WHAT’S NEW FOR FILING SEASON 2022

The due date for Rhode Island resident and nonresident personal income tax returns (and for many other returns and payments) will be a few days later than usual this filing season, giving taxpayers and tax preparers a bit longer to file.

Also for the 2022 filing season, more taxpayers will qualify for the special tax break involving income from pensions, 401(k) plans, annuities, and other such sources.

In addition, more taxpayers this season will qualify for a separate tax break involving income from taxable Social Security benefits.

Taxpayers and tax preparers will also find this season that the maximum credit allowed under the statewide property-tax relief program for eligible taxpayers (Form RI-1040H) has increased.

These and other topics are discussed in the current edition of the Division of Taxation’s newsletter, Rhode Island Tax News.

DID YOU KNOW?

The Rhode Island Division of Taxation launched its redesigned website on November 18, 2021.

A team of Division employees spent months working behind the scenes with little fanfare to thoroughly change and improve the look, feel, and function of the website.

As a result, although the website’s address is still www.tax.ri.gov, there is an appealing new look to the site—as well as helpful features for taxpayers and tax professionals. “This redesign is an important part of our efforts to provide exceptional service to taxpayers through a streamlined, user-friendly experience. Taxpayers who interact with us online should have the same quality of experience as those who visit our offices,” said Tax Administrator Neena Savage.

(Please turn to page 2)
New features on the website include the following:

- A built-in option to translate any page you’re looking at into another language;
- Formatting that makes the website look and perform better when viewed with a smartphone or other mobile device; and
- A toolbar at the top of the screen that lets you quickly and easily access dropdown menus for online services, resources, forms, guidance, and other topics and areas.

In addition, the newly revitalized website has four large tabs -- located in the middle of the homepage -- so that taxpayers can quickly accomplish the following tasks:

- File certain returns;
- Make a payment;
- Check refund status; or
- Register a business.

**More useful**

“The Division’s team, working with our vendor, did an outstanding job of updating our website. We’re confident that focusing the website’s design on user experience will greatly benefit visitors to the Division’s site,” said Rhode Island Tax Administrator Neena Savage.

This tax-filing season, taxpayers and tax professionals can enjoy the ease and convenience of obtaining forms, instructions, guidance, and other helpful information through the new website, at any time, day or night.

“This continues the Division’s work of engaging with and assisting Rhode Island taxpayers through education and access to helpful resources,” Savage said.

**QUICK LINKS:**
Division of Taxation website:  
www.tax.ri.gov
Forms, instructions:  
https://tax.ri.gov/forms
Make a payment:  
https://go.usa.gov/xefrs
Register a business:  
https://go.usa.gov/xefrF
Where’s my refund?  
https://go.usa.gov/xefru
Advisories, newsletters, notices, regulations:  
https://tax.ri.gov/guidance
Annual “Summary of Legislative Changes”:  
https://go.usa.gov/xefYg
Amanda Tirocchi has been appointed as head of outreach and external communications for the Rhode Island Division of Taxation.

“We are delighted to welcome Amanda to the Division,” said Rhode Island Tax Administrator Neena Savage. “Amanda brings a wealth of experience involving social media and digital communications and is well-suited to carrying out the Division’s continuing efforts to communicate with its many stakeholders,” Savage said.

Tirocchi, appointed to the new position of internet communications specialist, will oversee the Division’s outreach efforts, including presentations to business groups, accountants, tax preparers, and others.

She will also oversee the Division’s production and distribution of Advisories, newsletters, and digital media, including Twitter.

Tirocchi, a Rhode Island native, was raised in Johnston and studied at Northeastern University in Boston, Massachusetts, from which she graduated in 2010.

She has held roles at a number of non-profit institutions, including the Audubon Society of Rhode Island, where she developed a passion for communicating complex topics to diverse audiences.

Neil Downing Retires

Neil Downing held the position of Chief Revenue Agent with the Division for more than ten years.

He joined the Division in May 2011 following a 34-year career in the newspaper industry, much of it at the Providence Journal.

Downing is an enrolled agent (EA) and holds a master’s degree in taxation from Bentley University.

He is also a Certified Financial Planner® (CFP®) professional and the author of three books on personal finance.

“The Division of Taxation was fortunate to have Neil’s skills as a prolific and knowledgeable writer, bolstered by his tax experience. His ability to synthesize complex tax issues and simply communicate the many facets of tax administration has been invaluable to the Division of Taxation,” said Tax Administrator Neena Savage.

The Division of Taxation is grateful for Neil’s years of service to our work. He has left a lasting impact, and his contributions to the field will be felt far into the future.

According to Savage, “Communicating how to comply and what is changing is the foundation of voluntary compliance, the core goal of tax administration and Neil’s work aided that purpose on a daily basis.”}

Savage summarized the sentiments of the Division perfectly, stating, “we will miss Neil’s contribution and service but know that he will continue to write the next chapter of his life with the same passion and dedication that he exemplified during his tenure with the Rhode Island Division of Taxation.”
FILING SEASON: FILING DEADLINE IS APRIL 18, 2022

One of the first things to keep in mind about the 2022 filing season is the deadline.

Normally, the deadline would fall on April 15. But it won’t this year - and the reason for that is a bit complicated.

As the 2022 calendar shows (see excerpt on this page), April 16 falls on a Saturday this year. That also happens to be Emancipation Day in Washington, D.C. The associated public holiday will be observed on Friday, April 15.

Taking note as to the date on which that holiday is being observed, the Internal Revenue Service has moved the federal due date to the following Monday -- which is April 18, 2022.

Rhode Island typically follows federal rules on filing deadlines in such circumstances. Thus, Rhode Island’s deadline this season will be the same as the federal deadline: Monday, April 18, 2022.

That means a few extra days this time around for taxpayers and tax preparers to meet the filing deadline.

So, April 18 this year is the deadline for filing Rhode Island resident and nonresident personal income tax returns and for making any associated payments.

It is also the deadline for a number of other filings and payments -- including property-tax relief claims filed on Form RI-1040H.

But note: If you are also filing a return to another state, be sure to check with that state first to see what deadline it has set.

Although Rhode Island follows the federal due date -- which is a convenience for taxpayers and tax preparers, not all states do the same. Some have their own holidays to observe, which may or may not affect their filing deadlines. (Please see tables on following two pages.)

April 2022

<table>
<thead>
<tr>
<th>SUNDAY</th>
<th>MONDAY</th>
<th>TUESDAY</th>
<th>WEDNESDAY</th>
<th>THURSDAY</th>
<th>FRIDAY</th>
<th>SATURDAY</th>
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</tbody>
</table>
FILING SEASON: FILING DEADLINES AT A GLANCE

<table>
<thead>
<tr>
<th>FILING</th>
<th>FORM</th>
<th>DUE DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal income tax annual return</td>
<td>Form RI-1040, RI-1040NR</td>
<td>April 18, 2022</td>
</tr>
<tr>
<td>Personal income tax - extension</td>
<td>Form RI-4868</td>
<td>April 18, 2022</td>
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<tr>
<td>Personal income tax – estimated (1stQ 2022)</td>
<td>Form RI-1040ES</td>
<td>April 18, 2022</td>
</tr>
<tr>
<td>Property tax relief</td>
<td>Form RI-1040H</td>
<td>April 18, 2022</td>
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<tr>
<td>Residential lead abatement credit</td>
<td>Form RI-6238</td>
<td>April 18, 2022</td>
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<tr>
<td>Estate and trust income tax return</td>
<td>Form RI-1041</td>
<td>April 18, 2022</td>
</tr>
<tr>
<td>Estate and trust income tax - estimated</td>
<td>Form RI-1041ES</td>
<td>April 18, 2022</td>
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<tr>
<td>C corporation*</td>
<td>Form RI-I120C</td>
<td>April 18, 2022</td>
</tr>
<tr>
<td>First-quarter business estimates</td>
<td>Form RI-I120ES/BUS-EST</td>
<td>April 18, 2022</td>
</tr>
<tr>
<td>1120C business extension</td>
<td>Form RI-7004</td>
<td>April 18, 2022</td>
</tr>
<tr>
<td>Public service corporation tax</td>
<td>Form T-72</td>
<td>April 18, 2022</td>
</tr>
<tr>
<td>Business extension*</td>
<td>Form BUS-EXT</td>
<td>April 18, 2022</td>
</tr>
<tr>
<td>Bank excise tax*</td>
<td>Form T-74</td>
<td>April 18, 2022</td>
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<tr>
<td>Insurance gross premiums tax</td>
<td>Form T-71</td>
<td>April 18, 2022</td>
</tr>
<tr>
<td>Single-member LLC*</td>
<td>Form RI-1065</td>
<td>April 18, 2022</td>
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<tr>
<td>Pass-through withholding*</td>
<td>Form RI-1096PT</td>
<td>April 18, 2022</td>
</tr>
<tr>
<td>Pass-through withholding – estimate*</td>
<td>Form RI-1096PT-ES</td>
<td>April 18, 2022</td>
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<tr>
<td>Pass-through withholding – extension*</td>
<td>Form RI-4868PT</td>
<td>April 18, 2022</td>
</tr>
<tr>
<td>Composite income tax – estimated</td>
<td>Form RI-1040C-ES</td>
<td>April 18, 2022</td>
</tr>
</tbody>
</table>

