



Rhode Island Department of Revenue Division of Taxation

Fourth Annual Hobby to Business Summit

Session 2: RI Division of Taxation, Business Taxes 101

March 4, 2023

Tax Administrator's Welcome and Opening Remarks

Neena S. Savage
Rhode Island Division of Taxation
Tax Administrator



Business taxes 101

Session 2 Goals: Introduce you to the RI Division of Taxation and explore the ins and outs of business and sales taxes in RI, including:

- obtaining a sales tax account
- filing regular returns
- managing flea market/craft fair sales
- applying for certain exemptions



Agenda

- About the Division of Taxation
- How do I comply?
 - registration
 - sales tax
 - flea markets
- Exemptions
- Q&A



About Us

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

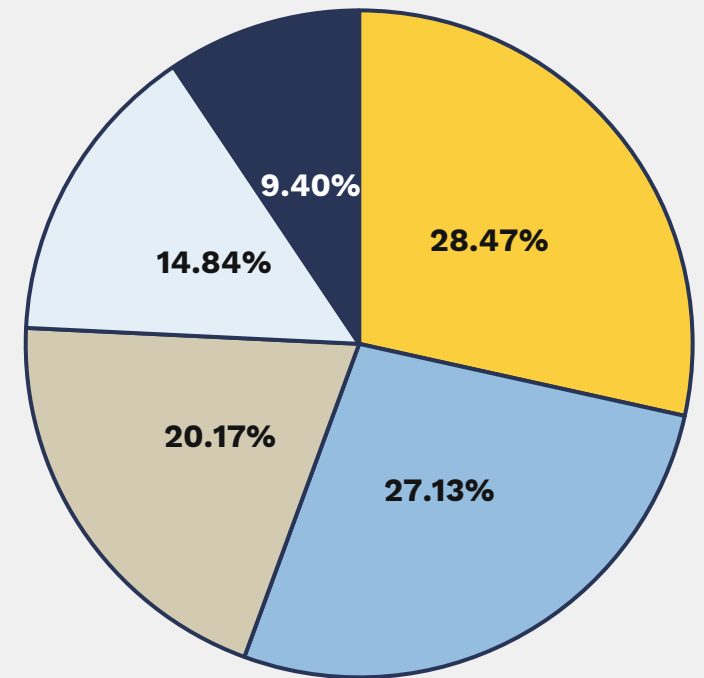
- The Rhode Island Division of Taxation employs **223 tax professionals**, administering more than **59 different taxes and fees**.
- Taxes represent **the most significant source of General Fund revenue** for Rhode Island – funds used to help pay for vital services including public safety, education, 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

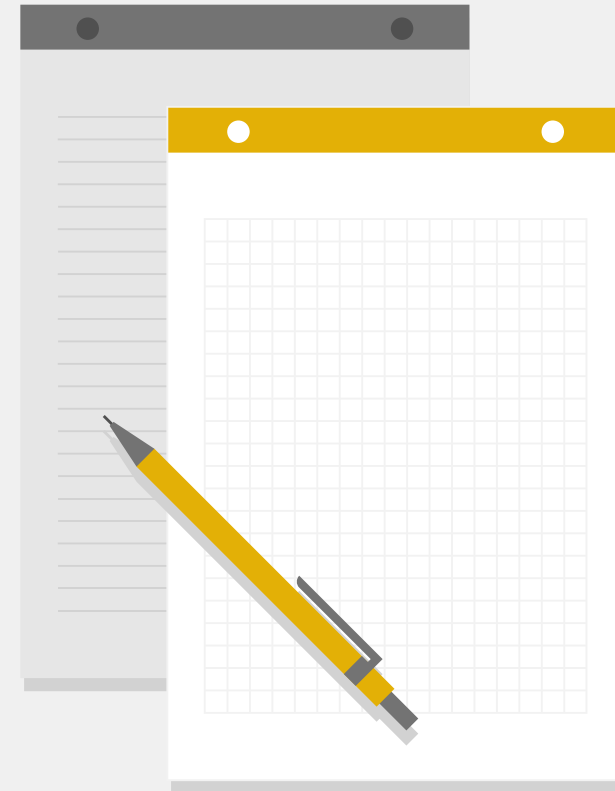


■ Withholding ■ Sales ■ Corp ■ PIT ■ Estate, M&B, Hotel & Other

About Us

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Are you ready to start your business?

Taxation registration is just one of the steps in setting up a new business.

