



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

MA/RI NATP Presentation

January 4, 2024

Agenda

- About Us: Division of Taxation
- Personal Income Tax Update
- State Tax Notices and Software Vendors Process
- Excise and Estate Tax Update
- Closing remarks

Carlita Annicelli
Chief,
Personal and Corporate Income Tax

Personal and Corporate Income Tax Section



- 673K returns filed
- 481K refunds issued
- 42,925 calls
- 1,394 walk-ins
- 12,873 emails

As of 10/06/23

Personal and Corporate Income Tax Section

- Personal Exemptions \$4,700
- Standard Deduction
 - Single \$10,000
 - Joint/Qualifying Widow(er) \$20,050
 - HOH \$15,050
 - Married filing Separately \$10,025

- Exemption and Deduction Phaseout Amounts
 - \$233,750 – \$260,550

2023 Tax Year
Inflationary changes

- Social Security Amounts
 - Single \$101,000 Joint \$126,250
- Pension and Annuity
 - Single \$101,000 Joint \$126,250

- Property Tax Relief Credit \$650
 - Income Limitation \$37,870

Personal and Corporate Income Tax Section

TY2023 Updated Filing Options

Pass-Through Withholding

Tax Year 2023:
Use BUS-EST
instead of RI-
1096PT-ES

04/15/23

Tax Year 2023:
Use BUS-EXT
instead of RI-
4868PT or filing of
Entity Return with
PTW Schedule

03/15/24

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

09/15/24

Tax Year 2024:
Use of BUS-
EST with line
for PTW/PTE

04/15/24

Tax Year 2024:
Use of BUS-
EXT or filing of
entity return
with PTE
Schedule

04/15/25

Tax Year 2024:
Filing of entity
return with PTE
Schedule on
extension

09/15/25

Pass-Through Entity Tax

Personal and Corporate Income Tax Section

TY 2022 Current Filing Options

MeF

- RI-1040
- RI-1120C, RI-1120S, RI-1065
- RI-1041
- Return/Voucher Payments

Portal

- RI-1096PT
- RI-PTE
- Return/Voucher Payments
- RI-4868PT Extension
- PTE Extensions

Estimates

- RI-1040ES
- BUS-EST
- RI-1096PT-ES
- RI-1041ES

Personal and Corporate Income Tax Section

TY2023 Updated Filing Options

MeF

- RI-1040
- RI-1120C, RI-1120S, RI-1065 (with PTW Schedule)
- RI-1041 (with PTW Schedule)
- Return/Voucher Payments
- Extensions

Portal

- RI-PTE
- Return/Voucher Payments
- PTE Extensions

Estimates

- RI-1040ES
- BUS-EST
- RI-1041ES

Personal and Corporate Income Tax Section

Earned Income Tax Credit Reminders

- Rhode Island EITC is in addition to the Federal EITC. Rhode Island EITC rate is a percentage of the Federal EITC amount. 2018-2023=15.0% **2024=16.0%**
- 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.
- Other points to consider:
 - Returns without expenses.
 - Documentation for income reporting (e.g. **requests** for licenses, records, statements, etc.).

Personal and Corporate Income Tax Section

Property Tax Relief Reminders

Maximum credit for 2023 = \$650.00

Household income (taxable and nontaxable) = \$37,870 or less

One credit per household

Home or dwelling unit must be subject to property tax

Municipal owned public housing is not subject to property tax, therefore credit is disallowed

Nonresidents do not qualify, full-year Rhode Island residents only

Must be age 65 or older or disabled (receiving social security disability, SSI or SSDI qualifies)

Responses to previous questions [RI-1040H FAQ](#)

Personal and Corporate Income Tax Section

Property Tax Relief Reminders

- What is household income?