* Deadline of April 18, 2022, applies not only to calendar-year individuals and entities with normal deadline of April 15, 2022, but also to fiscal-year filers whose original or extended due date would normally fall on April 15. Due date applies to filings and payments. Single-member LLC (SMLLC) uses same due date as its owner; this table assumes owner is individual or entity with due date of April 15. Listing for C corporation also applies to filing under mandatory unitary combined reporting. April 18 deadline for pass-through withholding (Form RI-1096PT) applies only to trusts and single-member LLCs with a normal due date of April 15. Deadline for pass-through withholding estimates (Form RI-1096PT-ES), normally due April 18, 2022, applies to all entity types. Deadline for business extension applies only to public service corporation filers and bank excise tax filers.

FILING SEASON: ELECTRONIC FILING

Most taxpayers and tax preparers file their returns electronically. E-filing is fast, efficient, and results in fewer errors and fewer delays.

A taxpayer’s e-filed Rhode Island personal income tax return is typically filed at the same time as the person’s federal personal income tax return, a convenience for taxpayers and tax preparers. Furthermore, assuming that a complete and accurate return has been properly e-filed, those who e-file receive an official electronic acknowledgement, evidence that the return has been received. In addition, e-filing is the only way that a taxpayer can arrange to have a Rhode Island personal income tax refund deposited directly into the person’s bank or credit union account. (Direct deposit is not available on paper-filed returns.)

This season, the Division of Taxation will accept six types of personal and entity returns electronically, assuming that a person’s software allows for it. (Please see list at right.)
**FILING SEASON: FILING DEADLINES**

<table>
<thead>
<tr>
<th>March due date for these entities – calendar-year filers*</th>
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<tbody>
<tr>
<td>TAX / ENTITY</td>
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<tr>
<td>Subchapter S Corporations</td>
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<tr>
<td>General partnership</td>
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<tr>
<td>Limited partnership (LP)</td>
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<tr>
<td>Limited liability partnership (LLP)</td>
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<tr>
<td>Limited liability company (LLC)</td>
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<tr>
<td>Pass-through entity election**</td>
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<tr>
<td>Political organization tax return</td>
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<tr>
<td>Withholding of pass-through entity</td>
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<tr>
<td>Composite income tax return</td>
</tr>
</tbody>
</table>

*Table lists March due date for certain entities. For details on all entities and their requirements, including due dates for extensions and estimated payments, see applicable forms and instructions: [http://www.tax.ri.gov/taxforms](http://www.tax.ri.gov/taxforms). Single-member LLC (SMLLC) uses same due date as its owner.

**If Form RI-PTE relates to SMLLC owned by individual, Form RI-PTE is still due March 15 and SMLLC’s Form RI-1065 is due April 18. For pass-through entity election extension, use Form BUS-EXT, check applicable box, and file by March 15. First-quarter payment of estimated tax for pass-through entity election is due April 18.**

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**REMEMBER ON ENTITY-LEVEL TAX PAID BY PASS-THROUGH ENTITIES**

As a result of Rhode Island legislation enacted in 2019, pass-through entities can elect to pay an entity-level Rhode Island tax.

The election applies to tax years beginning on or after January 1, 2019. This is the third filing season in which the pass-through entity tax will appear on tax returns, this time around covering the 2021 tax year.

The new law allows a pass-through entity, which normally would not pay tax on its income, to elect to do so - at the rate of 5.99%.

The pass-through entity that chooses to take advantage of the law must list the entity-level tax paid on Form RI-PTE (“Pass-through Entity Election Tax Return”), pay the tax due on its net income, and file a copy of Form RI-PTE with the Division.

The pass-through entity tax elected to be paid is then passed through to the “owners” (such as shareholders or partners) on a proportionate basis - according to their share of ownership.

The pass-through entity lists the owner’s proportionate share of the entity tax paid on Rhode Island Form K-1 or Rhode Island Form RI-1099E, and provides a copy to the owner and to the Division of Taxation (along with its filing of Form RI-PTE).

Following are some tips:

- A modification is required on Schedule M of the entity owner’s Form RI-1040 to add back the tax.
- Form BUS-EST is used throughout the year to make estimated payments.
- The Division last year posted a newsletter that includes a step-by-state guide to the pass-through entity tax. To view, please use the following link: [https://go.usa.gov/xcAnH](https://go.usa.gov/xcAnH)
Amid the coronavirus (COVID-19) pandemic, changes in federal tax law, and changes in the tax laws of various states, it can be hard to keep track of how all the rules apply.

Following is a brief summary of some of the key points to remember for the 2022 filing season, covering the 2021 tax year. (For more details, see the “Practitioners’ Corner” section of this newsletter.)

✓ **Unemployment**

If you received unemployment benefits last year, those benefits count as income for purposes of the Rhode Island personal income tax.

No matter how the federal government has treated or will treat unemployment compensation for federal income tax purposes, Rhode Island’s law remains the same as it was last year.

Therefore, if you received unemployment compensation during 2021, include the full amount of those benefits on the return you are doing now, the one covering the 2021 tax year.

✓ **Federal stimulus**

If you received federal stimulus payments last year, bear in mind that those payments do not count as income for Rhode Island personal income tax purposes.

Therefore, when you fill out your Rhode Island resident or nonresident personal income tax return for 2021, do not include federal stimulus payments as income on that return.

✓ **Child tax credit**

If you received one or more advance payments of the federal child tax credit, do not include those payments as income for Rhode Island tax purposes.

However, if you (or someone in your household) received federal stimulus payments during 2021, or advance payments of the federal child tax credit, those payments do not count as income for purposes of the property-tax relief credit on Form RI-1040H, so do not include them on your Form RI-1040H this season.

✓ **Form RI-1040H**

When you fill out a property-tax relief claim on Form RI-1040H, whether you qualify depends on a number of things -- including your household income.

The general rule is that your household income had to have been $30,000 or less for the prior year. What counts as income toward that $30,000 cap?

Unemployment benefits count. So if you (or someone in your household) received unemployment benefits in 2021, be sure to include those benefits on your Form RI-1040H this season, so that they are properly treated as income for purposes of the $30,000 cap.

Please note...

In some years, the Division posts two newsletters in the first quarter: one for the filing season, one for the new tax year. This time around, all of the material is being consolidated into this single newsletter.

This newsletter provides only an informal summary of federal and Rhode Island laws as they relate to the taxation of unemployment insurance compensation, also known as unemployment benefits.

This newsletter is for general information purposes only. It is not a substitute for federal laws, or for Rhode Island General Laws, or for Rhode Island Division of Taxation regulations, rulings, or notices, or for Rhode Island Department of Labor and Training publications, regulations, guidance, and procedures.

Taxpayers are encouraged to consult tax and other professionals to determine how the information published here may affect them.

For information about Rhode Island unemployment insurance (UI) and temporary disability insurance (TDI) tax rates and taxable wage bases for 2022, please use the following link: https://dlt.ri.gov/press-releases.

### Rhode Island tax treatment of certain items, at a glance

<table>
<thead>
<tr>
<th>ITEM</th>
<th>INCOME FOR TAX PURPOSES?</th>
<th>INCOME FOR 1040(H) PURPOSES?</th>
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<tbody>
<tr>
<td>Unemployment benefits</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Federal stimulus payments</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Advance payments of federal child tax credit</td>
<td>No</td>
<td>No</td>
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</tbody>
</table>

Table applies to returns filed in 2022 covering the 2021 tax year.
The Rhode Island Division of Taxation reminds taxpayers and tax preparers about Rhode Island’s health insurance mandate.

Rhode Island’s health insurance mandate (also known as the “individual mandate” or “health coverage mandate”) was enacted on July 5, 2019.

The mandate to have sufficient health-care coverage (technically known as “minimum essential coverage”) took effect January 1, 2020.