Other Federal/Income Tax Considerations:

- [Earning side income: Is it a hobby or a business? | Internal Revenue Service \(irs.gov\)](#)
- [IRS Publication 535, Business Expenses for a further guidance on Business expenses](#)
- [About Publication 334, Tax Guide for Small Business \(For Individuals Who Use Schedule C\) | Internal Revenue Service \(irs.gov\)](#)





Are you ready to start your business?



- Be sure to review RI's Business Basics before starting this important legal process.
- The Business Services staff at the secretary of State's office are available to assist customers over the phone at (401) 222-3040 or via email at corporations@sos.ri.gov, Monday through Friday, 8:30 a.m. to 4:30 p.m.

Registration

Step 1: Gather required information



Step 2: Register your business



Step 3: Confirm your filing



Step 4: Get Federal Employer Identification Number



Step 5: Register with the RI Division of Taxation



Step 6: Congratulations! Download your Welcome Packet!

From the Secretary of State website [Register Your Business In RI - Rhode Island](#)

Registration

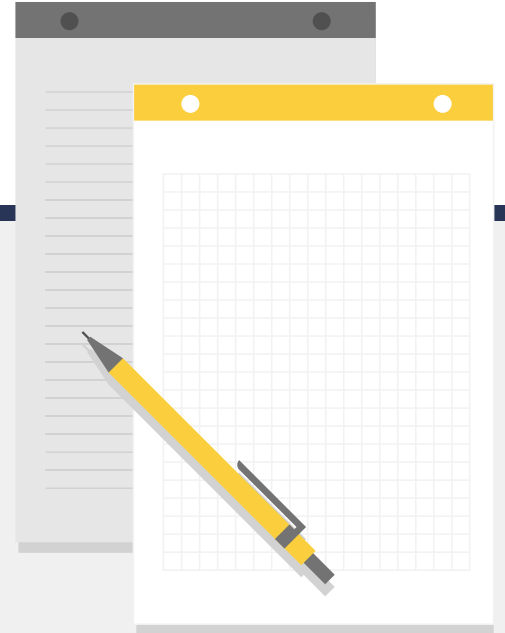
Step 5: Register with the RI Division of Taxation:

- Business Application and Registration form (BAR)
- BAR may be used to register your business for the following:
 - Permit to make sales at retail;
 - Income tax withholding account (including withholding for pensions or trusts);
 - Rhode Island unemployment insurance account (including Rhode Island temporary disability insurance (TDI) and Rhode Island job development fund tax).

Note: Some permits (including litter fee, cigarette license) requires registration fees. The fee has been eliminated for sales tax permits effective after July 1, 2022.

Online Registration: [Register your Business Online | RI Division of Taxation](#)

Paper Form: [Business Application and Registration](#)



Registration

Taxation Tips:

- We suggest registering your business online, but also support registration via mail.
- Our fully interactive online business registration service allows you to register your business and pay associated registration fees with your credit card.
- Taxpayer Portal:
[Taxpayer Portal | RI Division of Taxation](#)




Sales Tax Overview

- A 7% sales tax is due on all taxable sales made by your business (unless those sales are exempt).

FAQ: [Sales & Use Tax | RI Division of Taxation](#)



Sales Tax Responsibilities

State of Rhode Island Division of Taxation				 23128099990101	
Form RI-STR Sales and Use Tax Return					
Name			Account identification number		
Address			For the period ending: <input type="checkbox"/> Amended Return		
Address 2			NAICS code		
City, town or post office	State	ZIP code	E-mail address		

Computation of Tax

GROSS SALES & EXEMPTIONS	1	Gross Sales for the Period.....	1			
		2 a	Resale.....			
		2 b	Interstate Sales.....			
		2 c	Non-Taxable Sales and Services.....			
		2 d	Exempt Organizations.....			
	2 e	Other (Specify): _____				
	3	Total Deductions (Add lines 2a through 2e).....	3			
	4	Taxable Sales (Line 1 less line 3).....	4			
CREDITS & TAX DUE	5	Total Trust Fund Sales Tax Due and Required to be Remitted ("Sales Tax") (Multiply line 4 by 7%).....	5			
	6	Total Use Tax Due (From Use Tax Worksheet in Instructions).....	6			
	7	Total Sales Tax and Use Tax Due (Add lines 5 and 6).....	7			
		8 a	Prepaid Sales Tax (Licensed Cigarette Dealers Only).....			
		8 b	Other (Specify): _____			
9	Total Credits (Add lines 8a and 8b).....	9				
	10	Amount Due (Line 7 less line 9).....	10			

Sales Tax Responsibilities

STEP 1

Log on to the Taxpayer Portal: taxportal.ri.gov.

