



Rhode Island Department of Revenue **Division of Taxation**

Presentation to RIAPA

October 19, 2022

Agenda

- Neena Savage
 - About The Division, Introducing the Taxpayer Experience Office, Industry Guides
- Leo Lebeuf
 - Child Tax Rebates, Pass-Through Changes, State Tax Notices
- Rahul Sarathy
 - Cannabis Tax, Sales Tax Modernization, Electronic Filing Mandate
- Q&A

Neena Savage

Tax Administrator

About Us

The Division of Taxation: One of six agencies in the Department of Revenue

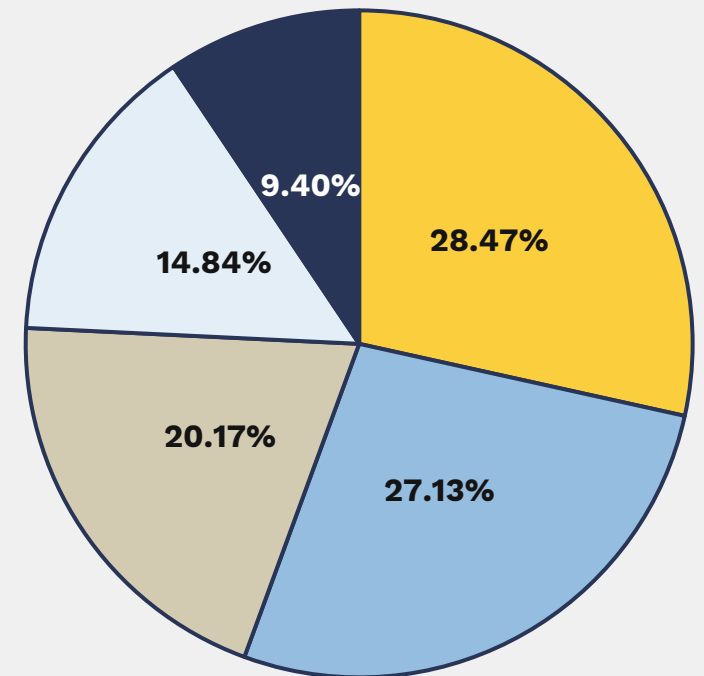
- The Rhode Island Division of Taxation employs **223 tax professionals**, administering more than **59 different taxes and fees**.
- Taxes represent **the most significant source of General Fund revenue** for Rhode Island – funds used to help pay for vital services including public safety, education, transportation, and recreation for all Rhode Islanders.
- Each year, the Division **collects and distributes more than \$5 billion** in funds to the State, municipalities, and other agencies (as of FY 22).

Our Mission

- To foster voluntary compliance with the Rhode Island tax laws and instill public confidence through professional, impartial and ethical conduct.
- To administer and collect all taxes as required by Rhode Island law in the most efficient and cost-effective manner.
- To assist taxpayers by helping them understand and meet their tax responsibilities.

Total State Tax Revenue Collected by the Division of Taxation for Fiscal Year 2022 (\$, In Millions)