It is somewhat similar to the federal mandate as it existed in early December 2017 (prior to the enactment later that month of the federal Tax Cuts and Jobs Act).

Details of the mandate are spelled out in the forms and instructions, which are available via this link:
https://tax.ri.gov/forms

Following are a few highlights.

Rhode Island residents
✓ Keep in mind that the mandate applies only to Rhode Island residents, not to nonresidents. If you were a part-year Rhode Island resident, the mandate applies only for the months during which you were a Rhode Island resident.

Form in the mail
✓ To help you fill out your Rhode Island personal income tax return this season, your health insurance company (or another organization) is required to send you a copy of a form which shows, among other things, the months in 2021 for which you (and your dependents, if applicable) had sufficient health coverage.

Most had coverage
✓ The overwhelming majority of taxpayers had sufficient health-care coverage for all of 2021 and therefore will not have to pay a penalty on their returns this season.

They had sufficient coverage through:
◊ employer-sponsored health insurance;
◊ the federal Medicare health insurance program;
◊ the joint federal-state Medicaid program;
◊ TRICARE (the health care program for uniformed military service members, retirees, and their families); or
◊ some other means.

Check the box
✓ If you (and your dependents, if applicable) had sufficient health insurance coverage for all of 2021 – through employer-sponsored health insurance, the federal Medicare health insurance program, or some other means – please remember to check the box on your return indicating that you had such coverage for all of 2021. (See screenshot from Form RI-1040 below.)

(Please turn to next page)
Remember: If you (and your dependents, if applicable) had sufficient health insurance coverage for all of 2021, there’s no need to fill out Form IND-HEALTH -- but you must check the box on the front page of your return. Failure to check the box could delay the processing of your return -- and of any associated refund. (If you use tax-preparation software, or your preparer does, the software may check the box for you after you fill out a certain screen or answer the program’s questions. How it is handled will depend on the software program.)

Note: If you are a dependent filing your own return, and the matter of your health insurance coverage is handled by your parents on their return, check the box on line 12b of Form RI-1040 (or line 15b of Form RI-1040NR).

**Form IND-HEALTH**

- If you (or your dependents, if applicable) did not have sufficient health insurance coverage for all of 2021, you may be subject to a shared responsibility payment penalty. You may be able to limit the impact of the penalty -- or avoid it altogether -- if you qualify for an exemption. See the forms and instructions for details -- especially Form IND-HEALTH and its instructions. (See screenshot below.) Links to the forms and instructions are on the following page.

**Exemptions**

- The exemptions are spelled out on Form IND-HEALTH and further detailed in the related instructions. Some are straightforward. For example, if your income was below a certain threshold for 2021 and you therefore don’t have to file a Rhode Island personal income tax return, you’re exempt - you won’t have to pay the penalty. In other instances, depending on the exemption, you will have to apply through HealthSource RI for an exemption certificate, then enter that certificate number on your return. HealthSource RI is Rhode Island’s health insurance marketplace -- also known as a health insurance exchange, or health insurance portal. To learn more:
  
  [https://healthsourceri.com/](https://healthsourceri.com/)
  
  HealthSource RI exemption is for hardship affecting your ability to purchase coverage. Such hardships can include, but are not limited to, being homeless; being evicted or facing eviction; receiving a shut-off notice from a utility company; experiencing the death of a close family member; or experiencing a hardship that prevented you from getting health insurance. See the instructions for the "Individual Health Insurance Form and Shared Responsibility Worksheet" for full details:

  [https://go.usa.gov/xtshU](https://go.usa.gov/xtshU)

(Please turn to next page)

**More information**
Filing season: Health insurance mandate (continued from prior page)

✓ For more information about this and other exemptions – and about the health insurance mandate overall – see the forms and instructions on the Division’s website.

A table on this page includes a list of helpful links to the forms and instructions you may need (depending on your circumstances).

For example, the list includes a link to Form RI-1040 and its instructions (for residents), Form RI-1040NR and its instructions (for part-year residents in this case), the main health insurance mandate form (Form IND-HEALTH) and its related instructions, and the shared responsibility worksheet.

Summary available
✓ The Division of Taxation last year posted a “Tips for tax season” Advisory that includes tips and reminders – for tax preparers and for do-it-yourself taxpayers – on how to fill out Rhode Island personal income tax returns when it comes to the health insurance mandate.

It offers three main tips -- with illustrations -- to keep in mind regarding the mandate when filling out the Rhode Island personal income tax return.

To view that Advisory: http://www.tax.ri.gov/

Advisory/ADV_2021_06.pdf

Costly penalty
✓ Failure to have had sufficient health care coverage during 2021 can be costly. Following are examples of the penalty for taxpayers subject to the mandate without health insurance:

- Single taxpayers would pay $695–$3,540.
- Family of five (two adults, three children) below $200,000 income, $2,433–$5,000.
- Family of five (two adults, three children) with income of $200,000 to $400,000, $2,433–$10,000.
- Family of five (two adults, three children) income above $400,000, $2,433–$17,700

Note: The number of months without insurance could change the amounts of the penalty listed above.

Helpful links
Following are links to some forms, instructions, and other resources you may find helpful regarding Rhode Island’s health insurance mandate (also known as the health coverage mandate or individual mandate).

Rhode Island Form 1040: https://tax.ri.gov/media/18536/download?language=en

Rhode Island Form 1040 instructions: https://tax.ri.gov/media/18031/download?language=en

Rhode Island Form 1040NR: https://tax.ri.gov/media/18566/download?language=en

Rhode Island Form 1040NR instructions https://tax.ri.gov/media/18036/download?language=en

Individual health insurance mandate form: https://tax.ri.gov/media/18136/download?language=en

Health insurance mandate form’s instructions: https://tax.ri.gov/media/18926/download?language=en

Shared responsibility worksheet: https://tax.ri.gov/media/18931/download

Health Insurance Available: Most people have health insurance, but some do not. HealthSource RI is Rhode Island’s health insurance marketplace (also known as a health insurance exchange, or health insurance portal). It helps Rhode Islanders choose the best, most affordable health insurance plan. You may even qualify for financial help. For more information, see https://healthsourceri.com/ or call 1-855-840-4774.

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Health insurance mandate form’s instructions: https://tax.ri.gov/media/18926/download?language=en

Shared responsibility worksheet: https://tax.ri.gov/media/18931/download

Health Insurance Available: Most people have health insurance, but some do not. HealthSource RI is Rhode Island’s health insurance marketplace (also known as a health insurance exchange, or health insurance portal). It helps Rhode Islanders choose the best, most affordable health insurance plan. You may even qualify for financial help. For more information, see https://healthsourceri.com/ or call 1-855-840-4774.
Filing Season: Pension/401(k) Income: Tax Break

The Rhode Island Division of Taxation reminds preparers and taxpayers about the Rhode Island personal income tax break for income from 401(k) plans, 403(b) plans, government pensions, private-sector pensions, military retirement pay, annuities, and other such sources.

In general, the 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.

This filing season, covering tax year 2021, taxpayers list the taxable amounts of such income on a certain line of their federal income tax form:

- If completing federal Form 1040, look to line 5 and use the "taxable amount" listed in line 5b (see screenshot at top of this page).

- If completing federal Form 1040-SR, look to line 5 and use the "taxable amount" listed in line 5b (see screenshot in middle of this page).

Modification

The "tax 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 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.

To qualify, you must meet three main requirements:

- 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 (see table on next page); and

- Your federal adjusted gross income must be below a certain amount. The threshold is adjusted each year for inflation (see table on next page).

If you meet all three conditions, 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 is taxable at the federal level, saving you money.

(Please turn to next page)
The tax break was approved by the General Assembly and signed into law on June 24, 2016.

For example, suppose that Linda, 70, is single, retired, and receives a pension. Her federal AGI for 2021 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 modification, only $40,000 of her federal AGI will be taxed by Rhode Island.

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.

(Note: 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; individual health mandate; personal exemption; tax credits; and use tax. For more information, see the instructions to Form RI-1040 and Form RI-1040NR.)

What counts?

What counts for purposes of Rhode Island’s modification involving income from pensions, annuities, and other sources?

The term “income” for purposes of this modification includes, but is not limited to, income from the following that is properly included in your federal adjusted gross income:

◊ 401(k) plans;
◊ 403(b) plans;
◊ 457(b) plans;
◊ Private-sector pensions;
◊ Military retirement pay;
◊ State government pensions;
◊ Local government pensions;
◊ Annuities; and
◊ Federal government pensions.

