



Rhode Island Department of Revenue Division of Taxation

Small Business Administration: Lunch and Learn
Contractors & Rhode Island Tax: A Guide for Businesses
November 21, 2024

Leo Lebeuf

Taxpayer Experience Liaison

Agenda

- About Us: Division of Taxation
- Contractor Resources
- Consumer vs Retailer
- Additional Topics
- Record Keeping Guidance
- Electronic Filing Mandate
- Closing Remarks

About Us

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

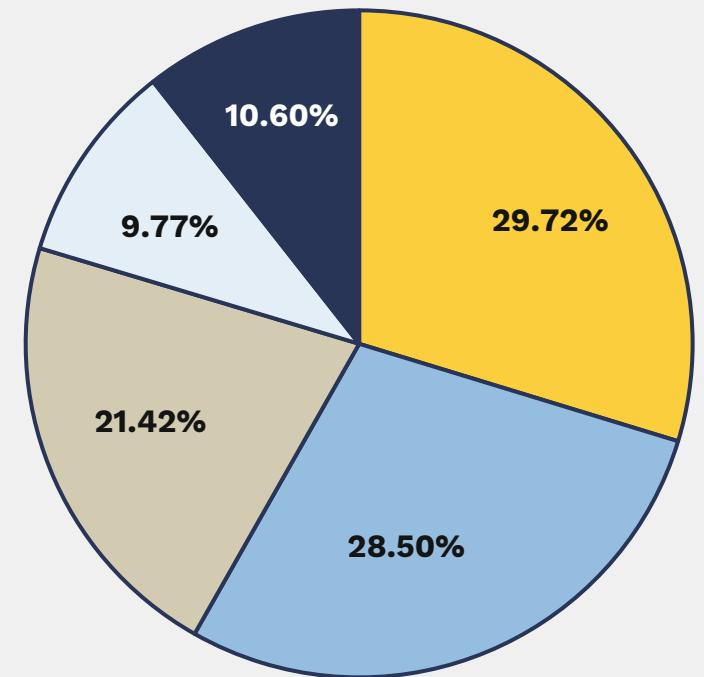
- The Rhode Island Division of Taxation employs **228 tax professionals**, administering more than **59 different taxes and fees**.
- Taxes represent **the most significant source of General Fund revenue** for Rhode Island – funds used to help pay for vital services including public safety, education, transportation, and recreation for all Rhode Islanders.
- Each year, the Division **collects and distributes more than \$5.14 billion** in funds to the State, municipalities, and other agencies (as of FY 24).

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.

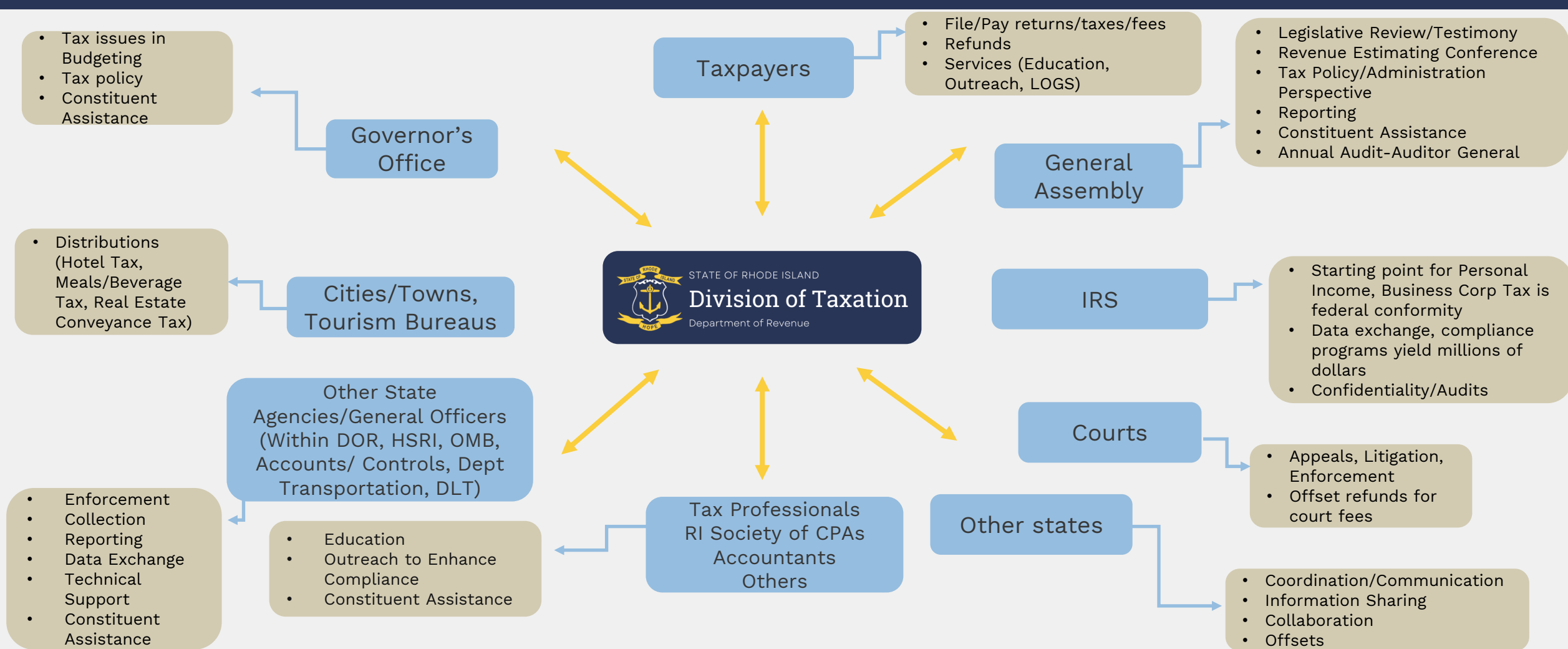
Total State Tax Revenue Collected by the Division of Taxation for Fiscal Year 2024 (\$, In Millions)