FY22 Receipts: \$5B

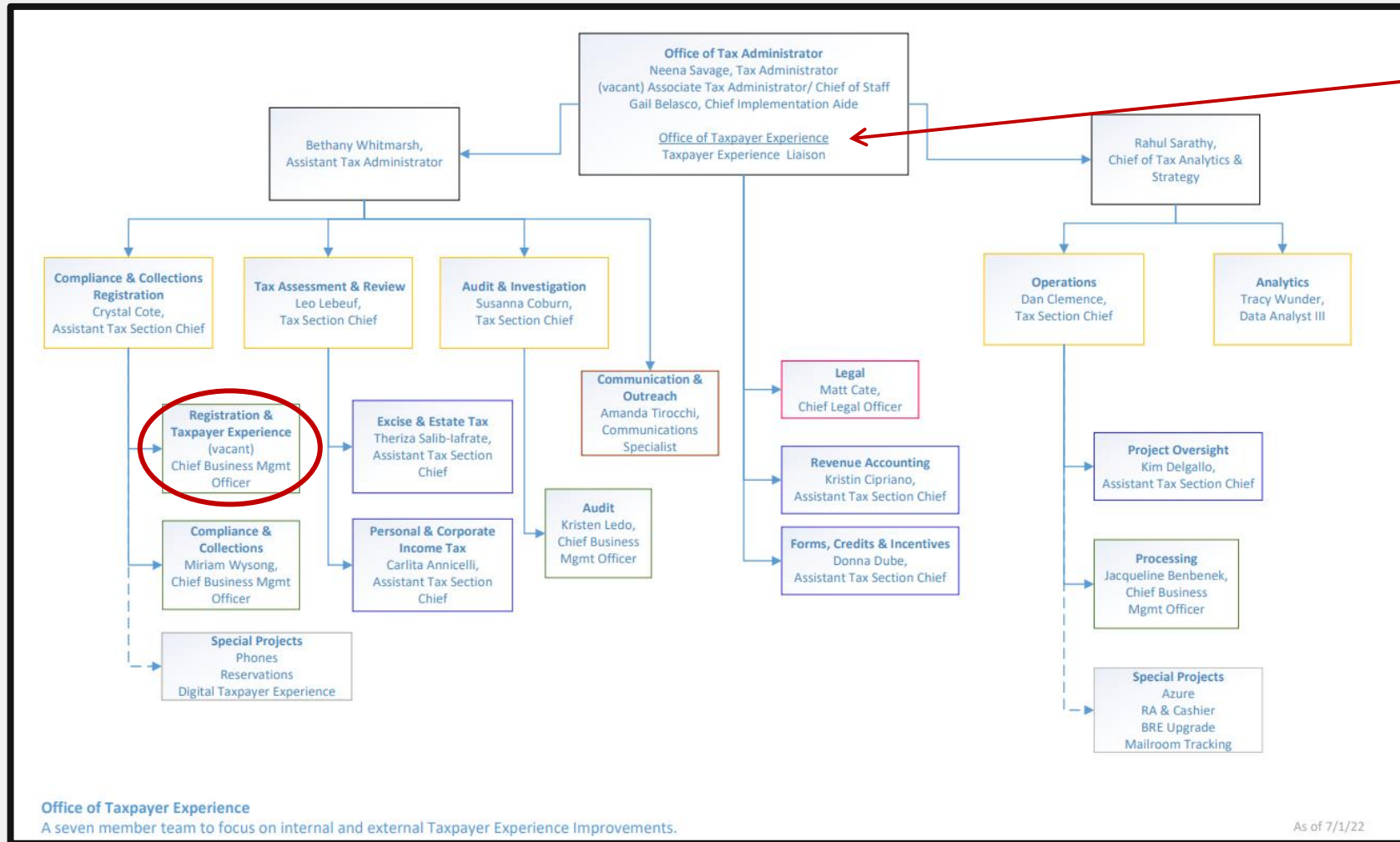


■ Withholding ■ Sales ■ Corp ■ PIT ■ Estate, M&B, Hotel & Other

About Us: Key Stakeholders/Interactions



Taxpayer Experience Office/Team



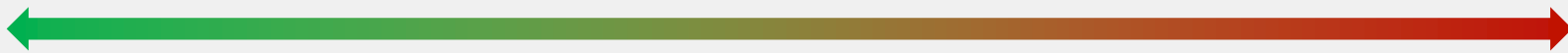
Taxpayer Experience Office Team

- Tax Administrator
- Asst Tax Administrator
- **External Facing: Taxpayer Experience Liaison**
- **Internal Taxpayer Experience Team** (With Initial Focus on Collections/Compliance)
- Continue Improvements Across Agency at all Taxpayer Contact Points

Division of Taxation: Mission

The Tax Administration Efficiency Continuum

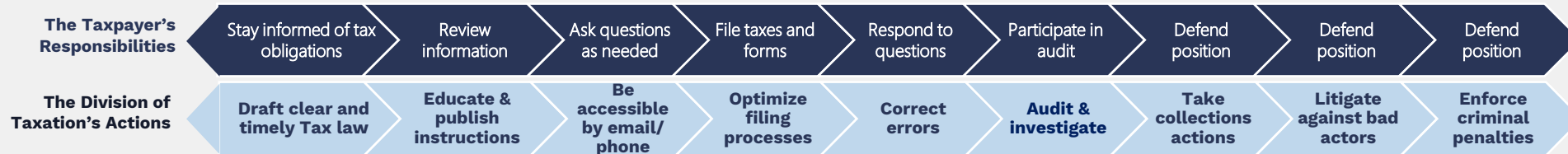
VOLUNTARY COMPLIANCE



FORCED COMPLIANCE

Less expensive, more efficient revenue generation

More expensive, less efficient, but necessary



How are we improving taxpayer services, voluntary compliance?