IRAs do not count

However, income from individual retirement accounts (IRAs) does not count for purposes of the Rhode Island pension/401(k) tax break – whether that income is from a traditional IRA, Roth IRA, SEP-IRA, or other type of IRA.

Income limits

Keep in mind that the income limits have risen for tax year 2021. As a result, more taxpayers will qualify for this tax break.

The table above shows the new, higher income limits for tax year 2021. These are the limits that will apply this filing season, as you complete your Rhode Island personal income tax return covering the 2021 tax year.
**Filing Season:** Tax Break on Social Security

The Rhode Island Division of Taxation reminds taxpayers and tax preparers about a Rhode Island personal income tax break involving income from Social Security.

For tax years beginning on or after January 1, 2016, a modification decreases federal adjusted gross income for Rhode Island purposes for qualifying taxpayers who receive Social Security benefits.

In general, a taxpayer is eligible for the modification if all three of the following conditions are met:

- Some portion of your Social Security income 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 (see table on previous page);
- Your federal adjusted gross income must be below a certain amount. The threshold is adjusted each year for inflation. (For the 2021 tax year, see table on this page.)

If you meet all three requirements, the amount of your income that is taxed at the State of Rhode Island level will be reduced by the amount of your Social Security benefits that are taxed at the federal level.

For example, suppose that William, 69, is single, retired, and collecting Social Security benefits. His federal adjusted gross income for 2021 was $50,000, which included $10,000 of taxable Social Security benefits.

Ordinarily, that entire $50,000 would be subject to Rhode Island personal income tax. However, because he qualifies for the modification, only $40,000 of his federal adjusted gross income will be taxed by Rhode Island. Therefore, assuming he is in the 3.75 percent Rhode Island tax bracket, he could save $375 in Rhode Island personal income tax in this example. (The example does not take into account other factors that could affect his Rhode Island tax, such as other modifications that could decrease or increase income; the Rhode Island standard deduction; individual health mandate; personal exemption; tax credits; and use tax.)

To take advantage of this tax break, remember to use the Social Security Modification worksheet in your Rhode Island personal income tax booklet (or posted on our website) to determine the amount of taxable Social Security income allowed as a decreasing modification. Also be sure to fill out Schedule M of your Rhode Island personal income tax return, taking care to include, where indicated, your date of birth, and if applicable, your spouse’s

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<thead>
<tr>
<th>Income threshold for Social Security tax break</th>
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<tr>
<td>You file your return as:</td>
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<tr>
<td>• single or head of household</td>
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<tr>
<td>• married filing separately</td>
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<tr>
<td>• married filing jointly, or qualifying widow, or qualifying widower</td>
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</tbody>
</table>

Note: First column refers to filing status on your Rhode Island personal income tax return for tax year 2021. For a married couple filing a joint Rhode Island return, income threshold applies to couple’s combined federal adjusted gross income (AGI). Income thresholds are subject to annual adjustment for inflation. Table shows thresholds as adjusted for the 2021 tax year. Filing status on your Rhode Island return must be the same as filing status on your federal return.

**Reminder: E-filed Form RI-1041**

For the 2021 tax year, the Rhode Island Division of Taxation will once again accept electronically filed Form RI-1041 (“Fiduciary Income Tax Return”). Form RI-1041 is the annual income tax return for certain estates and trusts.

Please note that some software providers may not have updated their programs to allow for this update.

In the end, whether a given taxpayer or tax preparer can e-file Form RI-1041 this season will depend on whether the taxpayer’s or tax preparer’s commercial software provider has taken steps to update its programs to allow for it.

While the Division has taken numerous steps to update its computer systems to allow for the receipt and processing of the e-filed Form RI-1041, unfortunately, that does not necessarily mean that a given taxpayer or tax preparer will be able to file the form electronically.

Whether a taxpayer or preparer can e-file Form RI-1041 is dependent on the software used. Taxpayers and tax preparers who wish to e-file Form RI-1041 are urged to contact their software providers for information.
The Rhode Island Division of Taxation urges taxpayers to gather and organize their financial records for this tax season to assist in the preparation of complete and accurate returns.

Because the earned income credit is intended for those who have earned income (and who meet certain other requirements), those claiming the credit need to have *bona fide* documentation showing the source(s) of their earned income, such as Form W-2 wage statements.

Because the statewide property-tax relief credit (Form RI-1040H) is generally intended for those who own or rent local property (and who meet certain other requirements), those claiming the credit need to have *bona fide* documentation showing that they paid local property tax, or paid rent to a landlord that paid local property tax.

According to the Tax Preparers Act of 2013, preparers must exercise due diligence when preparing Rhode Island personal income tax returns involving the earned income credit and property-tax relief credit.

To facilitate accurate processing of the return (and any related refund), be consistent from year to year with the names on the return. For example, if the taxpayer’s first name is Michael, don’t use “Michael” one year on the return, and “Mike” on the next year’s return—use “Michael” both years.

**Schedule W**

The Division urges taxpayers and preparers to make sure that a Rhode Island personal income tax return includes a properly and accurately completed Schedule W—if the taxpayer had Rhode Island personal income tax withheld last year from a paycheck, a pension, or other such source of income, or if they had pass-through withholding or pass-through entity election. Be sure to attach copies of all W-2s and 1099s (including 1099PT and 1099E).

When making a payment, taxpayers should be sure to include a payment voucher. For those using tax software, vouchers can be printed out along with a copy of the return. Vouchers are also on the Division’s website:

[https://tax.ri.gov/forms/individual-tax-forms/personal-income-tax-forms](https://tax.ri.gov/forms/individual-tax-forms/personal-income-tax-forms)

**Form 1099-G**

The Rhode Island Division of Taxation typically mails a Form 1099-G early in the calendar year to each Rhode Island taxpayer who received a Rhode Island personal income tax refund in the previous calendar year and who itemized deductions at the federal level.

However, as a result of federal tax reform enacted in December 2017, which generally increased the amount of the federal standard deduction, more taxpayers may choose to claim the standard deduction instead of itemizing their deductions for federal tax purposes. As a result, some taxpayers who have previously received a Form 1099-G from the Division of Taxation may not receive a copy this season.

Questions? Contact the Division’s Personal & Corporate Income Tax unit by calling (401) 574-8829 (option # 3) or by emailing: [Tax.Assist@tax.ri.gov](mailto:Tax.Assist@tax.ri.gov)
Filing season: Filing tips for paper returns

Although most tax returns are electronically filed, some taxpayers still mail in 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 diligently every day to process Rhode Island personal income tax returns efficiently. Our fantastic high-speed scanners enable us to process returns in a timely fashion; assuring your returns and attachments don’t contain staples allows the machinery, and the entire process, to run smoothly.

According to Savage, stapled documents slow down processing time. 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 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 instructions. By paying close attention to the instructions, and appropriately preparing tax documents, taxpayers can expect faster service.

Other filing tips

The Division of Taxation makes the following recommendations for paper filers:

◊ Sign and date your return.
◊ Include with your return any Form W-2 wage statements and Forms 1099.
◊ 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.
◊ Remember to enter the number of exemptions in the boxes provided on your return. Also fill out and include Schedule E with your return.
◊ 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.
◊ Check the correct box for your “filing status” (such as “single” or “married filing jointly”).

Reminder on health insurance mandate

No matter if you e-file or paper file, if you (and your dependents, if applicable) had sufficient health insurance coverage (also known as “minimum essential coverage”) for all of 2021 — through employer-sponsored health insurance, the federal Medicare health insurance program, or some other means — do not fill out Form IND-HEALTH, but please remember to check the box on your return indicating that you had such coverage for all of 2021. Failure to check the box may delay processing of your return and any associated refund.

If you (or your dependents, if applicable) did not have sufficient health insurance coverage (“minimum essential coverage”) for all of 2021, complete and file Form IND-HEALTH and attach it to your return. (If you e-file, your software program will include it automatically.)

See the story on page 10 for more details.
Eligible taxpayers may claim the Rhode Island earned income credit this filing season.

It’s a special tax credit, under federal and State law, available for employed individuals below certain income thresholds.

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

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 the 2017 tax year, and for later tax years, the Rhode Island credit is 15 percent of the federal credit – and continues to be fully refundable.

Example: Suppose a family receives a $1,000 federal earned income credit for the 2021 tax year. The family’s Rhode Island credit will be $150 for this filing season.

Example: Suppose a family receives a $5,000 federal earned income credit for the 2021 tax year. The family’s Rhode Island credit will be $750 for this filing season.

