Capitol Hill, Providence, RI 02908. Its website is www.tax.ri.gov.

HOW TO SUBSCRIBE

Rhode Island Tax News is distributed free, by e-mail, to those who have joined our listserv. If you are not on our listserv but would like to join, send an email to Neil.Downing@tax.ri.gov with the word SUBSCRIBE in uppercase in the subject block.

COMMENTS AND SUGGESTIONS

Unless otherwise indicated, all articles and photos in this issue are by the newsletter's editor, Neil Downing. If you have comments or suggestions for *Rhode Island Tax News*, please email: Neil.Downing@tax.ri.gov

BACK ISSUES

Rhode Island Tax News back issues are on the Tax Division website: <http://www.tax.ri.gov/newsletter/index.php>

How to contact us

Taxpayers may contact the Division of Taxation online, by phone, by letter, or in person. (Hours of operation are typically 8:30 a.m. to 3:30 p.m. business days.) Please see the following before you visit: <https://go.usa.gov/xFA4K>

Website

www.tax.ri.gov

(For numbers and e-mail addresses for specific sections, click the "Contact us" link.)

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The Division of Taxation also thanks Hearing Officer Catherine Warren for her assistance.

Note: Some of the illustrations in this newsletter are used under [Creative Commons license](https://creativecommons.org/licenses/by/4.0/).