14	Wages, salaries, tips, etc. from Federal Form 1040 or 1040-SR, line 1z.....
15	Interest and dividends (taxable and nontaxable) from Federal Form 1040 or 1040-SR, lines 2a, 2b and 3b.....
16	Taxable refunds, credits or offsets of state and local income taxes from Federal Form 1040 or 1040-SR, Sch 1, line 1.....
17	Alimony received from Federal Form 1040 or 1040-SR, Schedule 1, line 2a.....
18	Business income (or loss) from Federal Form 1040 or 1040-SR, Schedule 1, line 3.....
19	Sale or exchange of property from Federal Form 1040 or 1040-SR line 7 or Federal Form 1040 or 1040-SR Schedule 1, line 4.....
20	IRA distributions, and pensions and annuities from Federal Form 1040 or 1040-SR, line 4a and 5a.....
21	Rental real estate, royalties, S corps, trusts, etc. from Federal Form 1040 or 1040-SR, Sch 1, line 5.....
22	Farm income or loss from Federal Form 1040 or 1040-SR, Schedule 1, line 6.....
23	Unemployment compensation from Federal Form 1040 or 1040-SR, Schedule 1, line 7.....
24	Social security benefits (including Medicare premiums) taxable and nontaxable, and Railroad Retirement Benefits from Federal Form 1040 or 1040-SR, line 6a.....
25	Other income from Federal Form 1040 or 1040-SR, Schedule 1, line 9.....

Personal and Corporate Income Tax Section

Pension Changes – Tax Year 2023

Military pensions modification

- Cannot use same income for pension and annuity modification
- No cap or limitation
- No age restriction

Pension and annuity modification

- Increase credit cap from \$15,000 to \$20,000
- Inflation increase to current AGI limit
 - For 2023:
 - Single - \$101,000
 - Joint - \$126,250

Personal and Corporate Income Tax Section

Pension/Annuity and Social Security Modifications

- Modification is based on full retirement age of 66 years and 6 months (born on or before 07/01/1957)
- All filing statuses (single, separate, head of household, married joint or widow(er))
- Federal adjusted gross income thresholds (less than \$101,000 and \$126,250)
- **Once AGI limitations are passed, no modification**
- Does not include IRAs
- **\$20,000 limitation applies per individual for pension/annuity**
 - **Unlimited for SSI**
- [Pension and Annuity Guidance document](#)

Personal and Corporate Income Tax Section

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 Section

Single Member LLC vs Sole Proprietor

Single Member LLC

- Entity separate 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/RI-1040NR 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 municipality
- Personal liability
- No dissolution to close business
- No separate filing requirement or annual charge

Personal and Corporate Income Tax Section

Additional Updates

- Gross Earnings Tax Temporary Relief for Gas and Electric
 - Will show as credit on consumer utility bill
 - Months of December 2023 – March 2024
 - Utility company will apply for the rebate
 - FAQs on dedicated webpage - [Temporary Relief from the Gross Earnings Tax on Electricity and Gas](#)

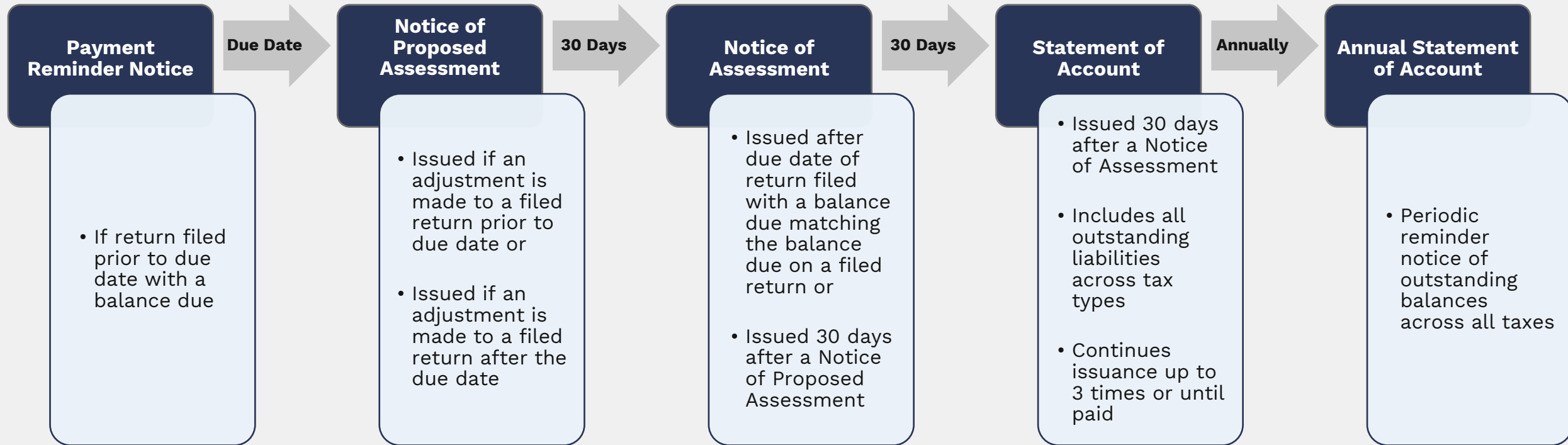
Personal and Corporate Income Tax Section