Filing on Extension: Reminders

Planning to file your Rhode Island personal income tax on extension this season? Following are a few points to keep in mind:

♦ It is an extension of the time to file, not of the time to pay. You still must pay what you owe, on or before April 18, 2022, to avoid late charges.

♦ Your extension must be filed on time and have a “proper estimate” to be considered valid.

♦ A “proper estimate” means a Rhode Island extension form filed by the regular due date which declares at least 80% of the tax due for the taxable year.

♦ The Division of Taxation will accept a federal extension if no Rhode Island personal income tax payment is due April 18, 2022.

♦ The Division of Taxation has a regulation that covers “reasonable cause” for the waiver of late charges.

♦ To view the regulation, please use the following link: https://go.usa.gov/xeAUY
The Rhode Island Division of Taxation reminds taxpayers and tax preparers about the annual corporate minimum tax.

The 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.

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

This filing season, the lower amount of $400 will again appear on returns.

Pass-through entities
Pass-through entities pay an annual filing fee, or annual filing charge, to the Division. 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.

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, in recent 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 2021 tax year).

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

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 pass-through entities for federal income tax purposes.

Because the annual filing charge also applies to single-member LLCs, the reductions apply to them, as well. Taxpayers are urged to stay current with their annual filing and payment requirements.

<table>
<thead>
<tr>
<th>At a glance: Minimum annual tax for 2021 tax year</th>
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<tr>
<td>C corporations</td>
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<tr>
<td>S corporations</td>
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<tr>
<td>Limited liability companies</td>
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<tr>
<td>Limited partnerships</td>
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<tr>
<td>Limited liability partnerships</td>
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</tbody>
</table>

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

Reminder
First-quarter estimated payments of Rhode Island personal income tax — for the 2022 tax year — are due on or before April 18, 2022. They can be made electronically via the Division’s taxpayer portal: www.taxportal.ri.gov
Filing Season: Free File Programs Now Online

Many taxpayers this season can file their federal and Rhode Island returns online, at no charge, by using the Free File program available on the Rhode Island Division of Taxation website:

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

To use the Free File program, go to the Rhode Island Division of Taxation’s Free File webpage (link above) and review the free offers displayed on that page from brand-name online tax providers to see the ones for which you may be eligible.

Choose the one that best suits your needs and click on it.

The federal tax-filing season is also now open. Therefore, if you are eligible for Free File — and many taxpayers are, you can now prepare and electronically file your federal and Rhode Island personal income tax returns at no charge through the Division of Taxation’s website.

Free File online products offer free federal and Rhode Island tax return preparation, free e-filing, and free direct deposit of refunds to ensure that you get your money faster. Rhode Island Tax Administrator Neena Savage wants taxpayers to know that “the Free File program is a fantastic resource for many taxpayers. We encourage taxpayers to visit the Free File page of website and explore any of the Free File offers they might be eligible for,” she said.

Free File may be especially appealing to the following groups:

- College students
- Young adults
- First-time filers
- Seniors and retirees
- People in the military
- Some young families

But those are not the only taxpayers who may benefit. To see if you may qualify, read each Free File offer for full details.

The Rhode Island Division of Taxation’s Free File webpage lists the Free File offers in alphabetical order and provides a brief description of each and a direct weblink to each.

Remember: Each of the offers on the Division of Taxation’s Free File webpage is for free online tax-preparation and filing of your federal and Rhode Island personal income tax returns. The Division encourages do-it-yourself taxpayers to read the information on each offer carefully before beginning the filing process.

Also, please keep in mind the following points:

- You must be eligible for Free File and you must file both your federal and state returns via the same Free File program in order to avoid charges/fees.
- If you have already filed your federal return using another electronic filing service, you will not be able to file your state return electronically.
- There may be a charge to file your taxes electronically if you do not meet the qualifications under the Free File program.
- Before you begin the online tax-preparation and e-filing process, gather up all the records that you would normally need to file a complete and accurate return, including Form W-2 wage statements, Form 1099 statements, Social Security numbers, healthcare forms, and bank account information.

- E-filing is the only method available for having your Rhode Island personal income tax refund deposited directly into your bank or credit union account. Direct deposit is not available for paper returns. Free File is a method of E-Filing and will allow your refund to be directly deposited into your account.

- The Free File offers will be available through October 2022 for returns that cover the 2021 tax year.

The Free File offers are not produced or endorsed by the Rhode Island Division of Taxation. Rather, they are produced by private-sector companies that have agreed to provide free online tax-preparation and e-filing services to those who qualify (based on income and/or other criteria). Do-it-yourself taxpayers who want to take advantage of the program should carefully read details of each offer before starting the tax-filing process.

Other options

Not comfortable preparing and e-filing your own return? Find a volunteer tax-preparation site near you by using the following link:

https://go.usa.gov/xeAUp

Rhode Island is one of many states nationwide offering the Free File program to taxpayers. The free service is made possible from Free File, which is a partnership between the Internal Revenue Service, the Rhode Island Division of Taxation, a number of other states, and the Free File Alliance.
**Filing Season:** Property-tax relief credit increase

The maximum credit available for qualifying taxpayers under the statewide property-tax relief program has increased 3.75%.

For the current filing season (covering tax year 2021 returns), the maximum credit claimed on Form RI-1040H is $415, up from $400 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.

As a result of a 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, 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 18, 2022. 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. To view this year’s form and instructions:

https://go.usa.gov/xtAAAn

<table>
<thead>
<tr>
<th>Statewide property-tax relief credit (Form RI-1040H)</th>
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<tr>
<td>Effective date:</td>
</tr>
<tr>
<td>January 2021</td>
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<tr>
<td>January 2020</td>
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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 the 2015 and later tax years, due to the formula.

**‘WHERE’S MY REFUND?’**

The Rhode Island Division of Taxation regularly updates its online “Where’s My Refund?” tool throughout the filing season: https://tax.ri.gov/online-services/wheres-my-refund
The following is a reminder for taxpayers, tax preparers, and other stakeholders.

The Rhode Island Division of Taxation sometimes publishes two newsletters in the first three months of a new calendar year.

When that occurs, the first newsletter is a special edition, focusing entirely on the filing season.

The second includes regular features of the Division’s quarterly newsletter, including

“Practitioners’ Corner” where we answer some commonly asked questions for tax preparers and “Legal Corner” where we provide brief summaries of recently issued administrative decisions.

However, as noted elsewhere in this newsletter, the Division this season is publishing a single, consolidated newsletter.

It includes articles, tables, and other helpful information for the filing season (please see previous pages). It also includes the regular features (see following pages), as well as some articles about what’s new for the 2022 tax year.

Information about Rhode Island unemployment insurance and temporary disability insurance (TDI) tax rates and taxable wage bases is available at the Rhode Island Department of Labor and Training website: https://dlt.ri.gov/

The Division’s newsletter continues on the following pages.
**TAX YEAR 2022: INTEREST RATES**

The Rhode Island Division of Taxation has posted the interest rates that will apply in 2022 to overpayments and delinquencies.

**Interest on underpayments**

The interest rate on delinquent tax payments has been set at 18 percent per annum for calendar year 2022, the same as it was for 2021. The rate per annum is set by statute, under Rhode Island General Laws § 44-1-7.

**Interest on overpayments**

The interest rate on overpayments (refunds) for calendar year 2022 has been set at 3.25%, the same as it was for 2021. The rate per annum is set by statute, under Rhode Island General Laws § 44-1-7.1.

**Prior years**

Taxpayers and tax professionals sometimes need to compute interest on underpayments or overpayments for prior years. The table at right shows interest paid on overpayments since 1971, when the personal income tax was enacted. The table at left shows interest rates charged on underpayments since 1971.

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**RHODE ISLAND TAX NEWS IN BRIEF**

**Inflation adjustments**

The Rhode Island Division of Taxation has posted an Advisory which shows certain inflation-adjusted amounts for the 2022 tax year, including the personal income tax standard deduction amount and exemption amount.

For details, please use the following link:

https://go.usa.gov/xtAAF

**Withholding**

The Division of Taxation has posted the tables that employers use to calculate how much Rhode Island personal income tax to withhold from employees’ pay.

The booklet also includes the form that employees may use to adjust their withholding. To view the booklet:

https://go.usa.gov/xtAsq

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**Social media**

Want to keep up with the latest developments from the Rhode Island Division of Taxation? Look to social media. To see what the Division has been posting on Twitter: https://twitter.com/

To see the Division’s blog (and to sign up for the blog): http://rhodeislandtax.blogspot.com/

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<th>Interest Rates</th>
<th>Personal Income Tax Assessments</th>
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<td>From</td>
<td>To</td>
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<tr>
<td>10/01/06</td>
<td>Present</td>
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<td>01/01/94</td>
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Tax Year 2022: Estate Tax Credit and Threshold

The Rhode Island estate tax credit amount and the estate tax threshold have increased for the estates of decedents dying on or after January 1, 2022.

