RHODE ISLAND DIVISION OF TAXATION

Rhode Island Tax news

A NEWSLETTER FOR TAX PROFESSIONALS

SPECIAL EDITION: FILING SEASON 2018

WHAT'S NEW FOR FILING SEASON

There's a reduction in the annual corporate minimum tax -- and in the annual filing fee for passthrough entities.

There's also a new tax break involving income from 401(k) plans, pensions, and other such sources (see box at right).

Also, the amount available per household under the statewide property tax relief program has increased.

These are among the changes that taxpayers and

tax preparers will encounter during the 2018 filing season, for the 2017 tax year. Individuals will also have some extra time to meet their filing deadline.

Coverage of the filing season begins on page 3.



Tax Topics: Approximately 100 tax preparers attended the Division of Taxation's "Seminar for Tax Preparers" (see above) held at the Community College of Rhode Island's Knight Campus in Warwick on December 1, 2017.

Notices to be mailed involving use tax

For the first time, many taxpayers will be receiving notices from certain retailers in early 2018 regarding their obligation involving Rhode Island's sales and use tax.

Because of a new Rhode Island law enacted in August 2017, many "non-collecting retailers" -- including many out-of-state websites that do not collect Rhode Island sales tax on taxable purchases -- must mail their customers a notice.

Under the new law, a noncollecting retailer -- as defined in the new law -- must send the customer, who had \$100 or more in cumulative annual purchases for 2017, a notice by January 31, 2018.

(Please turn to page 2)



SPECIAL EDITION: FILING SEASON

This filing season, many tax preparers and taxpayers will first encounter the new Rhode Island personal income tax break for income from 401 (k) plans, 403(b) plans, pensions, and other such sources. The break, in the form of a modification, was approved in 2016, but applies to tax years beginning on or after January 1, 2017. Thus, it will first show up

on returns this filing season. Coverage begins on page 6 of this issue of *Rhode Island Tax News*.

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In general, the notice lets the customer know that use tax may be due on some or all of the purchases that the customer made during 2017.

Using this information, the customer must file a signed use tax return, Form T-205, which is available on the Rhode Island Division of Taxation's website, <u>www.tax.ri.gov/taxforms/</u> <u>sales_excise/sales_use.php</u>

Or the customer must include the use tax from such purchases when computing overall use tax due on his or her Rhode Island personal income tax return for the 2017 tax year.

The provisions were proposed by Rhode Island Governor Gina M. Raimondo and approved by the Rhode Island General Assembly in 2017. For more information, see the "Non-Collecting Retailers" section of the Division's website:

https://go.usa.gov/xRGwT

Example:

Jane Taxpayer, of Warwick, purchased a combined total of \$500 in jewelry in 2017 from a large out-of-state website. The purchases were subject to Rhode Island's 7 percent sales/use tax, but the website did not collect the tax.

Therefore, the website must mail a notice to Jane Taxpayer by January 31, 2018, reminding her of the purchases and of her obligation to pay the required 7 percent Rhode Island sales/use tax.

Also, the website must provide the Division of Taxation by February 15, 2018, a certain annual attestation that the notice requirements have been fulfilled. A sample Notice that noncollecting retailers will mail is available on the Division's webpage for non-collecting retailers and others.

(A screenshot of the sample Notice appears at the bottom of this page.)

Non-collecting retailers aren't required to use the sample Notice, but it gives them and taxpayers an idea of what the new law is all about.

("Referrers" and "retail sale facilitators" -- as defined in the new law -- also have certain reporting requirements.

These are also explained on the "Non-Collecting Retailers" section of the Division's website.)



Q&A

Q: In connection with the new rules requiring non-collecting retailers to notify customers of their use tax obligations. the noncollecting retailers are required to send certain purchasers a letter in January informing them of their total purchases for the prior calendar year. Because these new rules became effective midyear 2017, could you please tell us the time period for 2017 that should be used for determining customer purchases to be reported in the letter to the customer?

A: The statute requires notice when cumulative annual taxable purchases from the prior calendar year exceed \$100 for the customer. (See Rhode Island General Laws § 44-18.2-3(E)(4).)

The notice -- for the entire calendar year -- is to include both the total amount paid by the customer to the noncollecting retailer and whether specific purchases are taxable or not.

Division of Taxation

Rhode Island Department of Revenue

NOTICE:

NON-COLLECTING RETAILER – JANUARY 31 NOTICE

[Note: The following is to be sent by the non-collecting retailer to its customers by January 31 each year regarding purchases made by the customers during the prior calendar year.]

Rhode Island Sales & Use Tax Annual Notice

Please be advised that you are receiving this notice because you have made cumulative annual taxable purchases from [Non-collecting Retailer] totaling one hundred dollars (\$100.00) or more during the



FILING SEASON: APRIL FILING DEADLINE

The filing and payment deadline for Rhode Island resident and nonresident personal income tax returns this season will be April 17, 2018.