STEP 2

Choose: "Transactions" → "File a Form"

STEP 3

Complete the return. Remember to enter your NAICS code & Account ID#.

STEP 4

Enter Sales and Deductions

STEP 5

Certify, sign, and submit your return & submit payment.

Tips:

- Know your Account ID#
- Know your NAICS code
- Enter your Gross Sales Amount



Sales Tax Responsibilities

SALES TAX FILING AND PAYMENT CHECKLIST:

- Know your Account ID #
- Know your NAICS code
- Have your Gross Sales Amount
- Identify each distinct deduction amount
- Log on to the Taxpayer Portal
- Choose:
 - "Online Transactions" → "File a Form"
- Enter Sales and Deductions
- Click Calculate and Submit



Sales Tax Overview



Selling via traditional channels

Via a store front in this state or from your home office:

- You must obtain a sales tax permit and compute the tax according to the destination of the sale:
 - In-State sales:
 - The tax is computed on the selling price of the taxable goods and services including shipping costs.
 - Out-of-State sales:
 - Please reach out to the destination state to determine the tax rate and the taxability treatment.

Sales Tax Overview



Selling online

Using online platforms / remote sellers:

- Starting in 2017, most states that impose a sales tax instituted a “remote seller” law and economic nexus thresholds.
- With the introduction of the remote seller laws, major retailers, such as Walmart, Amazon, and similar retail sale facilitators, became liable to register, collect, and remit the tax to the various states.
- If you exclusively sell your product on the retail sale facilitator’s website, you may not need to obtain your own sales tax permit.
- If your business model is a mix of online platforms and selling directly to customers, then you must obtain a sales tax permit for the sales you make outside of the online retailers’ platforms.
- RI’s threshold, along with other valuable information, is posted for out-of-state retailers on the Division’s website: <https://tax.ri.gov/tax-sections/sales-excise/remote-sellers>.

Sales Tax Overview

Selling online

The Streamlined Sales and Use Tax Agreement (SSUTA):

- RI adopted the SSUTA and registration is an option for those that sell in multiple states.
- Provides a convenient way to register, collect, and remit sales tax for various states.
- Register through the Streamlined Sales Tax Registration System (SSTRS).
- You may register in all Streamlined States or just selected states with one application.
- You can update your registration information for all Streamlined States in which you are registered through the SSTRS.
- There are no fees or other charges to register in a state in which you have no legal requirement to register. Some states may charge a fee if you have a legal requirement to register. If those states require a fee, they will contact you.

Sales Tax Overview



Flea markets

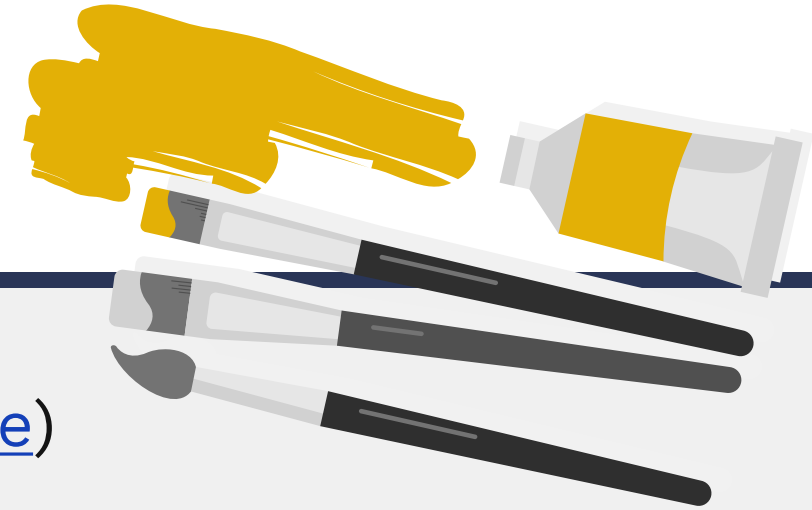
- Flea market vendors are not issued a permit to make sales at retail if the vendor only sells at a flea market.
- You must instead apply for a special flea market vendor's permit.
- A flea market vendor's annual registration fee is \$120 -
 - a flea market vendor may, at its option, register on a quarterly basis for a fee of \$40 or on a 30-day basis for a fee of \$10



Sales Tax Overview

- Records:
 - Records, including the following, must be kept at least six (6) years:
 - Sales receipts;
 - State and Federal Tax Returns;
 - Purchase invoices;
 - Documents that show price change(s);
 - Cash register tapes;
 - Exemption certificates (renewed every four (4) years);
 - Resale certificates.