The Rhode Island estate tax credit amount is now $74,300 for decedents dying on or after January 1, 2022, up from last year’s credit amount of $70,490 (which applied for decedents dying in calendar year 2021).

As a result, the Rhode Island estate tax threshold will be $1,648,611 for decedents dying on or after January 1, 2022, up from last year’s threshold of $1,595,156.

Thus, in general, for a decedent dying in 2022, a net taxable estate valued at $1,648,611 or less will not be subject to Rhode Island’s estate tax.

(In certain circumstances, the Rhode Island estate tax will not apply regardless of the estate’s size: Rhode Island General Laws Chapters 44-22 and 44-23 provide full details on the computation of the tax, including such factors as the marital and charitable deductions, and related matters.)

For estate tax forms, use the following link:
https://go.usa.gov/xtAsY

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Tobacco Law Changes

Former law forbade the Division of Taxation to issue a retail tobacco products dealer license or electronic nicotine-delivery system license to any individual, business, firm, association, or corporation whose license has been revoked or suspended.

That continues to be the case, but under House Bill 5571, Substitute A (passed by the House and Senate on July 1, 2021, and signed into law by the Governor on July 7, 2021), the list of entities is broadened to include any fiduciary, partnership, or trust. Furthermore, the new law adds to the definition of “license” any license issued under Rhode Island General Laws Chapter 44-20 (“Cigarette and Other Tobacco Products Tax”) or Chapter 23-1 (“Department of Health”).

In addition, in general, the new Rhode Island law prohibits the sale of tobacco products, little cigars, electronic nicotine-delivery system products, and certain other items to anyone under age 21. (The minimum age was formerly 18 for Rhode Island state law purposes.) The new Rhode Island law also requires that a conspicuous sign notifying persons of the new (higher) smoking age must be prominently posted where tobacco products are sold.
**Tax Year 2022: Changes involving estate tax forms**

In December of 2021, the Division announced a new and streamlined process for filing Estate Tax returns.

The new form RI–706 will replace forms RI-100 and RI-706A. Filers and preparers may know RI-100 as the form used for estates that fall under the Estate Tax threshold. Form RI-706A has been used for taxable estates, or non-taxable estates with a gross estate that is greater than the threshold set by statute.

Starting January 1, 2022, the executor/executrix, administrator/administratrix, or personal representative for the estate of a decedent who passed after January 1, 2015, who is filing a taxable or a non-taxable estate return, will need to use the new RI-706 form.

There has been no statutory change or change in the administration of the Estate Tax. This update is simply to streamline the forms used to file.

Line by line detailed instructions are available for the RI-706 on the Division’s website. The RI-706 offers a uniform and consistent experience for taxpayers, preparers, and the Division.

Filers will notice that the layout of the form is consistent with other Division forms and the federal 706.

Updated design and a streamlined one-form filing approach will reduce the processing time for estate filings - including quicker lien releases.

Filers should note that the implementation of the RI-706 does not change how Estate Tax returns are filed. Estate Tax returns must be filed as a physical form. Filers can mail their RI-706, or drop off the completed form at the Division by visiting the office from 8:30 a.m. to 3:30 p.m. on weekdays.

Those estates - all taxable and some non-taxable - who were previously required to file the RI-100A will find the filing requirements unchanged. Information requirements including the tax due, exclusions, and the deductions for a taxable estate (including the calculations on the form) are all present on the RI-706. The required fields on the RI-706 will be familiar to those who have previously filed on the RI-100A.

Supporting documentation requirements, and the demographic data needed to complete the form will also stay the same. Filers will need to enter the decedent's name, address, and personal information, as well as that of the preparer and representatives. The information regarding the location of the preparer and representative(s) has been moved to page 2 along with the marital status of the decedent.

Some additional small changes implemented with the RI-706 will also help expedite the filing process. One such update is the apportionment for estates with assets in and outside the state of Rhode Island. On the RI-706, there is only one apportionment schedule for use by both resident and non-resident estates.

Non-taxable estates with assets below $1,300,000 will be required to complete the assets portion (lines 1-12) of the RI-706 - which is known as the recapitulation schedule -differentiating the types of assets. This differs from the requirement of providing only the Rhode Island and non-Rhode Island asset amounts on the previous RI-100. The actual schedules related to the different classification will not be required for these non-taxable estates.

If the decedent’s gross estate exceeds the applicable threshold amount, the estate is taxable and must file. Non-taxable estates may also be required to file an Estate Tax return for various reasons.

Rhode Island’s Estate Tax credit is adjusted annually by the percentage increase (if any) in the consumer price index for all urban consumers (CPI-U). For decedents dying on or after January 1, 2022, the credit amount is $74,300, shielding from taxation the first $1,648,611 of an estate. Thus, in general, for a decedent dying in 2022, a net taxable estate valued at $1,648,611 or less will not be subject to Rhode Island’s Estate Tax.

In certain circumstances, the Rhode Island Estate Tax will not apply regardless of the estate’s size. Rhode Island General Laws provide full details on application of the Estate Tax, as well as computations and factors such as marital deductions.

As of January 1, 2022, regardless of threshold, taxable and non-taxable estates will be filed using the RI-706.

**Legislative changes**

Each year, when the General Assembly’s legislative session ends, the Rhode Island Division of Taxation posts a “Summary of Legislative Changes.” This document provides a handy summary of tax-law changes adopted in the session. The summaries also serve as helpful historical resources for tax professionals and others. To view the archive:

https://go.usa.gov/xeAEX
**Tax Year 2022: Sales Tax Permits**

Legislation approved in the 2021 session made changes eliminating the fees to apply for or renew a sales permit.

The submission of an application to make sales at retail is still required but the fee for periods on or after July 1, 2022 is not. The fee is still required for new permit applications for periods prior to July 1, 2022.

Under Rhode Island General Laws every person or entity making sales at retail in Rhode Island (or conducting certain other types of business) must file an application for a permit with the Division of Taxation for each place of business, and every sales permit holder who seeks to continue making sales at retail in Rhode Island (or conducting certain other types of business) must renew those permits with the Division of Taxation annually.

The application requirements have not changed. The changes relate only to fees. For new applications for periods that begin on or after July 1, 2022, and those renewals due by February 1, 2022 or later (covering periods after July 1, 2022), the $10 application and renewal fees have been eliminated. The requirement to file an annual reconciliation, on or before January 31 of each year, remains in effect.

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**Tax tip line**

If you have information about wrongdoing involving Rhode Island 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. To use the online fraud-reporting form:

https://rigov.wufoo.com/forms/report-rhode-island-tax-fraud/

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**‘Wavemaker’ Changes**

The “Stay Invested in RI Wavemaker Fellowship” - also known as the Wavemaker program or Wavemaker Fellowship - is available to graduates who have incurred student loan debt during the completion of an associate degree, bachelor’s degree, or graduate degree, and are pursuing careers in science, technology, engineering, mathematics, or design-related fields -- including life, natural, or environmental sciences; computer, information, or software technology; advanced mathematics or finance; engineering; industrial design, or other commercially related design field; or medical or medical device technology in the state. Any resident or nonresident with higher education loan debt who is employed in Rhode Island in one of the fields mentioned above may apply. The maximum annual Rhode Island personal income tax credit awarded under the Wavemaker program is $6,000 for graduate degree holders, $4,000 for bachelor’s degree holders, and $1,000 associate degree holders.

At the election of the recipient, the award may be taken in the form of a tax credit or a direct payment.

The program was scheduled to sunset on June 30, 2021. Under House Bill 6122, Substitute A, as amended Affects: Rhode Island General Laws Chapter 42-64.26, the sunset has been extended: no incentives or credits shall be authorized after December 31, 2022.

The new law also makes it clear that any award issued under the program after January 1, 2021, is exempt from Rhode Island personal income tax.
Rhode Island’s real estate conveyance tax applies when real estate changes hands. The tax is collected and remitted by cities and towns, which retain a portion of the tax collected.

Rhode Island’s real estate conveyance tax is equal to $2.30 for each $500.00 or fractional part thereof that is paid for the purchase of real estate or the interest in an acquired real estate company.

As a result of recently enacted legislation, effective January 1, 2022, an additional $2.30 tax will apply for each $500.00, or fractional part thereof, in consideration that is paid above $800,000.00 for the purchase of residential property or the interest in an acquired real estate company that includes residential property.