- ▲ Creating a dedicated taxpayer experience team, expanding outreach to aid taxpayers, providing more direct access for taxpayers, creating educational material for common taxpayer issues
- ▲ Expanding the taxpayer service portal, creating digital signature options, upgrading technology, appointment system pilot
- ▲ Improving staff training, data analysis, improving forms and data retrieval
- ▲ Expanding the remote audit program, implementing best practices
- ▲ Developing industry guidelines

Taxpayer Experience Office/Team

Industry Library Initiative

- Beginning with Restaurant and Hospitality Industry
- Developing a comprehensive guide
 - Segmented brochures
- Goal: to help businesses achieve and maintain voluntary compliance
- [The Restaurant Industry & Rhode Island Tax Guide for Businesses](#)

Taxpayer Experience Office Strategy

- Internal: Continue improvements in wait times (telephone, email, walk-ins)
- External Outreach Plan with Key Stakeholders
- Listening Tour with Key Stakeholders, Continuous Documentation and Improvement

Internal Taxpayer Experience Improvements

- Continue to cross-train staff to focus on improving taxpayer inquiries (phones, emails, walk-ins).
- Proactive appointments at Taxpayer's convenience via virtual appointment cards and appointments being piloted.
- Investigating cloud-based soft phone enhancements to meet taxpayer demand.
- Self-service Taxpayer Kiosk.

External Taxpayer Experience Liaison

- Dedicated resource to engage on outreach to taxpayers and assist taxpayers.
- Incorporate taxpayer responses and track metrics.
- Will aid voluntary compliance by messaging.

Outreach to Stakeholders

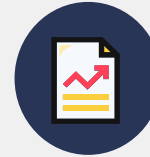
- In the process of planning the next six months of outreach with: RISCPA (and other tax professional entities), Hospitality Association, League of Cities and Towns, Manufacturers, Tourism Bureaus, Chambers of Commerce.
- Necessary to aid understanding of Division of Taxation processes, resources, and enhance compliance.

Assisting Taxpayers and the State



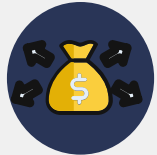
Tax Professional Education

The Division regularly meets with professionals from the Rhode Island Society of Certified Public Accountants, the Rhode Island Association of Public Accountants, the National Association of Tax Professionals, CPE Associates, and the Rhode Island Society of Enrolled Agents, enabling a continuous dialogue among parties—and impacting thousands of individuals and businesses.



Data Sharing and Offset Programs

The Division of Taxation collects and provides data to several state partners to support their operations, including the Secretary of State, Commerce, DLT, cities and towns, and the General Treasurer's office. In addition, the Division assists DHS and the state's Child Support program through the operation of offset programs.



Municipal Distributions

The Division collects and distributes several taxes on behalf of cities and towns in the state, helping to provide municipalities with regular sources of revenue, including meals and beverage taxes, hotel taxes, and acquired real estate taxes.



Community Outreach

Currently, most e-mail communications received by the Division are responded to within 24 hours. As part of its effort to reach seniors and low-income taxpayers, the Division meets regularly with representatives of the Volunteer Income Tax Assistance (VITA) program and the AARP Foundation Tax-Aide program.



Key Stakeholder Partnerships

Working with industry associations to refine communication, provide information, and enhance voluntary compliance: tax professionals, cities/towns, business groups, hospitality and manufacturing representatives.

Initial Targeted Assistance for Small Business

Internal Taxpayer Experience Team

Enhanced Services

Direct Access

Division is available via phone and e-mail and responds quickly to communications from taxpayers. Provide Follow-up assistance to new businesses within 10 days.

Tax Portal

Easy access to account information and simple payment options.

Business Registration Services

Dedicated staff to assist with registrations and related questions.

Outreach

Social Media

Division posts updates and valuable information on listserv, blog and Twitter.

Community Events

In-person or Zoom events to discuss tax law and changes impacting the community.

Key Stakeholder Outreach

Regular and coordinated efforts to engage with CPAs including specialized publications and conferences.

Piloting an appointment system in the next month with RI Society of CPAs. Adding League of Cities/Towns, Hospitality Association, Manufacturers, Chambers of Commerce and Tourism Bureaus.

External Taxpayer Experience Liaison and Team

Our Future Taxpayer Experience Plans



Establishment Taxpayer Experience Team

This team will consist of an external facing taxpayer experience liaison, an internal taxpayer experience team including taxpayer service representatives to answer general questions, and a taxpayer experience team within our tax registration team. All staff will be trained to assist taxpayers as needed. Listening to stakeholders and developing content.