Why? The normal deadline is April 15 -- but that falls on a Sunday this year. Normally, the deadline would move to the next business day, which in this case would be Monday, April 16.

However, Emancipation Day will be celebrated in Washington, D.C., on Monday, April 16. Internal Revenue Code § 7503, says, in part, that when the filing deadline falls on a legal holi-

day, the deadline is moved to the next day which is not a Saturday, Sunday, or a legal holiday.

The term "legal holiday" includes a legal holiday in the District of Columbia. Because Emancipation Day is observed in the District on Monday, April 16, the federal income tax filing deadline will be pushed to the next business day -- Tuesday, April 17, 2018. Regulation 280-RICR-20-00-7, "Filing Deadlines: Weekends, Holidays and Mailings", says Rhode Island typically follows federal rules on filing deadlines in such circumstances. Thus, Rhode

Island's personal income tax filing deadline this year will also be Tuesday, April 17, 2018.

Neighboring states

The following information is provided for the convenience of those Rhode Island residents and preparers who file personal income tax returns to neighboring states:

Connecticut is following the federal deadline of April 17, 2018, for Connecticut tax purposes, according to the Connecticut Department of Revenue Services.

The Massachusetts filing deadline, for Massachusetts tax purposes, is also April 17, 2018, according to the Massachusetts Department of Revenue.

Editor's Note

The Rhode Island Division of Taxation in the fall of 2016 announced changes to the original due dates and extended due dates for a number of business returns.

As a result, businesses in the 2017 filing season had the same deadlines for their federal and Rhode Island returns -- a convenience for businesses and for tax professionals.

(For example, calendar-year C corporations, which formerly filed returns in March, now file them in April. Calendar-year partnerships, which formerly filed in April, now must file in March.)

This is a reminder that the new original due dates and extended due dates also apply for 2017 and later tax

years.

This filing season, the deadline is April 17, 2018, for filings and payments. The April 17 deadline applies

to the following for Rhode Island tax purposes:

The April 17, 2018, filing deadline

- Resident and nonresident personal income tax returns.
- Calendar-year C corporations that file their return on Form RI-1120C.
- Public service corporation tax filers
- Bank excise tax filers
- Insurance gross premiums tax filers
- A single-member limited liability company (LLC) whose owner has a deadline of April 17.
- Fiduciary returns, using a calendar year, on Form RI-1041.
- Property-tax relief claims on Form RI-1040H.
- Residential lead abatement credit claims on Form RI-6238.
- First quarterly estimated payment for 2018 of Rhode Island personal income tax.

Filing Season: Filing Deadlines

Due dates for certain entities – calendar-year filers

(For tax years beginning after December 31, 2015)	,		
Tax / Entity	Form	Due date	Extended due date
Business Corporation Tax Corporate income tax, RIGL Chapter 44-11	Form RI-1120C	April 17, 2018	October 15, 2018
Public Service Corporation Tax Public service gross earnings tax, RIGL Chapter 44-13	Form T-72	April 17, 2018	October 15, 2018
Taxation of Banks Bank excise tax, RIGL Chapter 44-14	Form T-74	April 17, 2018	October 15, 2018
Taxation of Insurance Companies Insurance gross premiums tax, RIGL Chapter 44-17	Form T-71	April 17, 2018	October 15, 2018
Subchapter S Corporations Corporate income tax, RIGL § 44-11-2	Form RI-1120S	March 15, 2018	September 17, 2018
General partnership RIGL Chapter 7-12	Form RI-1065	March 15, 2018	September 17. 2018
Limited partnership (LP) RIGL § 7-13-69 (filing as pass-through)	Form RI-1065	March 15, 2018	September 17, 2018
Limited liability partnership (LLP) RIGL § 7-12-60 (filing as pass-through)	Form RI-1065	March 15, 2018	September 17, 2018
Limited liability company (LLC) RIGL § 7-16-67 (filing as pass-through)	Form RI-1065	March 15, 2018	September 17, 2018
Single-member LLC (SMLLC) RIGL § 7-16-67 (owned by individual)	Form RI-1065	April 17, 2018	October 15, 2018
Income tax of trust Fiduciary income tax return, RIGL § 44-30-51	Form RI-1041	April 17, 2018	October 1, 2018
Withholding of pass-through entity with nonresident partners, members, shareholders RIGL § 44-11-2.2	Form RI-1096PT	March 15, 2018	September 17, 2018
Composite income tax return on behalf of qualified electing nonresident members RIGL § 44-11-2.2(d)	Form RI-1040C	March 15, 2018	September 17, 2018

Notes: Original and extended due dates for corporate income tax also apply 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. "RIGL" means Rhode Island General Laws.



Eligible taxpayers are in store for a boost in the amount of the Rhode Island earned income credit this filing season.