FY24 Receipts: \$5.14B

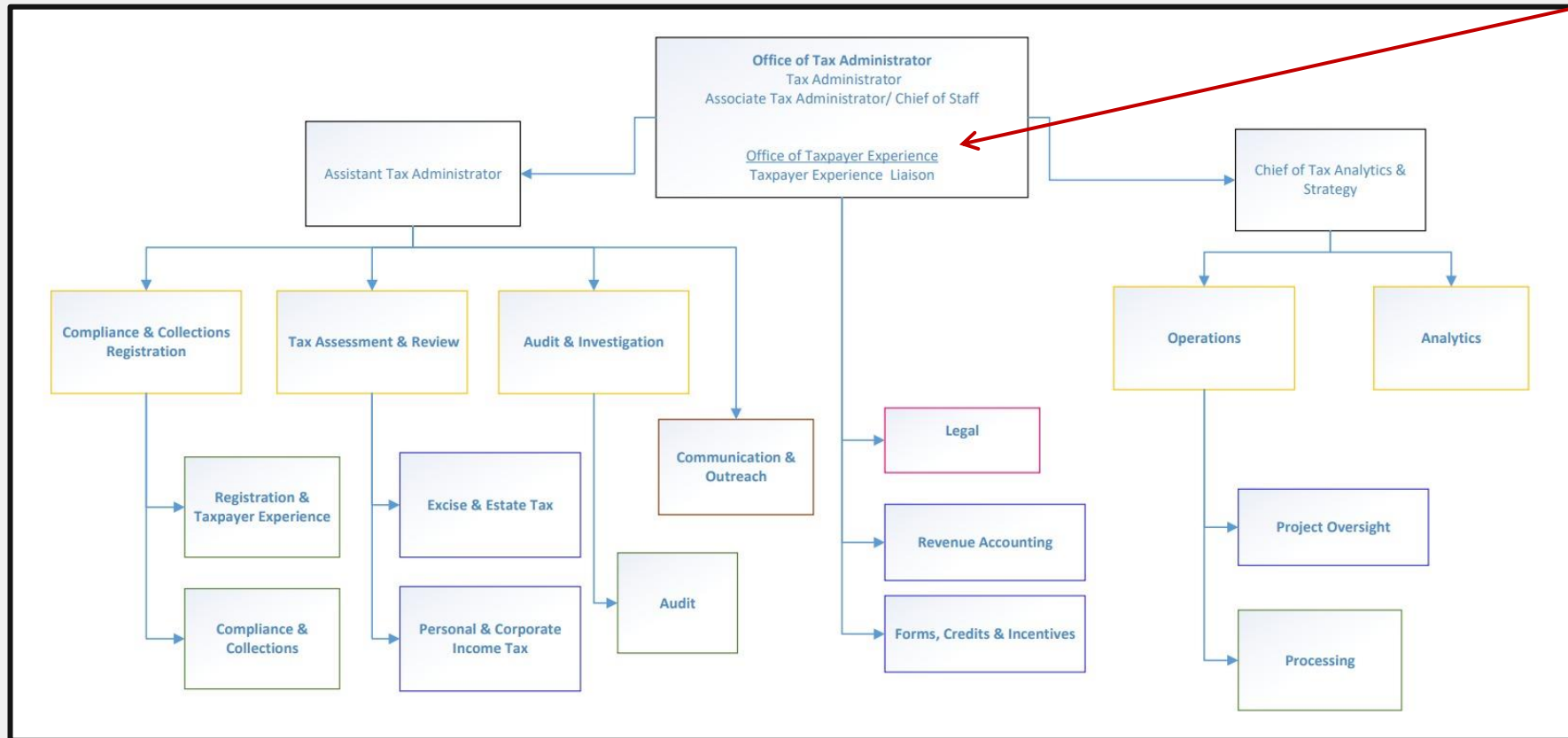


■ Withholding ■ Sales ■ Corp ■ PIT ■ Estate, M&B, Hotel & Other

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

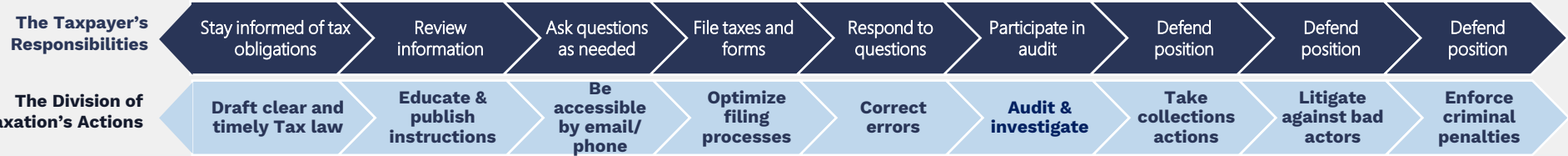
The Tax Administration Efficiency Continuum

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

Taxpayer Experience Office

Website Components and Features

- [Taxpayer Experience Office](#)
 - Trainings and Presentations
 - Industry Guides
 - [Contractors & Rhode Island Tax - A Guide for Businesses](#)
 - Compliant Taxpayer Profiles

The screenshot displays the official website of the State of Rhode Island, Division of Taxation, Department of Revenue. The page is titled "Taxpayer Experience Office" and is part of the "About Us" section. The navigation menu includes "Online Services", "Resources for...", "Tax Sections", "Forms", "Guidance", and "About Us". The "About Us" menu is open, showing options for "Overview", "Contact Us", "Join Our Team", "Taxpayer Experience Office", and "Tax Compliance Day". The main content area features a heading "Taxpayer Experience Office" and a paragraph stating: "In 2022, the Division of Taxation established its Taxpayer Experience Office and appointed a Taxpayer Experience Liaison. The goal of the Taxpayer Experience Office is to continue the Division's efforts to educate the taxpayer community and to address taxpayers' needs in order to enhance voluntary compliance with the state's tax obligations." Below this, another paragraph states: "The Taxpayer Experience Office houses a dedicated taxpayer experience team that includes Leo Lebeuf as the Taxpayer Experience Liaison. This team has engaged in numerous outreach efforts to taxpayers, tax professionals, and industry groups to enhance the accessibility of the helpful information available to these groups, as well as working diligently behind-the-scenes to continually update processes to focus on the taxpayer experience."



STATE OF RHODE ISLAND

Division of Taxation

Department of Revenue

Compliant Taxpayer Guide: Contractor

Example:

Contractor located in Rhode Island organized as a single-member LLC. The contractor has 7 employees with average total taxes withheld of \$650 per month. Annual sales of \$450,000 are received through lump sum contracts.



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](#) & files and pays electronically
- Sales tax is paid on all purchases of materials and supplies at time of purchase **

→ 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 K1 to member

→ Withholding taxes

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

→ Personal Income Tax

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

**Note: [280-RICR-20-70-54](#) does discuss other sales tax implications for other types of customer billings besides lump sum contracts.

NEED HELP?



Tax.Experience@tax.ri.gov



401-574-8983



<https://tax.ri.gov/>

Contractors & Rhode Island Tax

Guide



STATE OF RHODE ISLAND

Division of Taxation

Department of Revenue

Contractors & Rhode Island Tax

A Guide for Businesses

February 2024

Contractors & Rhode Island Tax

General rule:

A contractor shall pay the tax as a consumer on the purchase of all materials, supplies, tools and equipment, rentals, and all replacement parts used in fulfilling a contract.

Contractors & Rhode Island Tax

Consumer vs Retailer

- Consumer (examples)
 - Lump Sum Contract
 - Time and Materials Contract
 - Cost-plus Contract
- Retailer
 - Where the contractor contracts to sell materials or supplies at an agreed price and to render service in connection therewith, either for an additional agreed price or on the basis of time consumed; or
 - Where such contractor is engaged in the business of selling such materials or supplies at retail.

Contractors & Rhode Island Tax

Consumer vs Retailer

- Consumer (examples)
 - Contractor pays sales tax upon the purchase of materials from a retailer.
 - Materials are incorporated into the cost of the contract.
 - Usually billed as one lump price.
- Retailer
 - Contractor is seller of the materials and supplies and charges tax to the consumer.
 - Contractor remits the tax to the state on monthly sales tax return filing (RI-STR).
 - Labor is separately stated.