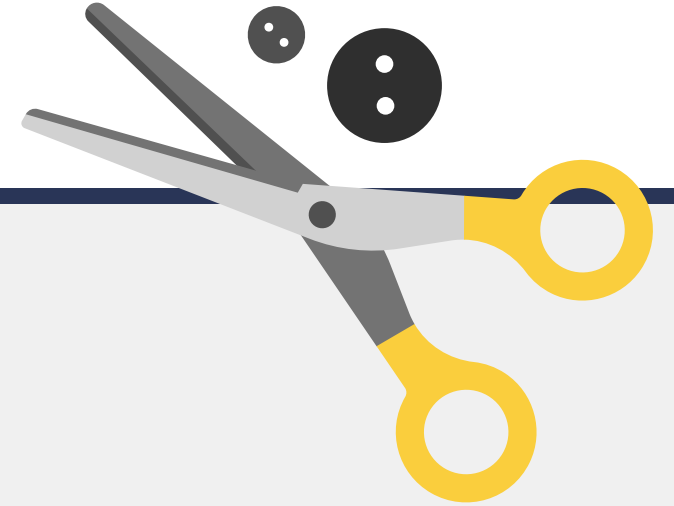
Exemptions



Artist Exemption (found on our [Audit Forms page](#))

- Rhode Island is the first state in the nation to allow for a statewide sales tax exemption on the sale of original and limited edition works of art.
- Exempt art includes books or other writings, plays, musical compositions, paintings, prints, photographs, sculptures, crafts, and fine art photography -
 - Must be an original work of art or limited edition.
- Works of art are permanent objects -
 - Consumables such as handmade candles or soaps are therefore not tax exempt.

Exemptions

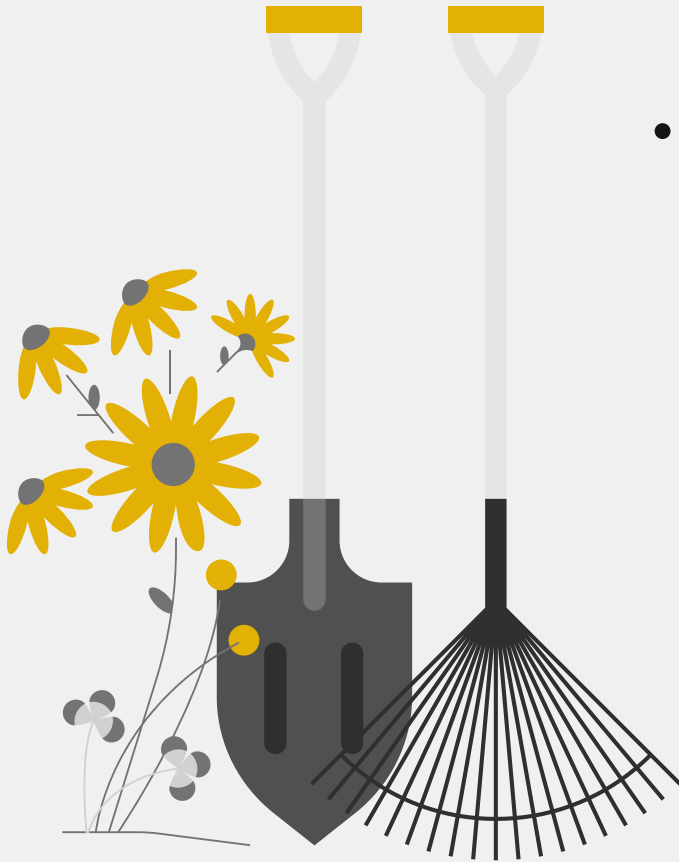


Artist Exemption

- [Regulation 280-RICR-20-70-50](#)
- Rhode Island sales permit.
- File the annual reconciliation form – Form T-204W-Annual, Writers, Composers and Artists Annual Reconciliation.

Exemptions

Farm Exemption (found on our [Audit Forms page](#))



- Farm Equipment/Structure Construction Material
 - New applications must include the preceding year's federal return along with Schedule F.
 - Applications for renewal must include the federal returns for the preceding 2 years, including Schedule F and a copy of your most recent certificate.
 - Horse farming may necessitate the inclusion of further materials.

