Agenda

Introduction
Personal Income Tax
State Tax Notices
Excise and Estate Tax
State Tax Notices
Q & A
Carlita Annicelli
Chief, Personal and Corporate Income Tax
Child Tax Rebate

Legislation signed by Governor McKee on 06/27/22 as part of budget bill H7123Aaa

Eligible taxpayers received a rebate payment of $250 per child, up to maximum of $750

Rebates were issued to eligible taxpayers based on a 2021 Personal Income Tax filing

To qualify, 2021 Personal Income Tax return on extension must have been 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 were issued by check
- Rebate is exempt from state income tax
- 1099Gs will be issued for federal tax purposes for amounts over $600
- 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 available
Personal and Corporate Income Tax

2022 Filing Season

- 709K returns filed
- 488.6K Refunds issued
- 46,004 calls
- 1,084 walk-ins
- 11,730 emails
2023 Filing Season

- Inflationary changes
  - Personal Exemptions $4,350
  - Standard Deduction
    - Single/Married Separate $9,300
    - Joint/Qualifying Widow(er) $18,600
    - HOH $13,950
  - Phaseout $217,050 – $241,850
- Social Security Amounts
  - Single $95,800  Joint $119,750
- Pension and Annuity
  - Single $95,800  Joint $119,750
  - Statute added to match to SSI Modification
MeF Updates

- MeF filing for Personal Income, Corporate and Fiduciary
  - RI-1040 and RI-1040NR
  - RI-1120C, RI-1120S, and RI-1065
  - RI-1041
- Prior year filings going back to 2020
- Will allow payment through MeF for Corporate and Fiduciary with 2022 returns
- Looking into extensions through MeF for Tax Year 2023
Pension/Annuity and Social Security Modifications

- Modification is based on full retirement age of 66 years and 4 months (born on or before 09/01/1956)
- All Filing statuses (single, separate, head of household, married joint or widow(er))
- Fed adjusted gross income thresholds (less than $80,000 and $100,000) indexed for inflation
- Once AGI limitations are passed, no modification
- Does not include IRAs
- $15,000 limitation applies per individual for pension/annuity. Unlimited for SSI.

- Pension and Annuity Guidance document
### Changes to come – Tax Year 2023

#### Exemption for military pensions
- Cannot use same income for existing retirement exemption
- No cap or limitation
- No age restriction

#### Increase in existing retirement exemption
- Increase cap from $15,000 to $20,000
- No change to current AGI limit
  - For 2022: Single $95,800
    Joint $119,750
Personal and Corporate Income Tax

• Individual Mandate Update
  
  • Rhode Island’s health coverage mandate remains in effect
  
  • Dedicated website: http://www.tax.ri.gov/healthcoveragemandate/index.php
  
• Tips for Health Insurance Mandate
  
  • Open Enrollment is 11/01/22 – 01/31/23 (Open Enrollment - HealthSource RI)
Personal and Corporate Income Tax

• If any member of the household did not have full year health coverage, please complete the form accurately for all members of the household. Proper completion will ensure any potential penalties being calculated correctly.

[Image of Form IND-HEALTH Individual Health Insurance Mandate Form]
<table>
<thead>
<tr>
<th>Property Tax Relief</th>
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</thead>
<tbody>
<tr>
<td><strong>Maximum Credit for 2022</strong> = $600.00</td>
</tr>
<tr>
<td>Household income (taxable and nontaxable) = $35,000 or less</td>
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<tr>
<td>One credit per household</td>
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<tr>
<td>Home or dwelling unit must be subject to property tax</td>
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<tr>
<td>Nonresidents do not qualify, full-year Rhode Island residents only</td>
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<tr>
<td>Must be 65 or older or disabled (receiving social security disability, SSI, or SSDI qualifies)</td>
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<tr>
<td><strong>Form update – bank account withdrawals</strong></td>
</tr>
<tr>
<td>Responses to previous questions <a href="#">RI-1040H FAQ</a></td>
</tr>
</tbody>
</table>
## Earned Income Tax Credit Reminders

- The Rhode Island EITC is in addition to the Federal EITC. Rhode Island EITC rate is a percentage of the Federal EITC amount.
  - 2018-2022 = 15.0%
- RI EITC is a refundable credit, which means the credit will be refunded to the taxpayer to the extent it exceeds the taxpayer’s tax liability.
- RI conforms to federal eligibility and income thresholds.
- RI tax preparer’s regulation includes guidance on due diligence requirements and records retention for EITC and RI-1040H property tax credit.
- [Tax Preparer's Regulation 280-RICR-20-55-4](#)
- If credit ineligibility is suspected, we may need to take extra steps to validate the EITC claim.
  - Returns without expenses
  - Documentation for income reporting Ex. Requests for licenses, records, statements, etc.
Extension Discussion

Extension of Time to File (280-RICR-20-55-2)

• Extension of time to file; Not time to pay

• Definition of a Proper Estimate

• “Proper estimate” means a Rhode Island extension form filed by the regular due date which declares at least eighty percent (80%) of the tax due for the taxable year.