Contractors & Rhode Island Tax

Additional Topics

- Purchases Subject to Sales Tax
 - Construction Equipment Purchases
 - Construction Equipment Rentals
 - Purchases not incorporated in the final product (contractor use)
 - Temporary Fencing
 - Scaffolding
 - Temporary Lighting
 - Cones/barriers
- Use Tax (Form T-205)
 - Payment of tax on un-taxed purchases.
 - Additional percentage on out of state purchases.
- Subcontractors
 - Same requirements as general contractor.

Contractors & Rhode Island Tax

Additional Topics

- Exempt Organizations

- Purchases of materials and supplies are exempt
 - Receive Sales Tax Exemption Certificate from exempt organization
 - Provide [Contractor's Exempt Purchase Certificate](#) to vendor
- Purchases of equipment, tools, and rentals are subject to tax
 - Contractor is consumer of these items

- **Example:**

A rental equipment company rents a forklift to a contractor. The contractor rents the forklift for an exempt job. The rental invoice is billed as follows:

Forklift 7 hrs @ \$100	= \$ 700.00
Subtotal	= \$ 700.00
Sales Tax (\$700 x 7%)	= \$ 49.00
Total	= \$ 749.00

When equipment is rented with an operator, it is not considered taxable if the operator is necessary for the equipment to perform as designed. The operator must do more than maintain, inspect, or set-up the equipment.

Contractors & Rhode Island Tax

Additional Topics

- Complete Units of Standard Equipment
 - Considered a Retailer
 - Full retail sales price subject to tax including installation charge
 - Unless installation charge is separately stated

- **Example:**

An awning shop sells an awning to a local business owner, requiring installation to the customer's store front. When the work is completed, it is billed as follows:

Awning	= \$ 1,500.00
Subtotal	= \$ 1,500.00
Tax (\$1,500 x 7%)	= \$ 105.00
Total	= \$ 1,605.00

Contractors & Rhode Island Tax

Additional Topics

- Non-resident Contractors
 - Does not have regular place of business in state.
 - Required to withhold 3% of contract.
 - Non-resident contractor required to provide records to Taxation for review.
 - Sales and Use Tax (purchases)
 - Withholding (employees)
 - Upon completion of review, Taxation will provide “Certificate of No Tax Due.”
 - If no certificate provided, remit 3% withholding to the Division of Taxation.

Record Keeping Requirements

What records should a taxpayer maintain?

- Federal & State Income Tax returns
- Copies of all state tax returns filed and backup detail
- Sales records and credit card receipts including
 - Any exemption certificates
 - Daily sales receipts/reports
 - Merchant statements and 1099K forms
 - Delivery slips
- Purchase invoices and ledger listings
- Asset schedules and invoices
- Bank statements, General Ledger and chart of accounts
- Other records as needed
- [Printable record keeping guide](#)

Excise and Estate Tax

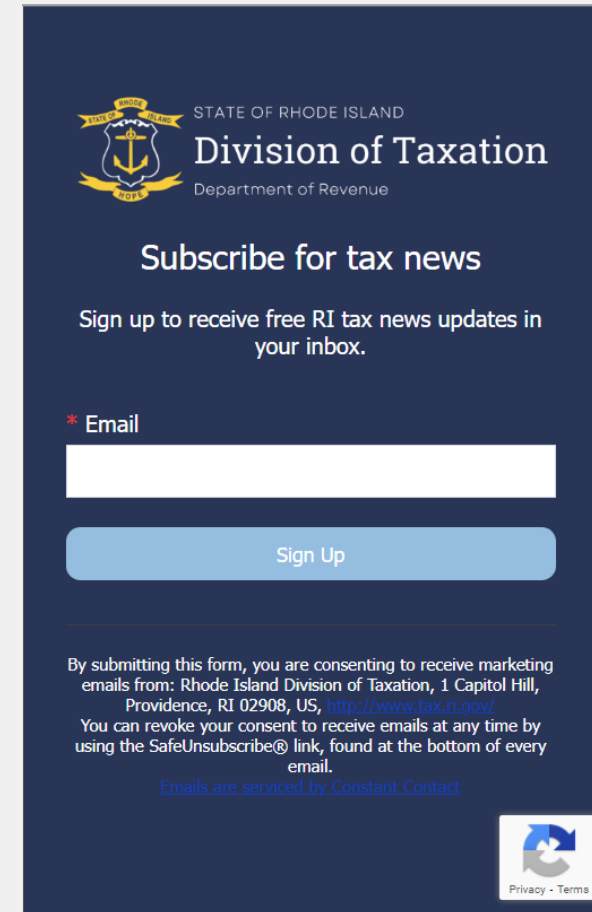
Electronic Filing & Payment Mandate

Electronic filing and payment mandate for larger business registrant taxpayers effective 01/01/2023.

- Larger 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.

More Tax Resources

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



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Thank you



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