The new law sets forth the tax as follows:

A: The tax of $2.30 for each $500.00 or fractional part thereof is applied to the entire consideration paid on the purchase of real estate or the interest in an acquired real estate company.

B: A tax of $2.30 for each $500.00, or fractional part thereof, in consideration that is paid above $800,000.00 for the purchase of the residential property or the interest in an acquired real estate company that includes residential property.

The new law created an exemption from the real estate conveyance tax where the transfer takes place among owners, members, or partners in a real estate company with respect to an affordable housing development where:

- the housing development has been financed, in whole or in part, with federal low-income tax credits under Internal Revenue Code (IRC) § 42, or
- at least one of the owners, members, or partners of the company is a Rhode Island nonprofit corporation or an entity exempt from tax under IRC § 501(c)(3), or is owned by a Rhode Island nonprofit corporation or an entity that is exempt from tax under IRC § 501(c)(3), and the housing development is subject to a recorded deed restriction or declaration of land use restrictive covenants in favor of the Rhode Island Housing and Mortgage Finance Corporation, the State of Rhode Island Housing Resources Commission, the Federal Home Loan Bank or any of its members, or any other state or local government instrumentality under an affordable housing program. No such real estate company shall be an “acquired real estate company”.

**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.)
TAX YEAR 2022: PAYMENT METHODS

The Division strives to make paying your taxes as simple as possible, and to uphold our values of service, education, integrity, respect, and efficiency. In line with those values, we have created a new Taxpayer Portal that allows for same-day and future payments for all taxes administered by the Division of Taxation.

We allow for estimated payments, extension payments, payments with a tax filing, license renewal payments, bill payments and payments for various fees.

Some payment options include:

The Taxpayer Portal

Effective January 4, 2022, State tax payments can no longer be made via the “https://www.ri.gov/taxation/business/index.php” link or by calling “1-866-430-1272.”

Instead, online payments must be made via the Division’s Taxpayer Portal: www.taxportal.ri.gov.

Paying through the portal is easy, convenient, and quick. First-time users who want to register for the portal will need to obtain a PIN to gain access. Your PIN will arrive via postal mail — for this reason, please complete your Taxpayer Portal registration well in advance of your deadlines. Detailed instructions as well as helpful videos are available online at:

https://tax.ri.gov/online-services/tax-portal

For help, contact the Division via email at: taxportal@tax.ri.gov, or by phone at (401) 574-8484. The phone line is typically staffed from 8:30 a.m. to 3:30 p.m. on business days.

If you do not have a User ID and password, you may register using the New User Section to the left to create a new Taxpayer Portal user account or make a one-time payment through the “Same-Day Services” option. To make a payment without an account, select the “Make a Payment” option. When prompted for type of payment, select “bill payment.” You will then be able to enter your bill information and make a payment directly from your checking account.

Taxpayer Portal questions can be directed to the Rhode Island Division of Taxation via email: taxportal@tax.ri.gov, or by phone at (401) 574-8484.

ACH

For details on ACH credit (EFT) payment for sales, withholding, and a variety of other taxes electronically via the ACH network, please use the following link: https://tax.ri.gov/online-services/make-payment-online/ach-payments.

Check

Even with the advancement of electronic filing and Taxpayer Portal services, some taxpayers still choose to pay taxes using a personal or certified check.

The Division will continue to accept payments by check, including payments generated through a bank or credit union’s “bill pay” feature and payments arranged through commercial tax-preparation software (for example, a bank account debit arranged when preparing a personal income tax return).

Please refer to the form instructions for your tax returns to determine how to make a payment by check.

Credit Card

Payments by credit card made through the following link and for which a third-party fee is charged:

https://tax.ri.gov/online-services/make-payment-online/credit-card-payments.


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.

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**Refund for 2016**

At issue is whether the taxpayer’s Rhode Island personal income tax refund, claimed for 2016, should have been denied.

Returns for the 2016 tax year were due on April 18, 2017, but the Division did not receive the taxpayer’s return until July 14, 2020.

On that return, the taxpayer claimed a refund. 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. (Please see table on next page.) In this case:

◊ The taxpayer’s 2016 tax was deemed paid in April 2017. She was able to request a refund up to two years from that date. However, in this case, she filed her return in July 2020, which is beyond the two-year limit.

◊ Under the three-year rule, a refund may be claimed within three years of the date the return was filed. 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 July 2020 to the present.

At the hearing, the taxpayer said she had mailed her 2016 return prior to July 2020, but acknowledged that she had no documentary evidence to show that the earlier mailings were made.

On October 1, 2021, Hearing Officer Catherine R. Warren recommended a finding that the taxpayer is not entitled to the refund and that the Division properly denied the taxpayer’s refund claim. On the same date, the tax administrator adopted the hearing officer’s decision and recommendation.

--- Final Decision and Order No. 2021-05

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**Refund for 2017**

This case focuses on whether the taxpayer’s refund for 2017 should have been denied by the Division.

Returns for the 2017 tax year were due on April 17, 2018, but the Division did not receive the taxpayer’s return until December 24, 2020.

As noted previously, and in the table on the next page, there is a two-year rule and a three-year rule when it comes to personal income tax refunds.

In this case, the taxpayer’s 2017 tax was deemed paid on April 17, 2018. She was able to request a refund two years from that date. But she filed her return in December 2020, which is beyond the two-year limit.

--- 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 Tax Division 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 PRECEDING PAGE)

(Please turn to next page)

The taxpayer was within the three-year limit, but under the three-year rule, a refund is limited to the tax paid within three years of filing the return. She filed her return in December 2020, and she had not paid any tax (related to the 2017 tax year) from December 2020 to the present.

At a hearing, the taxpayer did not dispute the rules; the taxpayer testified as to personal reasons for failing to file returns timely. The Division did not dispute that the taxpayer faced personal issues, but noted that there are no exemptions provided in statute for such issues.

On October 5, 2021, the hearing officer recommended a finding that the taxpayer was not entitled to the refund she claimed for 2017 and that the Division properly denied the taxpayer’s refund claim.

On the same date, the tax administrator adopted the hearing officer’s decision and recommendation.

- Final Decision and Order No. 2021-06

Refund offset

The Division of Taxation offset a taxpayer’s 2019 personal income tax refund. Should the Division have done so? Following is a brief summary of a detailed case.

In early 2020, the Division sent the taxpayer a notice that the Division had adjusted his 2019 personal income tax refund because of the taxpayer’s outstanding liability to the Rhode Island Department of Corrections. The taxpayer contested the offset, requested a hearing, and a hearing was held. At the hearing, the Division made several points:

- The Division is authorized by statute to process offsets on behalf of other agencies, one of which is the Department of Corrections (DOC).

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.

❖ If a government agency determines that someone owes the agency money, and the agency seeks to recover the money via a Division of Taxation refund offset, it is up to the agency to inform the debtor of its intent to submit the debt to the Division.

(Please turn to next page)
Legal Corner

Recent State Tax Cases in Summary (continued from preceding page)

The Division is not responsible for validating that a taxpayer owes the debt in question.

The taxpayer testified that when he was sentenced to prison in 1998, court fees were imposed, but not probation fees. When he was released, a judge waived all his court fees.

The taxpayer also asserted that the Division should refund his offset because it was for probation fees, which he said he did not owe. The taxpayer’s points also included the following:

- He obtained a waiver of probation fees from his probation officer.
- He did receive one bill for probation fees, but did not pay that bill.
- He received a letter in 2019 from the DOC which stated that he owed a certain sum in probation fees and that the DOC intended to send the debt to the Division in order to collect the money.

The Division said that it followed the law and the applicable procedures; if the taxpayer has complaints, they should be directed to the DOC or the courts.

The hearing officer found that, among other things, the Division is authorized by statute to offset personal income tax refunds in order for other agencies to collect outstanding liabilities owed by taxpayers to other agencies.

On October 7, 2021, the hearing officer recommended a finding that the Division was authorized by statute to process the offset of the taxpayer’s 2019 personal income tax refund upon request of the DOC, and that there are no grounds for the taxpayer’s appeal, so the appeal should be dismissed. On October 7, 2021, the tax administrator adopted the hearing officer’s decision and recommendation.

-- Final Decision and Order No. 2021-07

Motor fuel tax

On several occasions, the taxpayer purchased fuel and paid Rhode Island motor fuel tax on those purchases. The taxpayer subsequently filed, with the Division, claims for refund of motor fuel tax paid.