• Extension must be filed on time and have “proper estimate” to be considered valid

• Federal extension is acceptable if no payment is due on 04/15

• Regulation covers “Reasonable Cause” for Waiver of Late Filing Addition to the Tax
Personal and Corporate Income Tax

Income Requests

• **Penalty Waivers**
  - Requests should be in writing and all balances should be paid in full less the penalty
  - Allow at least 30 days to process
  - Notification will be sent to the taxpayer once processed

• **Requests for Information**
  - Responses should be received within 20 days of request
  - Documentation can be mailed, emailed, faxed, or submitted through drop box
  - Email or fax encouraged, as it allows for proof of receipt
  - Once response is submitted, please allow 5 business days before checking the status
  - Only send copies, we are not responsible for originals sent via mail
Pass-Through Entity Changes

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

Two-year implementation
Pass-Through Entity Changes

**Tax Year 2023:**
- Use Bus-Est instead of RI-1096PT-ES
- Filing of Entity Return on extension with PT Schedule

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

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

**Tax Year 2024:**
- Filing of Entity Return on extension with PT Schedule on extension
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

- **Payment Reminder Notice**
  - If return filed prior to due date with a balance due

- **Notice of Proposed Assessment**
  - Issued if an adjustment is made to a filed return prior to due date or
  - Issued if an adjustment is made to a filed return after the due date

- **Notice of Assessment**
  - Issued after due date of return filed with a balance due matching the balance due on a filed return or
  - Issued 30 days after a Notice of Proposed Assessment

- **Statement of Account**
  - Issued 30 days after a Notice of Assessment
  - Includes all outstanding liabilities across tax types
  - Continues issuance up to 3 times or until paid

- **Annual Statement of Account**
  - Periodic reminder notice of outstanding across all taxes
### 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
  - Overpayment Adjustment Notice
Section Contact Information

Personal Income
- Phone: 401-574-8829 Option #3
- Email: tax.assist@tax.ri.gov

Nonresident Real Estate
- Phone: 401-574-8829 Option #4
- Email: tax.nonres713@tax.ri.gov

Corporate Income
- Phone: 401-574-8935
- Email: tax.corporate@tax.ri.gov
Theriza Iafrate
Chief, Excise & Estate
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
- Exempt from Cigarette Tax if rolling paper or cone sold with cannabis inside.
- License as Cigarette Dealer (for sale of rolling papers/cones); $25 fee

Returns
- Cannabis Excise Tax Form (on Portal)
- Monthly Sales & Use Tax Return
- T-19 Form for cigarette tax on unstamped, unfilled rolling papers or cones (for Cannabis Retailers Only)

Medical Cannabis

Taxes
- Exempt from State Excise Tax
- Exempt from Local Excise tax
- Still subject to 7% Sales Tax
- Subject to 4% Compassion Center Surcharge
- Exempt from Cigarette Tax if rolling paper or cone sold with cannabis inside.
- License as Cigarette Dealer (for sale of rolling papers/cones); $25 fee/License application.

Returns
- CCS-67 Compassion Center Surcharge Return
- Monthly Sales & Use Tax Return
- T-19 Form for cigarette tax on unstamped, unfilled rolling papers or cones (for Cannabis Retailers Only)
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
  - Individuals and trusts filing personal or fiduciary income tax returns are not larger business registrants for the purposes of R.I. Gen Laws §44-1-31.2
Excise and Estate Tax

• New Sales Tax Exemptions effective 10/01/22
  • Certain funeral items used by funeral director as part of the business of funeral directing
  • Breast pumps, breast pump collection and storage supplies
  • Trade-in value of motorcycles

• Some Excise Tax Reminders
  • Sales Tax Permit Fee Eliminated by Statute as of 07/01/22
    • Forms still required to apply for renewal annually

• Annual Reconciliations
  • Complete all lines correctly
  • Do not use prior year forms
Estate Tax Update

• Form-RI-706 Estate Tax return
  • Combines the RI-100 and RI-100A into one form
  • As of 01/01/2022, all returns with Date of Death on or after 01/01/2015 including non-taxable estates prior to 01/01/2015
  • Taxable estate with DOD prior to 01/01/2015 should email tax.estate@tax.ri.gov for Form 100A
• Estates greater than $1.3M need to complete entire return
• Estates below $1.3M need to complete pages 1 – 4 including Part 6, recapitulation schedule
• $50 filing fee still applies
• Backup **must** be provided
Interest Rate Reduction

• Interest Rate Reduction for non-trust funds
  • Minimum of 12% for most taxes-Effective 01/01/2023
  • Minimum of 18% remains for trust fund taxes
    • Sales
    • Hotel
    • Meals and Beverage
    • Withholding
• Change in guidance
  • ADV 2022-25.pdf
  • Interest Rate Change FAQ
Section Contact Information

Estate Tax
- Phone: 401-574-8829 Option #8
- Email: Tax.Estate@tax.ri.gov

Sales & Excise Tax
- Phone: 401-574-8955
- Email: Tax.Excise@tax.ri.gov
Thank you

Contact Us
Tax.Outreach@tax.ri.gov
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Providence, RI 02908