At issue, under federal and Rhode Island law, is a special tax credit available for the working poor.

It is called the earned income credit, or EIC. (It is sometimes referred to as the earned income tax credit, or EITC.)

Both credits

Eligible taxpayers may claim a federal earned income credit and a Rhode Island earned income credit.

For tax year 2015, the Rhode Island credit was 10 percent of the federal credit. For tax year 2016, the Rhode Island credit rose to 12.5 percent of the federal credit. For



Tax Topic: Leo Lebeuf (seated), a chief revenue agent at the Rhode Island Division of Taxation, was one of the featured speakers at the Division of Taxation's "Seminar for Tax Preparers" held in December at the Community College of Rhode Island's Knight Campus in Warwick. He met with several preparers afterward.

tax year 2017 -- in other words, for returns filed this season, the Rhode Island credit will be 15 percent of the federal credit – and will continue

\$750.00

to be fully refundable.

As a result, a claimant whose circumstances for 2017 are the same as in 2016 could receive a 20 percent higher Rhode Island earned income credit.

Example of credit

Suppose a family received a \$5,000 federal earned income credit during the last filing season and will receive the same during this 2018 filing season. Their Rhode Island credit might have been \$625 in the last filing season, but \$750 for this filing season – an increase of \$125. (See tables at left.)

Rhode Island earned income credit – Example I					
	Tax year 2016	Tax year 2017			
Rhode Island tax	\$0.00	\$0.00			
Federal EIC	\$1,000.00	\$1,000.00			
Rhode Island % (% of federal EIC)	12.50%	15.00%			
Rhode Island EIC	\$125.00	\$150.00			

Knode Island earned income credit – Ex	kample z	
	Tax year 2016	Tax year
Rhode Island tax	\$700.00	\$700.

Rhodo Island earned income credit Example 2

Federal EIC

Rhode Island EIC

Rhode Island % (% of fee

	Tax year 2016	Tax year 2017
x	\$700.00	\$700.00
	\$5,000.00	\$5,000.00
deral EIC)	12.50%	15.00%

\$625.00

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🚰 Filing season: Pension/401(k) income: tax break

new Rhode Island per-A sonal income tax break -- for income from 401(k) plans, 403(b) plans, pensions, military retirement pay, annuities, and other such sources -- will appear for the first time on returns filed this season.

In general, the new Rhode Island tax break applies to many of those who must pay federal income tax on their income from pensions, 401 (k) plans, 403(b) plans, annuities, and other such sources.

Taxpayers list such amounts on the "pension and annuities" line on the cover of their U.S. Form 1040 or U.S. Form 1040A.

(For tax year 2017, it's line 16b on U.S. Form 1040, line 12b on U.S. Form 1040A.)

How many people may be affected by the new Rhode Island tax break?

To get at least some idea, consider that more than 96,000 federal income tax returns filed from Rhode Island showed taxable pension/annuity income for tax year 2015, the latest year for which information is available from the Internal Revenue Service.

In other words, about 18 percent of the approximately 528,000 federal returns filed from Rhode Island for that year listed taxable pension/ annuity income.

If you do qualify for the new



Bill Signing: The budget bill for fiscal year 2017 -- which included the new tax break for income from 401(k) plans, private-sector pensions, public-sector pensions, military retirement pay, and other such sources -- was signed into law on June 24, 2016, at the State House in Providence. At the ceremony were (from left to right): Rep. Samuel A. Azzinaro; then-Senate President M. Teresa Paiva Weed; then-Sen. Juan M. Pichardo; Gov. Gina M. Raimondo (seated); Rep. Marvin L. Abney, House Finance Committee chairman; and House Speaker Nicholas A. Mattiello.

Rhode Island tax break (many will, some won't), you will be able to save on your Rhode Island income taxes. Following is a summary of the tax break and how it works.

The "break" is in the form of a modification, which reduces -- by a maximum of \$15,000 -- the amount of your federal adjusted gross income (AGI) for Rhode Island purposes.

The tax break was approved by the General Assembly and signed into law by Governor Gina M. Raimondo on June 24, 2016.

How it works

The computation of Rhode Island's personal income tax begins with federal AGI. Modifications to federal AGI for Rhode Island purposes may result in an increase or decrease in federal AGI.

For tax years beginning on or after January 1, 2017, a modification decreasing AGI is allowed for qualifying taxpayers who receive income from pensions, 401(k) plans, and/or certain other sources.

(Please turn to next page)

E-file reminder

The Rhode Island Division of Taxation this filing season will accept the following returns under its electronic filing program (efile):

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

by Catherine Rolfe / Governor's Office

Photo



FILING SEASON: PENSION/401(K) (continued from prior page)

To qualify, you must clear three main hurdles:

Some portion of your income -- from private-sector pensions, public-sector pensions, 401(k) plans, 403(b) plans, military retirement pay, or other such sources -- must be taxed at the federal level;

♦ You must have reached "full retirement age" as defined by the Social Security Administration (generally age 66 or older); and

♦ Your federal adjusted gross income must be below a certain amount (generally \$100,000 for a married couple filing a joint return, \$80,000 for someone who is single).