Promotion of Taxpayer Education

In evaluating the effectiveness of these processes, the Division seeks to expand its outreach to individuals and businesses through direct communication and social media resources.



Expansion of the Taxpayer Portal

The Division's online resource for filings and payments, the taxpayer portal, has been established as an alternative to paper filings or filings through an antiquated system. The Division continues to improve ease of use-based taxpayer feedback with videos and other content related to usability.



Innovations in Auditing

Another product of the pandemic, the Division was able to shift from physical in-person audits to remote auditing that allows for additional comfort for taxpayers and staff without sacrificing security and effectiveness. The Division will increase its reliance on remote auditing to maintain its audit capacity and timeline and increase compliance.

Leo Lebeuf

Taxpayer Experience Liaison

Child Tax Rebate

- Legislation signed by Governor McKee on 06/27/22 as part of budget bill H7123Aaa
- Eligible Taxpayers will receive a rebate payment of \$250 per child, up to maximum of \$750
- Rebates will be issued to eligible taxpayers based on a 2021 Personal Income Tax filing
- To qualify, 2021 Personal Income Tax return on extension must be received by 10/17/22

Child Tax Rebate

- Eligible taxpayer
 - Must have filed their Rhode Island 2021 personal income tax return as either:
 - Single, married filing separately, head of household, or qualifying widow/widower with a federal adjusted gross income of \$100,000 or less; or
 - Married filing jointly with a federal adjusted gross income of \$200,000 or less
 - Have a qualifying child dependent (eighteen years of age or under as of December 31, 2021)
 - And be domiciled in the State of Rhode Island

Child Tax Rebate: Timeline

October 2022: First round of checks based on filings through August 31, 2022



December 2022: Second round of checks based on filings through October 17, 2022

Child Tax Rebate

- Additional Items to Note
 - Return must be filed in order to qualify
 - All rebates will be issued by check
 - Rebate is exempt from state income tax
 - If address has changed, complete the change of address form [Child Tax Rebate Change of Information Form](#)
 - Dedicated [Webpage](#)
 - [Child Tax Rebate FAQ](#)
 - Rebate Tracker Tool is available: [Child Tax Rebate Status \(ri.gov\)](#)

Pass Through Entity Changes

- Two-year implementation
- Tax Year 2023
 - Pass through withholding will be included on the Entity level return
 - Estimated payments made on BUS-EST or RI-1041ES
 - For BUS-EST, check RI-1120 for RI-1120S or RI-1065 filers
 - RI-1041-ES would include withholding on Fiduciary filers
 - Forms RI-1120S, RI-1065 and RI-1041 will be updated to include a “PT” Schedule and tax due line
- Tax Year 2024
 - Pass through Entity Elections will be included on the Entity level return with same form changes from withholding in 2023

Pass Through Entity Changes

Pass Through

Tax Year 2023:
Use Bus-Est
instead of RI-
1096PT-ES

04/15/23

Tax Year 2023:
Use Bus-Ext
instead of RI-
1096PT-EXT or filing
of Entity Return
with PT Schedule

03/15/24

Tax Year 2023:
Filing of Entity
Return on
extension with
PT Schedule

09/15/24

Tax Year 2024:
Use of Bus-Est
with Entity
checkbox
instead of PTE
checkbox

04/15/24

Tax Year 2024:
Use of Bus-Ext
with Entity
checkbox
instead of PTE
checkbox or
filing of Entity
return with PT
Schedule