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

Personal and Corporate Income Tax Section

State Tax Notices Timeline



Personal and Corporate Income Tax Section

State Tax Notices Timeline

- Other assessment notices
 - Compliance Notices – similar to a Notice of Proposed Assessment (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

Personal and Corporate Income Tax Section

Forms Approval and Submission Process

MeF, 2D Barcode, and Paper filings follow this process

Draft Form Posting

- To allow software vendors to update software products for new forms and changes to existing forms
- Begin programming updates of Taxation system(s)

Software Vendor Submissions

- Taxation creates test cases for software vendors
- Software vendors submit test case returns for Taxation review

Final Form Postings

- Software vendors are allowed to submit test cases prior to final forms
- If forms are updated after submission, vendor is informed by Taxation to resubmit

Submission Review

- Taxation will review submissions and require vendors to make necessary corrections prior to approval

Vendor Approval

- Taxation posts approved software vendors to website

Personal and Corporate Income Tax Section

Contact Information

Personal Income Tax

- Phone: 401-574-8829 Option #3
- Email: Tax.Assist@tax.ri.gov

Corporate Income Tax

- Phone: 401-574-8935
- Email: Tax.Corporate@tax.ri.gov

Theriza Iafrate

Chief, Excise & Estate Tax

Excise and Estate Tax Section

- Litter Tax Repealed
 - Effective 01/01/2024
 - [2023 Summary of Legislative Changes](#)
 - No renewals to be mailed
 - New business registrations still subject to \$25 for 2023



Excise and Estate Tax Section

Excise Tax Reminders

Sales Tax Permit
Fee Eliminated

Effective as of 07/01/22

Forms still required to apply for renewal annually

Annual
Reconciliations

Discontinued beginning with Tax Year 2023

Still required for Artistic Works and Alcohol



Compliant Taxpayer Guide: Retailer

Example:

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.



This example is for educational and informational purposes only. It is not a substitute for compliance with the R.I. General Laws and any relevant rules or regulations. Depending on your specific business model, you may have additional or different requirements.

Basics

- Registered for [Taxpayer Portal](#)
- Annual [Sales Permit](#) renewal filed by 2/1
- [RI-STR \(Sales tax return\)](#) filed by the 20th day of the month following the month in which the [tax was collected](#)

→ Annual filings

- [RI-W3](#) filed by 1/31
- [W2s filed by secure FTP](#) using tax.prodcontrol@tax.ri.gov by 1/31
- [RI-1065](#) filed by 4/15 with \$400 annual charge and RI K1s to partners

→ Withholding taxes

- [Withholding payments made each Monday](#)
- [RI-941](#) filed quarterly before 4/30, 7/31, 10/31, and 1/31

→ Personal Income Tax

- Shareholders filed [RI-1040ES](#) making estimated payments on 4/15, 6/15, 9/15, and 1/15
- Shareholders filed [RI-1040](#) by 4/15



Excise and Estate Tax Section

- House Bill 7593Aaa and Senate Bill 2430Aaa signed by Governor on 05/25/22
 - Division of Taxation finalized forms, programming for collection and distribution of all taxes (first distribution in April 2023)
 - Division of Taxation developed webpage, outreach materials, and provided outreach to key stakeholders
 - First returns were due January 20, 2023
 - Limited retail locations began December 1, 2022