If you clear all three hurdles, the amount of your income that is taxed by Rhode Island will be reduced by up to \$15,000 of your pension/ annuity income that's taxable at the federal level, saving you money.

For example, suppose that Linda, 70, is single, retired, and receives a pension. Her federal AGI for 2017 was \$50,000, which included \$10,000 of taxable pension benefits as reported on the cover of her federal return.

Ordinarily, that entire \$50,000 would be subject to Rhode Island personal income tax. However, because she qualifies for the new modification, only \$40,000 of her federal AGI will be taxed by Rhode Island.

(Please turn to next page)

Table I. Pension/401(k) tax break: Overview

You may be eligible for the new Rhode Island tax break for income from 401(k) plans, private-sector pensions, government pensions, military retirement pay, annuities, or other such sources, if you meet all of the following conditions:

You (and/or your spouse, if married and filing jointly) receive income from pensions, 401(k) plans, pensions, military retirement pay, annuities or other such sources; and

- At least part of that income is taxed at the federal level; and
- You have reached full retirement age as defined by Social Security Administration regulation (see Table 2); and
- Your federal AGI falls below a certain threshold (see Table 3).

Table 2. Full retirement age					
If you were born in:	Your full retirement age is:				
1943-1954	66				
1955	66 and 2 months				
1956	66 and 4 months				
1957	66 and 6 months				
1958	66 and 8 months				
1959	66 and 10 months				
1960 or later	67				

Note: If you were born on January I of any year, refer to previous year in table. For married couple filing joint return, "full retirement age" test applies to each spouse. If only one spouse has reached full retirement age, break applies only to that spouse's taxable retirement income (such as pension, 401(k), annuity income)

Table 3. Income threshold					
You file your return as:	Your federal AGI is less than:				
 single, head of household, or married filing separately 	Less than \$80,000				
 married filing jointly, or quali- fying widow, or qualifying wid- ower 	Less than \$100,000				
Note: First column refers to filing status on your Rhode Island personal income tax return for tax year 2017. For a married couple filing a joint Rhode Island return, income threshold applies to couple's combined federal adjusted gross income (AGI). Income thresholds will be adjusted annually for inflation. Filing status on your					

Rhode Island return must be the same as filing status on your federal return.



FILING SEASON: PENSION/401(K) (continued from prior page)

Therefore, assuming she is in the 3.75 percent Rhode Island tax bracket, she could save \$375 in Rhode Island personal income tax in this example.

(The example does not take into account other factors that could affect her Rhode Island tax, such as other modifications that could decrease or increase income; the Rhode Island standard deduction; personal exemption; tax credits; and use tax.)

In summary

To compute the amount of your tax break (if any), first answer the three main questions:

1.) Is any of your income from 401(k) plans, 403(b) plans, private-sector pensions, public-sector pensions, military retirement pay, annuities, or other such sources taxable at the federal level?

2.) Have you reached full retirement age (as defined by the Social Security Administration)?

3.) Is your federal adjusted gross income below \$80,000 if you're single, or \$100,000 if you're married and file a joint return?

If you answer yes to all three questions, fill out the worksheet on page 7 of the instructions of your Rhode Island return.

(Please turn to next page)

If you file U.S. Form 1040 (see screenshot below), use the information from line 16b to help find out if you qualify for the new tax break on pension/annuity income.

Income	/ Wages, salaries, tips, etc. Attach Form(s) W-2
	8a Taxable interest. Attach Schedule B if required
	b Tax-exempt interest. Do not include on line 8a 8b
Attach Form(s) W-2 here, Also	9a Ordinary dividends. Attach Schedule B if required
attach Forms	b Qualified dividends 9b
W-2G and	10 Taxable refunds, credits, or offsets of state and local income taxes
1099-R if tax	11 Alimony received
was withheld.	12 Business income or (loss). Attach Schedule C or C-EZ
	13 Capital gain or (loss). Attach Schedule D if required. If not required, check here 🕨 🔲 🚺
If you did not	14 Other gains or (losses). Attach Form 4797
get a W-2, see instructions.	15a IRA distributions . 15a b Taxable amount 19
	16a Pensions and annuities 16a b Taxable amount 1
	17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E

If you file U.S. Form 1040A (see screenshot below), use the information from lines 12b to help find out if you qualify the new tax break on pension/annuity income.