04/15/25

Tax Year 2024:
Filing of Entity
return with PT
Schedule on
extension

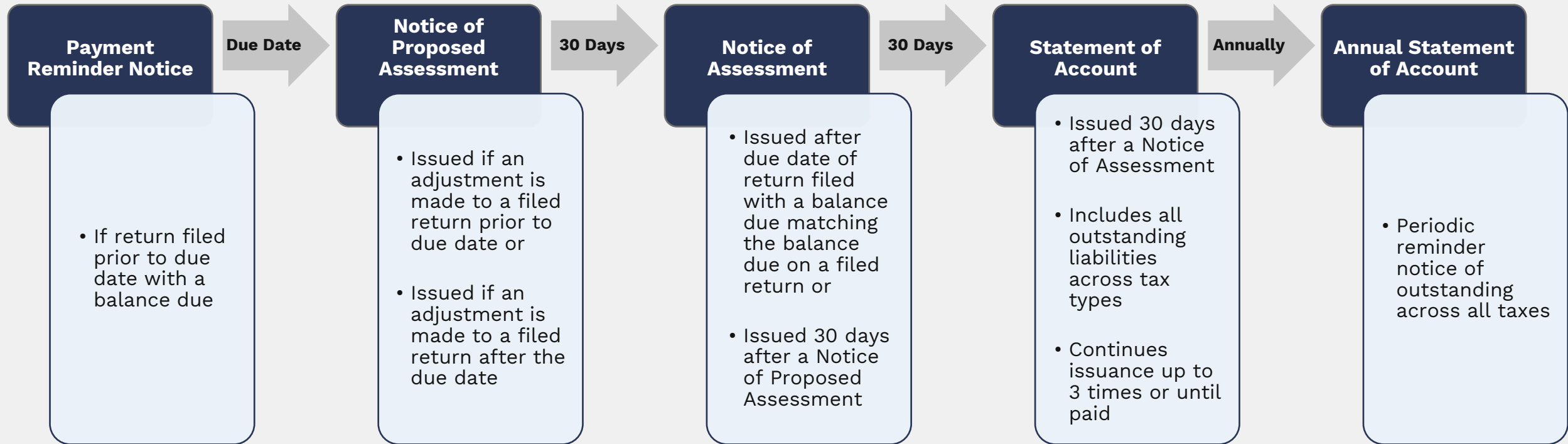
09/15/25

Pass Through Entity

Pass Through Entity Changes

- Why Change?
 - Increase to Voluntary Compliance
 - Allow for MEF/Electronic filing
 - Ease filing burdens
- Why Two-year Implementation?
 - Complexity
 - PTE modifications vs payment credits
 - Accounting methods
 - Requirement vs Election

State Tax Notices Timeline



State Tax Notices Timeline

- Other assessment notices
 - Compliance Notices – similar to a NOPA
 - CP 2000 – match to federal audit change notice
 - Federal State Match – matching state filing to federal filing for discrepancies
 - IRMF – matching federal income sources to RI non-filers
 - IRTF – Filed federal return with no RI return
 - Audit Notices
 - Audit Notice of Assessment
 - Responsible Officer Notice of Assessment
 - Statement of Accounts – 30 days after all NOAs
 - Overpayment Adjustment Notice

Rahul Sarathy

Chief of Tax Analytics & Strategy

Cannabis Legalization

- House Bill 7593Aaa signed by Governor on 05/25/22
 - Regulated by the Cannabis Commission
 - Including issuance of various groups of licenses issued by Commission
 - Limited retail locations set to begin 12/01/22
 - [Office Of Cannabis Regulation | Dept. of Business Regulation \(ri.gov\)](#)
 - Still many questions to be answered

Cannabis Legalization

■ Adult Use Cannabis

□ Taxes

- 10% State Excise Tax
- 3% Local Excise Tax
- Subject to 7% Sales Tax
- Exempt from 4% Compassion Center Surcharge

□ Returns

- Cannabis Excise Tax Form (on Portal)
- Monthly Sales & Use Tax Return

■ Medical Cannabis

□ Taxes

- Exempt from State Excise Tax
- Exempt from Local Excise tax
- Still subject to 7% Sales Tax
- Still subject to 4% Compassion Center Surcharge

□ Returns

- CCS-67 Compassion Center Surcharge Return
- Monthly Sales & Use Tax Return

Sales Tax Modernization

- New version of Sales Tax Form
 - Beginning January 2023
 - Alignment with neighboring states
 - Impacts monthly and quarterly filers but will now use same form
 - Return remains only one page
 - Allow taxpayer to reconcile sales tax monthly/quarterly
 - New booklet mailing
 - [Sales Tax Modernization Advisory](#)
- Tips
 - Accurately complete all fields
 - Gross Sales
 - Itemize deductions
 - Include NAICS code and account ID#

Electronic Filing & Payment Mandate

- Electronic filing and payment mandate for large business registrant taxpayers effective 01/01/2023
 - Large Business Registrant defined:
 - is operating a business whose combined annual liability for **all taxes** administered by the Division of Taxation for the entity is or exceeds \$5,000; or
 - is operating a business whose annual gross income is over \$100,000 for the entity
 - Penalties
 - \$50 per occurrence for failure to file electronically
 - 5% of tax amount or \$500, whichever is less for failure to pay electronically
 - Taxpayers with reasonable causes may be exempt on a case-by-case basis.

Questions?



Thank you



STATE OF RHODE ISLAND

Division of Taxation

Department of Revenue

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STRICT & CONFIDENTIAL

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