The Division denied the first three refund claims because they were filed outside of the statutory period of 240 days as set forth in Rhode Island General Laws § 31-36-13. The Division allowed part of the fourth refund claim but denied the remainder as out-of-time.

On appeal, the taxpayer asserted that it is an agency of the United States so it is governed by the six-year statute of limitations under federal law (28 U.S.C. § 2415).

The Division asserted that the taxpayer’s reliance on the federal statute (see above) is misplaced because the 6-year statute of limitations was inapplicable. The Division also asserted that the taxpayer’s refund claims were filed beyond the limit prescribed by State law.

The hearing officer found that the Division has jurisdiction over the matter; the federal statute (referenced above) is inapplicable to the State administrative proceeding relating to refund claims; and that the taxpayer’s refund claims are out-of-time. On November 5, 2021, the hearing officer recommended a finding that the taxpayer is not entitled to the four claims for refund because they were made over 240 days from the dates of purchase of the motor fuel, and that the Division properly denied the claims. On November 12, 2021, the tax administrator adopted the hearing officer’s decision and recommendation.

-- Final Decision and Order No. 2021-08

Tobacco products

Following is only a brief summary of a detailed 27-page decision.

The Division audited a convenience store, initially for sales and use tax, then for other taxes—including tax owed on the sale of tobacco products other than cigarettes (also known as “other tobacco products” or “OTP”).

The taxpayer asserted that the Division included, in its audit calculation, nontaxable items such as telephone cards; that the taxpayer’s purchases were not for taxable tobacco products but instead were for groceries and various nontaxable pipes; and that certain records were lost in a basement flood.

(Please turn to next page)
RECENT STATE TAX CASES IN SUMMARY (CONTINUED FROM PRECEDING PAGE)

The Division asserted that the taxpayer did not sustain its burden of proof to rebut the presumption of taxability; that the Division has statutory authority to determine the amount of tax owed on the basis of any information in the Division’s possession; and that the claim was not credible that the taxpayer lost its invoices due to a flood that occurred more than one year after the Division’s initial request for business records.

On November 10, 2021, the hearing officer recommended a finding that the taxpayer owes the assessed OTP tax, assessed interest, and a penalty of five times the tax due. On November 17, 2021, the tax administrator adopted the hearing officer’s decision and recommendation.

-- Final Decision and Order No. 2021-09

Cigarette tax

This decision addresses whether the taxpayer owes cigarette tax, and if so, should any sanctions be imposed.

During a compliance inspection, the Division seized cartons of cigarettes, packs of cigarettes, rolling papers, and tubes that did not have the statutorily required Rhode Island cigarette tax stamp on them.

The taxpayer was issued a notice for deficiency for taxes owed and penalties. The hearing officer upheld the assessment.

On November 20, 2021, the tax administrator adopted the hearing officer’s decision and recommendation.

-- Final Decision and Order No. 2021-10
**Practitioners’ Corner**

**Questions and Answers about State Taxes**

**Q: Do unemployment insurance benefits count as income for purposes of the statewide property-tax relief program - Form RI-1040?**

Yes.

Your question has to do with what counts toward the $30,000 household income limit for purposes of the Rhode Island property-tax relief credit on Form RI-1040H.

This tax season, you’ll be computing what counts as income for 2021. In that computation, remember to include all unemployment benefits you received in 2021.

It does not matter whether some or all of your unemployment benefits in 2021 were or were not treated as income for federal income tax purposes or for Rhode Island income tax purposes. The computation for the property-tax relief credit on Form RI-1040H has its own rules -- and it counts all unemployment benefits received by the household in 2021 as income.

**Q: During the coming filing season, for 2021 returns, what will be the Rhode Island tax treatment of PPP loan amounts that were forgiven in 2021?**

The Rhode Island legislation enacted in 2021 involving loan forgiveness amounts under the federal Paycheck Protection Program (PPP) applies to any taxable year beginning on or after January 1, 2020. Thus, to answer your question, the treatment applies to PPP loan amounts forgiven in 2021.

Therefore, if the amount of the loan forgiven during 2021 exceeds $250,000, the increment above $250,000 must be added to the taxpayer’s income for Rhode Island tax purposes during the 2022 filing season (covering tax year 2021 returns).

In other words, the same Rhode Island tax rules that applied to PPP loans forgiven in 2020 also apply to PPP loans forgiven in 2021.

However, there is a key change: For PPP loans forgiven in 2020, the law required that the Division waive interest and penalty on the taxable portion of each PPP loan that was taxed under the corporate income tax (Rhode Island General Laws Chapter 44-11), the bank excise tax (Chapter 44-14), and the personal income tax (Chapter 44-30) that was forgiven during the 2020 tax year -- provided that the tax on that portion is paid in full on or before March 31, 2022.

For PPP loans forgiven in 2021, the waiver provision described above will not apply. The increment of a PPP loan forgiven in 2021 that exceeds $250,000 will be treated the same as other types of income for purposes of computing any interest and penalty that may be due.

An additional difference between the PPP loan treatment for 2020 and 2021 is that 2021 PPP loan forgiveness will be included on your normal income tax filing as opposed to the separate PPP return for 2020.

(Please turn to next page)
Q: I’m a volunteer tax preparer. Starting in July 2021, some of my clients received monthly advance payments of the federal child tax credit. Will those payments count as income for purposes of the statewide property-tax relief program - Form RI-1040?

No.

Your question has to do with legislation that was approved by Congress and signed into law in March 2021 by President Joseph R. Biden Jr. It’s called the American Rescue Plan (U.S. Public Law PL 117-2).

One of that law’s provisions temporarily broadened the federal child tax credit program and increased the amount of the credit. In addition, the law required the Internal Revenue Service to make payments of the credit during late 2021 -- in advance of the 2022 filing season.

The Division typically does not count federal or state tax refunds and tax credits against the $30,000 annual household limit that applies in Rhode Island’s property-tax relief program (Form RI-1040H). The same principle applies to the advance child tax credit payments.

So, bottom line: If your client during 2021 received advance payments of the federal child tax credit, those payments do not count as income for the purposes of the Rhode Island property-tax relief credit program’s $30,000 household income limit. So, when it comes to preparing the client’s Form RI-1040H during the 2022 filing season, ignore the advance federal child tax credits that the client received in 2021. In other words, do not count those payments as income.

Q: If a taxpayer received a federal stimulus payment in 2021, is that considered to be income for purposes of the Rhode Island personal income tax? Also, are such payments counted as income when calculating the statewide property-tax relief credit on Form RI-1040H?

The federal stimulus payments (also known as economic impact payments, COVID-19 payments, or recovery rebates) are not considered income for Rhode Island personal income tax purposes. Do not include those payments when you do your Rhode Island personal income tax return during the 2022 filing season, for the 2021 tax year.

Also, the federal stimulus payments are not considered income for purposes of calculating the property-tax relief credit on Form RI-1040H. So, when you are preparing Form RI-1040H during the 2022 filing season, for the 2021 tax year, the federal stimulus payments do not count as part of one’s household income and should not be included on the Form RI-1040H.

Q: For the past few filing seasons, we’ve held off on filing our single-member LLC returns until the final forms and vouchers were ready. Can we file all of our SMLLCs in early January even if the forms/vouchers say “Form Pending – Do Not File”?

No. We cannot accept and process forms that contain a watermark with words such as “Form Pending – Do Not File” on them. Our image and data capture software is unable to read such returns.

If your tax-preparation software produces forms and vouchers that say “Form Pending – Do Not File”, the vendor’s software has not been cleared by us for use for the filing season. The programs have not completed and passed acceptance testing. It could mean such process steps from the fact that we have not received necessary information to the vendor itself having not completed necessary programming and testing.

We work with vendors throughout the fall so that their software programs can be cleared by us for use at the start of the filing season. Once a vendor has submitted the proper forms and clearance has been obtained, that watermark/language is able to be removed.

Once a vendor receives the approval from us, the vendor may still need to finalize programming and testing on their end so the watermark may not be removed right away.
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How to contact us

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Website

www.tax.ri.gov

(For numbers and e-mail addresses for specific sections, click the “Contact us” link under the “About Us” section.)

Mailing address

Rhode Island Division of Taxation
One Capitol Hill
Providence, RI 02908

Telephone

Phone: (401) 574-8829
Fax: (401) 574-8917

Newsletter contributors

The following Division of Taxation personnel provided information or other assistance for this issue of Rhode Island Tax News:

Carlita Annicelli  Catherine Warren
Crystal Cote  Bethany Whitmarsh
Donna Dube
Leo Lebeuf

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