7	Wages, salaries,	tips, etc	c. Attach Form	(s) W-	2.		7
8a	Taxable interest	. Attach	Schedule B if	requir	red.		8a
b	Tax-exempt inte	erest. Do	not include o	n line	8a. 8	b	
9a	Ordinary dividends. Attach Schedule B if required.				9a		
b	Qualified dividends (see instructions). 9b						
10	Capital gain distr	ributions	s (see instructio	ons).			10
11a	IRA				11b	Taxable amount	
	distributions.	11a				(see instructions).	11b
12a	Pensions and				12b	Taxable amount	
	annuities.	12a				(see instructions).	12b
	b 9a b 10 11a	 8a Taxable interest Tax-exempt interest 9a Ordinary dividend Dualified dividend 10 Capital gain distributions. 11a IRA distributions. 12a Pensions and 	8a Taxable interest. Attach b Tax-exempt interest. Do 9a Ordinary dividends. Attach b Qualified dividends (see 10 Capital gain distributions 11a IRA distributions. 11a 12a Pensions and	 8a Taxable interest. Attach Schedule B if Tax-exempt interest. Do not include of 9a Ordinary dividends. Attach Schedule B Dualified dividends (see instructions). 10 Capital gain distributions (see instruction 11a IRA distributions. 11a 12a Pensions and 	 8a Taxable interest. Attach Schedule B if requires the transformation of transformation	9a Ordinary dividends. Attach Schedule B if required. Qualified dividends (see instructions). 9 10 Capital gain distributions (see instructions). 9 11a IRA distributions. 11a 12a Pensions and 12b	8a Taxable interest. Attach Schedule B if required. b Tax-exempt interest. Do not include on line 8a. 8b 9a Ordinary dividends. Attach Schedule B if required. b Qualified dividends (see instructions). 9b 10 Capital gain distributions (see instructions). 9b 11a IRA distributions. 11b distributions. 11a (see instructions). 12a Pensions and 12b

To determine if you qualify for the new tax break on pension/annuity income, and how much of a break you may receive, fill out the worksheet on page 7 of your Form RI-1040, then complete Schedule M (see screenshot below) of your Form RI-1040.

- t Income from the discharge of business indebtedness claimed as income on Federal return and pr claimed as RI income under the American Recovery and Reinvestment Act of 2009 under RIGL §
- u
 Modification for taxable Social Security income under RIGL §44-30-12(c)(8)
 Primary Date of Birth / / Date of Birth (Required)
 Date of Birth (Required)

 Modification for taxable Retirement in- come from certain pension plans or an- Date of Birth
 Primary Date of Birth / / Date of Birth
 Spouse
 - come from certain pension plans or annuities under **RIGL §44-30-12(c)(9)** (Required)
- w Total modifications DECREASING Federal AGI. Add lines 1a through 1v and enter as a negative a

(Required)

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FILING SEASON: PENSION/401(K) (continued from prior page)

If you complete the worksheet and it shows you qualify, complete Schedule M of your Rhode Island return. By following those steps, you can lower the amount of your income that's subject to Rhode Island tax. That, in turn, will save you in Rhode Island personal income tax.

More points

Following are some more points:

◆ Find Schedule M, as well as Form RI-1040 instructions, and other information, at the following Division of Taxation website:

http://www.tax.ri.gov/ taxforms/personal.php

♦ In the case of a married couple filing a joint return, the "full retirement age" test applies to each spouse.

So if only one spouse is of full retirement age, only that spouse may qualify for the tax break, based on his or her own taxable pension/401(k) income.

♦ If both spouses qualify for the tax break, remember that there's a \$15,000 limit -- and it applies on a per-person basis. For example, suppose Joe and Jane are married, file a joint return, and meet the eligibility rules of the tax break. Their federal adjusted gross income includes \$17,000 of Joe's pension and \$6,000 from Jane's 401(k).





Tax Guide: The Rhode Island Division of Taxation in October 2017 published a guide to the new tax break on income from pensions, 401(k) plans, annuities, and other such sources. The 22-page guide explains what the tax break is and how it works. The guide also features many examples. To view the guide: <u>https://go.usa.gov/xn3v4</u>.

Only the first \$15,000 of Joe's pension counts for purposes of computing the tax break. All of Jane's pension counts.

• What about the tax break on Social Security benefits, which first appeared on returns during the 2017 filing season?

The Social Security tax break continues, and appears on tax forms covering tax year 2017. In a number of cases, taxpayers will qualify for both tax breaks: the new one involving pension/401(k)/annuity income, and the older one involving Social Security benefits.

Don't confuse the two tax breaks — each has its own rules. But don't forget that you may qualify for both, depending on your income, your age, and other factors.

Keep in mind . .

The best way to file your Rhode Island personal income tax return is electronically. E-filing is faster, results in fewer errors, and generates refunds more quickly. Also, e-filing is the only way to ensure that your refund is deposited directly into your bank or credit union account. (Direct deposit is not available for paper-filed returns.)

Filing season: Filing tips for paper returns

The Rhode Island Division of Taxation advises against the use of staples when preparing paper returns for mailing because staples delay processing.