Exemptions

Farm Exemption

- Farm Equipment/Structure Construction Material
- [Regulation 280-RICR-20-70-50](#)



Website Components and Features

Resources for Businesses

- [Sales & Excise | RI Division of Taxation](#)
- [Corporate | RI Division of Taxation](#)
- [Contact Us | RI Division of Taxation](#)
- [Credits | RI Division of Taxation](#)

The screenshot displays the website header for the State of Rhode Island Division of Taxation, Department of Revenue. The navigation bar includes links for Online Services, Resources for..., Tax Sections, Forms, Guidance, and About Us. The 'Resources for...' dropdown menu is open, showing options for Overview, Individuals, Businesses (highlighted), and Software Developers. Below the navigation, there is an 'Agency Announcements' section with a 'Show Alerts' button. The main content area features a sidebar with a 'Resources for...' section containing expandable categories: Individuals (+), Businesses (-), Audit, Corporate, Electronic Filing Mandate, and Registration. The main content area displays the heading 'Resources for Businesses' followed by two new items: '* NEW * [The Restaurant Industry & Rhode Island Tax Guide](#)' and '* NEW * [Guidance for Completing and Filing the new Sales Tax Return - RI-STR - for periods beginning on or after January 2023](#)'. Below these items, a paragraph states: 'In accordance with changes signed into law in June of 2022, a larger business registrant will be required to use electronic means to file returns and remit taxes to the State of Rhode Island for tax periods beginning on or after January 1, 2023. Visit our [Electronic Filing Mandate page](#) for more information on this requirement.' The section concludes with the heading 'Business Taxes'.

Single Member LLC vs Sole Proprietor

Single Member LLC

- Entity apart from its owner
- Registered as an entity with RI Department of State
- Has liability protection—limited to investment
- Registration date—dissolution date
- Subject to annual charge (currently \$400) on separate tax form for state purposes

Similarities

- Files Form 1040 reporting on Schedule C to pay federal income taxes
- Files RI-1040 to pay state income tax on Federal AGI including Schedule C income

Sole Proprietor

- Owner is the entity
- Can register a trade name with local municipalities
- Personal liability
- No dissolution to close business
- No separate filing requirement/annual charge

Corporate Tax

Limited Liability Company

Federal

- No entity filing requirement
- Income tax paid by member(s) on tax return
 - Corporation member(s) would pay on Form 1120
 - Individual member(s) would pay on Schedule C of 1040
 - A partnership or another LLC member(s) would flow through activity to their member(s)

State

- Required to file RI-1065 to report income/loss and pay annual charge of \$400
- Income tax paid by member(s) on their income tax return
 - Corporation member(s) would pay on RI-1120C
 - Individual member(s) would pay on RI-1040 flow from Federal AGI of Form 1040
 - A partnership or another LLC member(s) would flow through activity to their member(s)

Compliant Taxpayer Profile

Generic Retailer with retail sales out of a RI location of \$250,000 per year of mostly taxable goods. Taxpayer is an LLC taxed as a partnership for federal tax purposes with two partners. They have 5 employees with average total taxes withheld of \$700 per month. Compliance:

- Registered for taxpayer portal
- RI-STR filed by 20th of each month
- Withholding payments made each Monday
- RI-941 filed quarterly before 4/30, 7/31, 10/31 and 12/31.
- Annual Sales Permit renewal filed by 2/1
- RI-W3 filed by 1/31
- W2s filed by secure FTP using tax.prodcontrol@tax.ri.gov by 1/31
- T-204R Sales Tax Annual Reconciliation filed by 1/31
- RI-1065 filed by 3/15 with \$400 annual charge and RI K1s to partners
- Partners file RI-1040ES making estimated payments on 4/15/, 6/15, 9/15 and 1/15
- Partners file RI-1040 by 4/15

Compliant Taxpayer Profile

Restaurant with annual gross receipts of \$750,000 located in Cumberland which delivers into Central Falls and Lincoln. Taxpayer is an S-corporation and 10 employees.