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

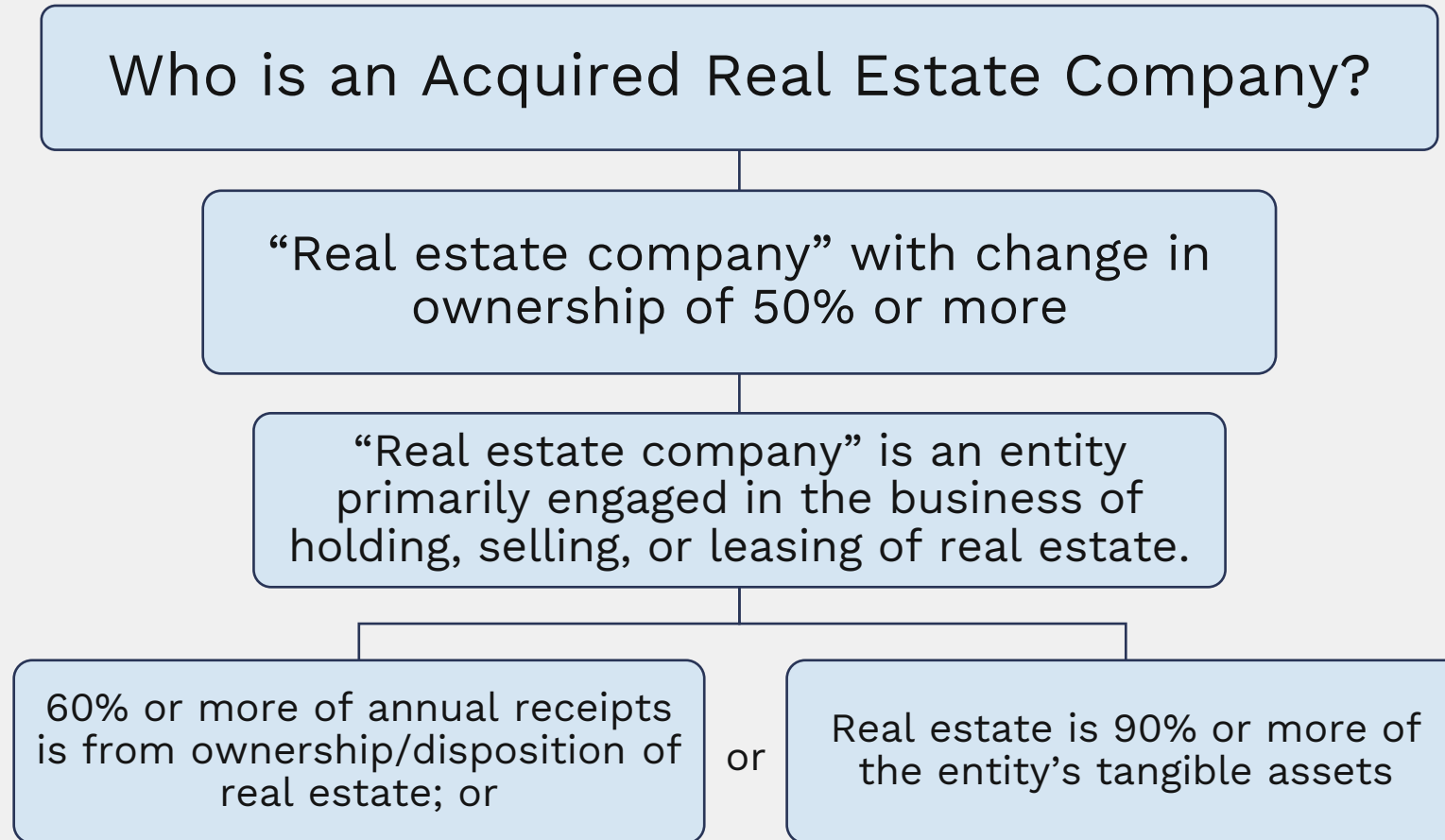
- ✓ CCS-67 Compassion Center Surcharge Return
- ✓ Monthly Sales & Use Tax Return

Excise and Estate Tax Section: Real Estate Conveyance Tax – Acquired Real Estate

Acquired real estate transaction occurs when:

- Company with changing ownership is subject to Real Estate Conveyance tax as “property sale.”
- &
- The company with the change in ownership primarily engaged in holding, selling, or leasing real estate.

Excise and Estate Tax Section: Acquired Real Estate Conveyance Tax



Excise and Estate Tax Section: Acquired Real Estate Conveyance Tax

Calculation of Tax

- The tax rate is \$2.30 per \$500.00 (or fractional part) of sales price
 - Formula: $(\text{Total Sales Price} \div \$500) \times \$2.30 = \text{Tax Due}$
- An additional tax of \$2.30 per \$500 on sale of **residential property** for amounts over \$800,000 is due.*
 - Residential property formula: $(\text{Total Sales Price} \div \$500) \times \$2.30$ plus $(\text{Amount over } \$800\text{K} \div \$500) \times \$2.30 = \text{Tax Due}$

*Enacted in FY 22 Appropriation Bill ([House Bill 6122Aaa, Article 14 Section 6, page 285](#))

Excise and Estate Tax Section: Acquired Real Estate Conveyance Tax

What is residential real property?