"Our staff works hard every day to process Rhode Island personal income tax returns as quickly and efficiently as possible. But when returns or attachments are stapled, our mailroom staff must stop to remove the staples so that the documents will be ready for scanning into our high-speed scanners," said Rhode Island Tax Administrator Neena S. Savage.

That slows down processing time, she said. Furthermore, if a stapled document is missed during preparation for the high-speed scanners, it can clog up a scanner, further delaying processing of returns and of any associated refunds.

Instead of using staples or sticky tape to bind tax return documents together prior to mailing, taxpayers should use binder clips, paper clips, or rubber bands – all of which can be quickly removed by Division staff during the processing of the return.

Each year, the Division of Taxation processes more than 650,000 Rhode Island resident and nonresident personal income tax returns.

For every staple encountered, members of the Division's mailroom operations staff must stop what they are doing to remove the staple

Resident Individ	lual Income Tax Return

2017 Form RI-1040

State of Rhode Island and Providence Plantations

Your social security number		000036 3 30010	I security number				
Your first name	MI	Last name		Suffix			
Spouse's name	MI	Last name		Suffix			
Address							
City, town or post office		State	ZIP code				
City or town of legal residence		Check each box that applies. Other- wise, leave blank.	Primary deceased?	Spous		New address?	Amended Return?
controller to this fund, check	here. (if a joint return) to go See instructions. This or reduce your refund.)	Yes	box and fill in t	he name of the poli	a joint return) be paid to a tical party. Other- an general account.	a specific party, check the
TILING STATUS Single ⇒		Married filing	Married fi		Head of household	d ⇔ □ Qualif widow	

17100199990101

and recondition the affected documents before the documents can be scanned.

That, in turn, slows down individual income tax refunds and other services. Staples should only be applied where tax form instructions advise to use them.

All tax forms typically come with return instructions. By paying close attention to the instructions and appropriately preparing tax documents, taxpayers can expect faster service, Savage said.

Other filing tips

Although most tax returns are electronically filed, some taxpayers still mail in paper returns. The Division of Taxation makes the following recommendations for paper filers:

♦ Sign your return.

• Include with your return any Form W-2 wage statements.

♦ If you had any Rhode Island income tax withheld last year (from a job, a pension, or other source of income), don't forget to accurately complete your return's Schedule W and include it in your mailing.

◆ Include your Social Security number (or ITIN). If you're married, include the Social Security number (or ITIN) of your spouse, too.

♦ Include all pages of the return.

♦ Use a standard-size envelope.

◆ Keep folding of the return to a minimum, to ease in processing.

◆ Include with the return only the required documents as shown in the instructions. (For example, do not include birth certificates.)

Keep in mind . .

If you have a sales permit and you are preparing your annual reconciliation return for sales/use tax, remember that it's only for Rhode

Island's 7 percent sales tax.

Do not include the 5 percent statewide hotel tax or the 1 percent local hotel tax.

Also, remember that February 1, 2018, is the deadline to renew your sales tax permit by filing the "Retail Sales Permit Renewal Application" and paying the required \$10 annual fee. Questions? Call (401) 574-8955.



FILING SEASON: CORPORATE MINIMUM TAX REDUCTION

Rhode Island tax relief will start to show up on returns this filing season for a number of business entities.

The annual corporate minimum tax, under Rhode Island General Laws § 44-11-2 (e), had long been set at \$500, but dropped by 10 percent, to \$450, for the 2016 tax year.

However, for tax years beginning on or after January 1, 2017, the tax has dropped again, by another \$50, to \$400.

This filing season will be the first time that the new, lower amount of \$400 will appear on returns.

Pass-through entities

Pass-through entities also obtain relief. They pay an annual filing fee, or annual filing charge. It is equivalent to the annual corporate minimum tax, and it, too, had long been set at \$500.

But it dropped by \$50, to \$450, for 2016. And it fell again, by another \$50, to \$400 for tax years beginning on or after January 1, 2017.

20% drop overall

Thus, the annual corporate minimum tax, and the annual filing charge for pass-through entities, have each been reduced by a total of \$100 per entity, or 20 percent overall, over the last two years. The latest reduction in the annual corporate minimum tax, and in the annual filing charge for pass-through entities, are appearing on tax forms during this filing season (covering the 2017 tax year).

The latest reduction is the result of legislation approved by the General Assembly and signed into law by Governor Gina M. Raimondo in June 2016.

Subchapter S

The overall reduction applies not only to C corporations, but also to subchapter S corporations, limited liability companies, limited partnerships, limited liability partnerships, and other such entities that are treated as passthrough entities for federal income tax purposes.

Because the annual filing charge also applies to singlemember LLCs, the reductions apply to them, as well.