- Registered for taxpayer portal
- RI-STR filed by 20th of each month
- MTM filed by 20th of each month
 - Must complete Schedule A of return with sales distributed between Cumberland, Central Falls and Lincoln
- Litter permit fee of \$100 based on Gross Receipts by 8/31
- Withholding payments made each Monday
- RI-941 filed quarterly before 4/30, 7/31, 10/31 and 1/31.
- Annual Sales Permit renewal filed by 2/1
- RI-W3 filed by 1/31
- W2s filed by secure FTP using tax.prodcontrol@tax.ri.gov by 1/31
- T-204R Sales Tax Annual Reconciliation filed by 1/31
- RI-1120S filed by 3/15 with \$400 minimum tax and RI K1s to partners
- Shareholders file RI-1040ES making estimated payments on 4/15/, 6/15, 9/15 and 1/15
- Shareholders file RI-1040 by 4/15

Contact

- Registration
Email: tax.registration@tax.ri.gov
Phone: [401.574.8938](tel:401.574.8938)
- Sales/Use; Motor Fuels; Cigarette/Tobacco Products
Email: Tax.Excise@tax.ri.gov
Phone: [401.574.8955](tel:401.574.8955)
- Taxation Self-Service Portal Help (including PIN requests, setting up an online account, filing a return on the Portal or making a Portal payment)
Email: taxportal@tax.ri.gov
Phone: [401.574.8484](tel:401.574.8484)
- Compliance and Collections including Letters of Good Standing
Email: Tax.Collections@tax.ri.gov
Phone: [401.574.8941](tel:401.574.8941)
- Corporate Taxes, Bank Taxes, Insurance (Gross Premium and Surplus Line)
Email: Tax.Corporate@tax.ri.gov
Phone: [401.574.8935](tel:401.574.8935)



Q&A



Thank you



STATE OF RHODE ISLAND

Division of Taxation

Department of Revenue

Contact Us

401-574-8955

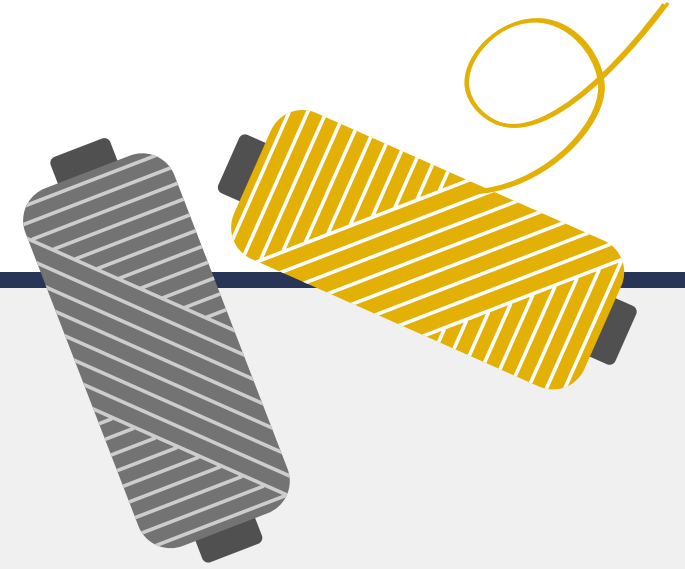
Tax.Excise@tax.ri.gov

One Capitol Hill

Providence, RI 02908



Appendix 1



For information regarding the impact of sales on income tax, please see the below resources:

- [IRS Publication 535, Business Expenses for a further guidance on Business expenses](#)
- [Earning side income: Is it a hobby or a business? | Internal Revenue Service \(irs.gov\)](#)
- [About Publication 334, Tax Guide for Small Business \(For Individuals Who Use Schedule C\) | Internal Revenue Service \(irs.gov\)](#)

Appendix 2

Sales Tax - SSUTA



- Brief explanation of Certified Service Providers (CSPs)
 - The CSP will file the tax returns for those sellers that use a CSP. For all other sellers, each state will provide information on how to file and pay taxes for that state.
 - There is only one sales tax return required for each state for each taxing period. A separate return may be required to report use tax due from a seller in its capacity as a buyer.
- A seller that uses a Certified Automated System (CAS) will have the ability to file a Simplified Electronic Return.
 - All other sellers (except those noted below) may use a Simplified Electronic Return at the state's discretion. A seller may utilize each state's existing returns or the Simplified Electronic Return.

Appendix 2

Sales Tax - SSUTA

- In most states a seller that registered as “other” does not have to file a tax return more often than once a year unless the seller collects \$1,000 in taxes.
 - Once a seller collects \$1,000 in tax for a state the seller must file and pay that tax. At that point, a state may also require a return and payment more often than once a year.
 - A seller who was already registered in a state should continue to file as they have been, unless instructed differently by the state.



SSUTA FAQs:

- [Streamlined Sales Tax: | RI Division of Taxation](#)
- [FAQs - Information About Streamlined \(streamlinedsalestax.org\)](https://streamlinedsalestax.org)