- Residential real property is determined based on classifications by each city or town.



Excise and Estate Tax Section: Acquired Real Estate Conveyance Tax

Useful links:

- [Acquired Real Estate Company Advisory](#)
- [R.I. Gen. Law § 44-25-1](#) amended was effective July 1, 2015.
- [CVYT-2 Acquired Real Estate Conveyance Tax](#)
- Questions should be directed to tax.excise@tax.ri.gov



Excise and Estate Tax Section

Estate Tax Update

- Form-RI-706 Estate Tax return
 - Form used for taxable and non-taxable estates
 - 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
 - Taxable estate with DOD prior to 01/01/2015 should email tax.estate@tax.ri.gov for Form 100A
 - 2023 Inflation adjusted amounts
 - Threshold \$1,733,264—Credit \$80,395
 - 2024 Inflation adjusted amounts
 - Threshold \$1,774,583—Credit \$83,370

Excise and Estate Tax Section

Estate Tax Update

- Best Practices for Filing an Estate Tax Return
 - All applicable items on Part 6, Recapitulation Schedule must be completed for taxable and non-taxable estates.
 - Backup **must** be provided for all items listed on part 6 for estates greater than \$1.3M.
 - Early lien releases only provided when the decedent / estate owns multiple properties.
 - Full payment of the estimated liability must be included.
 - Book value at date of death hierarchy:
 - Purchase and sale within 6 months of DOD;
 - Appraisals; and
 - Assessed values (may request appraisal based on return review).

Excise and Estate Tax Section

Estate Tax Update

- Best Practices for Filing an Estate Tax Return – continued
 - Other items required of all returns:
 - Certificate of Appointment;
 - Power of Attorney, if applicable;
 - Wills;
 - Trust agreements; and
 - Other items listed on part 5.
 - Copies of federal schedules are not acceptable in place of the RI schedules. All RI schedules must be completed. Federal schedules can act as backup if indicated on RI schedules.
 - Federal estate closing letters are no longer required for estates required to file Federal Form 706.

Excise and Estate Tax Section

Estate Tax Update

Notes on non-taxable estates

Non-taxable estates may file an Estate Tax return for various reasons, including:

- To obtain a discharge of the automatic statutory lien that attaches to all real estate that a decedent owns at death.
- To obtain a Notice of No Tax Due for probate court purposes.
- To obtain a Waiver to allow the sale of Rhode Island securities, including Rhode Island incorporated stock, Rhode Island state and municipal bonds, and mutual funds organized as business trusts that do business in Rhode Island.

Excise and Estate Tax Section

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 Section

Things to Come from our Taxpayer Experience Office

- Additional Guides
 - Manufacturers Guide
 - Contractor Guide
- On-line Taxpayer Profile Tool
- In-House New Business Workshops
- Meals and Beverage Clarity

More Tax Resources

- Sign up for our emails
 - Tax news delivered to your inbox
 - Quarterly newsletters
 - Important updates



or

A screenshot of a dark blue web form for signing up for tax news. At the top left is the Rhode Island state seal and the text 'STATE OF RHODE ISLAND Division of Taxation Department of Revenue'. The main heading is 'Subscribe for tax news'. Below it, the text reads 'Sign up to receive free RI tax news updates in your inbox.' There is a white input field for an email address, preceded by an asterisk and the word 'Email'. A blue 'Sign Up' button is positioned below the input field. At the bottom, there is a disclaimer: 'By submitting this form, you are consenting to receive marketing emails from: Rhode Island Division of Taxation, 1 Capitol Hill, Providence, RI 02908, US, http://www.tax.ri.gov/ You can revoke your consent to receive emails at any time by using the SafeUnsubscribe@ link, found at the bottom of every email.' Below the disclaimer is a small logo for 'Constant Contact' and a link for 'Privacy - Terms'.

Excise and Estate Tax 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

Questions



Thank you



STATE OF RHODE ISLAND

Division of Taxation

Department of Revenue

Contact Us

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