At a glance: Minimum annual tax for 2017				
C corporations	\$400			
S corporations	\$400			
Limited liability companies	\$400			
Limited partner- ships	\$400			
Limited liability partnerships	\$400			

Pass-through entities, including singlemember LLCs, pay an annual charge, or annual filing fee, equivalent to annual corporate minimum tax.



Tax Talk: Marlen Bautista, chief revenue agent in the Rhode Island Division of Taxation's Corporate Tax section, talks with a preparer following her presentation at the Division's "Seminar for Tax Preparers" held at the Community College of Rhode Island's Newport County campus in November.



IRS can't issue some refunds before mid-February

The Internal Revenue Service has issued a reminder about the timing of certain refunds this filing season. If you claim either the federal earned income credit or the additional child tax credit, the IRS says it can't issue your refund before mid-February. The IRS must hold the entire refund — even the portion not associated with the federal earned income credit or the additional child tax credit. The IRS expects the earliest such refunds will be available in bank accounts or debit cards is beginning February 27, 2018 -- assuming you choose direct deposit and there are no other issues with your tax return. The IRS must hold back issuing such refunds because of a change in federal law. The change in federal law is intended to give the IRS more time to detect and prevent fraud -- thus helping to ensure that taxpayers receive the refund they are

owed.

Filing season: Fighting fraud: Form W-2

55555	Void	a Employee's social security number			Official Use Only ► B No. 1545-0008					
b Employer identif	ication number (EIN)			1	Wages, ti	os, other con	npensatior	-	2 Fee Rectar
c Employer's name, address, and ZIP code					3	3 Social security wages				4 So
					5	Medicare	e wages and	l tips	(6 Me
				1	7	Social se	ecurity tips		8	B Allo
d Control number						9 Verification code				0 De
e Employee's first	name and initial	Last name		S	Suff. 11	Nonqual	ified plans			2a S∈
					13	Statutory employee	Retirement plan	Third-par sick pay	ty 1 2	2b

Verification Code: In recent filing seasons, if a Form W-2 carried a verification code, the code appeared in different places on the form, depending on the issuer. New for the 2018 filing season, the code has found a permanent home -- in box 9. (Note: In the screenshot above, the circle and arrow have been added by Rhode Island Tax News for emphasis.)

VERIFICATION CODES: PILOT PROGRAM EXPANDED FOR 2018

The use of a verification code on Form W-2 wage statements is being expanded again this filing season.

In addition, the verification code now has a permanent home.

The moves represent another in a series of steps by the Security Summit to combat tax-related identity theft and refund fraud. (The Security Summit is a partnership involving the IRS, the Rhode Island Division of Taxation, other states' tax agencies, and the tax industry.)

The point of the code is to verify Form W-2 data that is

submitted by taxpayers on efiled individual tax returns. (Taxpayers or their preparers are asked to enter the codes only for electronically filed returns, not for paper returns.)

During the 2016 filing season, the special codes appeared on 2 million Forms W -2 nationwide.

Last season, the special codes appeared on approximately 47 million Forms W-2 nationwide.

During the 2018 filing season, verification codes will appear on more than 60 million Forms W-2 covering the 2017 tax year. That represents nearly one out of every four Forms W-2.

As a consequence, many – though not all – Forms W-2 will end up carrying the special codes.

Certain payroll service providers have agreed to include the 16-digit code and a new Verification Code field on certain W-2 copies. In prior years, the code appeared in different places on the W-2.

This season, however, the code now has a permanent home -- in Box 9. (See screenshot nearby.) Thus, preparers will no longer have to spend time hunting down the number for each W-2. Note: If a Form W-2 carries a verification code, that code will be in box 9.

A Form W-2 without a verification code may include a blank box 9, or no box 9 at all.

鄒IRS

If there is a verification code on a Form W-2, taxpayers and tax professionals are urged to enter it when prompted by software, because it can speed the processing of the return and the issuance of the refund. Entering the code also aids in the overall fight against refund fraud and identity theft. However, omitted and incorrect verification codes will not delay the processing of a tax return at either the federal or state level.

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Filing season: First batch of Wavemaker requests approved

The Rhode Island Division of Taxation in January 2018 processed the first batch of requests for refunds and certificates under Rhode Island's Wavemaker Fellowship incentive program.

The Wavemaker Fellowship provides a financial incentive for graduates who are pursuing a career or starting a business in Rhode Island in technology, engineering, design, or other key sectors. The incentive is intended to help such people defray the cost of their student loan payments for up to four years.

In general, the program offers qualifying individuals a refundable tax credit certificate worth the value of their annual student loan burden for up to four years.

The value of the tax credit is your annual eligible higher education loan repayment expenses up to the following caps:

♦ If your highest degree is an associate degree, the cap on your award is \$1,000.

♦ If your highest degree is a bachelor's degree, the cap on your award is \$4,000.

♦ If your highest degree is a graduate school degree, the cap on your award is \$6,000.

The program is administered by the Rhode Island Commerce Corporation. Tax aspects are handled by the Division of Taxation.



To learn more: https://wavemaker.commerceri.com

Anyone with higher education loan debt and who is employed full-time, or has an offer of fulltime employment, in Rhode Island with a private company, non-profit, or university in a STEM or design field is encouraged to apply.

("STEM" generally means science, technology, engineering, and mathematics.)

If you are chosen as a Wavemaker Fellow, you may use the tax credit to pay your Rhode Island income tax liability, or you may choose to get a refund of your tax credit amount. Or, you can do both, using a portion of the tax credit to reduce your taxes and then receiving a refund of the remaining portion.

If your Wavemaker tax credit exceeds the amount of your annual Rhode Island tax liability, you can get a refund of the excess, or you can carry the excess forward to be applied against future taxes for up to four years. Fellows are eligible to receive the tax credit for up to four years. Once you are selected as a Fellow, you will begin a service period of 12 months. At the end of that 12-month period, you will receive documents to complete and return that provide evidence of your continued eligibility (remaining employed in Rhode Island in a STEM field and in good standing on your student loans).

Once you are certified for your continued eligibility, you will receive a certification letter and Rhode Island Division of Taxation form to fill out detailing the process to redeem the award.

In January 2018, the Division of Taxation began the process of issuing refund checks for 105 Wavemaker Fellows. Also in January 2018, the Division issued 7 Wavemaker tax credit certificates.

The Wavemaker program is the result of a proposal by Governor Gina M. Raimondo that was included in legislation approved by the General Assembly in 2015.

Also new for this filing season

Legislation enacted in 2017 allows the carryforward of unused historic homeownership tax credits that were previously issued. The new law applies to tax year 2017 and thereafter. The new law also makes it clear that the allowance is solely for credits already issued "and shall not be construed to authorize the issuance of new credits"

under the program. To learn more, see the Division of Taxation's instructions for the Rhode Island personal income tax form (RI-1040).

🚰 Filing season: Property-tax relief credit hike

The maximum credit available for qualifying taxpayers under the statewide propertytax relief program has increased approximately 4.5 percent.

For filing season 2018 (covering tax year 2017 returns), the maximum credit claimed on Form RI-1040H is \$350, up from \$335 for the prior year. That represents an increase of \$15.

(Some may qualify for the maximum, some for a smaller amount, some for no credit: Applicants must meet various rules, which are spelled out on the form.)

Established in 1977

The maximum annual credit was established at \$55 per household in 1977, and was increased by the General Assembly several times until it reached \$300 starting in 2006.

Under that legislative change, the credit can increase based on net terminal income generated by State-authorized video lottery games.

Although such increases had been possible since July 2007, it turns out that tax year 2014 was the first time that an increase could occur based on the limits of the formula. And, based on the formula, the maximum credit has increased again, and will apply on returns filed this season.

Keep in mind that the deadline for filing claims on Form RI-1040H this season is April

Social Security tax break: News

Continuing this season is a tax break involving Social Security benefits. If you qualify, you reduce your federal adjusted gross income for Rhode Island tax purposes. In other words, you save

on tax.

There are rules, and one involves your federal adjusted gross income: It must be below a certain amount (formerly \$80,000 for someone who is single, \$100,000 for a married couple filing a joint return).

New for this filing season: Due to inflation adjustments, the income limits have risen -- to \$81,575 for someone who is single, \$101,950 for a married couple filing jointly. As a result, more people could benefit from the tax break.

17, 2018. Also, although the maximum credit amount has increased for this filing season, eligibility rules remain the same.

The program was established only for those 65 and older or disabled. ("Disabled" means those persons who are receiving a Social Security disability benefit or Supplemental Security Income (SSI) payment.)

The program was broadened by a 1988 law to include disabled persons (elderly or not). In 1997, the program was expanded to non-disabled people younger than 65.

However, under legislation enacted in 2013, effective for 2014 and later tax years, the program returned to its roots, with the credit solely for those 65 and older or disabled. The annual household income limit also remains at \$30,000.

Statewide property-tax relief credit (Form RI-1040H)					
Effective date:	Maximum:				
January 2017	\$350.00				
January 2016	\$335.00				
January 2015	\$320.00				
January 2014	\$305.00				
July 2006	\$300.00				
July 1997	\$250.00				
July 1980	\$200.00				
July 1979	\$175.00				
July 1978	\$150.00				
July 1977	\$55.00				

Legislation enacted in 2006 allowed the credit to increase based on net terminal income generated by State-authorized video lottery games. Tax year 2014 was the first time that the credit increased due to that statutory formula. The credit increased again, for tax years 2015, 2016, and 2017 due to the formula. RHODE ISLAND TAX NEWS -- FILING SEASON 2018



Rhode Island Department of Revenue Division of Taxation

NEWSLETTER POLICY

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