

# RHODE ISLAND TAX NEWS

A NEWSLETTER FOR TAX PROFESSIONALS

OCTOBER/NOVEMBER/DECEMBER 2016

## SEMINAR SET FOR PAID PREPARERS

The Rhode Island Division of Taxation has scheduled a free seminar for tax preparers.

The main focus will be on what's new for the coming filing season and on what's new for the 2017 tax year.

Topics will include the

new modification for Social Security benefits for qualified taxpayers, which preparers will see for the first time during the coming filing season, on returns for the 2016 tax year.

In addition, the seminar will review what's new for

e-filing; the status of the Division's new agency-wide computer system; and ways to help ensure faster processing of client refunds.

Topics also include a reduction in the corporate minimum tax and in the annual filing charge for pass-through entities; an increase in the earned income credit; a reduction in the state unemployment insurance tax; and new filing deadlines and extended due dates for certain entities.

The seminar will also look at some changes for 2017, including a modification for pension/annuity income for qualifying taxpayers, and another increase in the Rhode Island earned income credit.

*(Please turn to page 2)*



**Seminar:** Leo Lebeuf, chief revenue agent at the Rhode Island Division of Taxation's Personal Income Tax section, was one of the speakers at last year's seminar for tax preparers, held at the Community College of Rhode Island's Warwick campus (shown above).

## DIVISION'S COMPUTER SYSTEM CONVERSION

The Rhode Island Division of Taxation in November 2016 will clear another hurdle in its multi-year effort to convert to a modern, digital tax and revenue accounting system.

The project includes converting millions of tax rec-

ords from a 1970s-era mainframe computer into the Division's new agency-wide integrated tax system.

The third phase of the Division's changeover to a new agency-wide computer system will start on Novem-

ber 7, 2016, and continue through November 14, 2016.

During that period, the Division will transfer data and several processes.

*(Please turn to page 3)*

### SOME HIGHLIGHTS OF TAX SEMINAR

*The Rhode Island Division of Taxation's seminar for tax preparers will focus on a number of topics, including:*

- *Modification for Social Security benefits*
- *New due dates for some business returns*
- *Reduction in corporate minimum tax*
- *Increase in earned income credit*

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## SEMINAR SET FOR PAID PREPARERS (CONTINUED FROM PAGE 1)

The Division of Taxation will hold the seminar at the Community College of Rhode Island (CCRI) campus in Warwick on November 4, 2016.

The seminar will be repeated on December 2, 2016, at CCRI's Newport County campus.

The seminar is free, but preregistration is required. Preparers should sign up for only one session – whichever is most convenient for their schedules. Registration information is available at the Division of Taxation website, under “Online Services”:

<http://www.tax.ri.gov/onlineservices/>

*(Use the address above and scroll to the bottom of the page.)*

“As we did in last year’s seminar, we want to give preparers a chance to meet with us, get their questions answered, and be briefed on changes – all well in advance of the coming filing season,” said Acting Tax Administrator Neena S. Savage. “We have some significant changes that we are working to implement for the coming season, and we want to give preparers a heads up.”

The Division of Taxation, prior to each filing season, typically sends representatives to meetings sponsored by trade associations whose members are preparers.

Such presentations are typically only for members of a particular trade association

and are sponsored by that group.

The seminar at CCRI is sponsored by the Division of Taxation and is open to any paid preparer. “With this free seminar, we hope to reach tax return preparers who are employed by national, regional, or local tax preparation firms, as well as those who prepare returns seasonally and may be self-employed and not part of a professional association,” said Chief of Examinations Michael F. Canole.

CPAs, EAs, PAs, and other paid preparers are welcome to attend, too, Savage said. “The seminar at CCRI is intended to supplement – not to replace – our regularly scheduled presentations to practitioner groups,” Canole said. “We value those professional groups and the important work they do, and the members of those groups are of course welcome to register for the CCRI seminar, too,” he said. The CCRI seminars are primarily for paid preparers. The Division of Taxation typically meets

separately with organizations of volunteer preparers.

“CCRI is an invaluable resource for Rhode Island, and we are delighted and appreciative that CCRI has once again made available its resources to us for this important seminar,” Savage added.

### Warwick Campus

The first session will be held at the CCRI Warwick Campus on November 4, 2016, from 9:00 a.m. to 12:00 noon, in Presentation Room 4080 on the fourth floor.

*[Editor’s Note: The Warwick session has sold out.]*

### Newport Campus

The seminar will be repeated at CCRI’s Newport County Campus, in Newport, on December 2, 2016, from 9:00 a.m. to 12:00 noon, in Auditorium No. 134.



**Seminar:** The Division of Taxation will hold a seminar for practitioners in November at the Community College of Rhode Island (CCRI) campus in Warwick. The seminar will be repeated in December at the CCRI campus in Newport.



### Preregister online

The Rhode Island Division of Taxation is sponsoring a seminar for paid preparers of tax returns. The seminar will be held in Warwick in November, and in Newport in December.

*[Note: The Warwick session has sold out. Seats are still available for Newport.]*

Registration information is available at the Division of Taxation website, under “Online Services”. Here is the address:

<http://www.tax.ri.gov/onlineservices/>

Use the address above and scroll to the bottom of the page to find the online pre-registration tool. The tool was put together by the experts at RI.gov, which is the official government Web portal for the State of Rhode Island.



## DIVISION'S COMPUTER SYSTEM CONVERSION (CONTINUED FROM PAGE 1)

The transfer will involve the corporate income tax, sales and use tax, and certain other tax types – from older computer systems to the new system.

### New system

“We are moving to a new, agency-wide computer system that will eventually save everyone time and give taxpayers and tax practitioners more tools and improved online access,” Acting Tax Administrator Neena S. Savage said.

“To get to that point, we must change over our old systems to the new system. But to keep disruption to a minimum, we are doing the changeover gradually, in stages over time,” she said.

The changeover process, also known as a conversion, begins on November 7 and ends on November 14. During that time, the Division will remain open for business (except on the weekend and holidays), but service will be limited.

When the conversion is completed, Division staff starting November 15, 2016, will be able to access corporate income tax, sales and use tax, and certain other records via the new computer system.

The entire Division of Taxation will resume full, nor-

mal services for the public starting Tuesday, November 15, 2016. The Division of Taxation, at One Capitol Hill in Providence, will remain open during normal business hours while the computer system conversion occurs, and some services will continue to be available.

For example, the agency's

website and email system will remain fully functional, payments will be received, and electronically filed tax returns will be received and acknowledged.

### Limited service

But many services will not be available during the conversion, mainly because the old computer systems and the new system will be tied up with the changeover. For example, during the changeover period, the Division will be unable to issue letters of good standing, unable to release license and registration blocks, and unable to check on a taxpayer's account balance.

“Taxpayers and tax practitioners should plan ahead,” said Savage. For example, “If you're blocked from renewing a driver's license, profes-

sional license, or motor vehicle registration because you owe back taxes, you should pay the tax debt before November 7, 2016,” Savage said.

(To make arrangements to pay tax debt before November 7, 2016, call the Division of Taxation at (401) 574-8941 from 8:30 a.m. to 3:30 p.m. business days.)

The conversion in November 2016 is part of a multi-year project to move information from a number of different computer systems, including one dating to the 1970s, onto a single system. This will make the Division more effective and efficient. Thus far, the Division's transformation to a modern, digital system “has gone smoothly by any reasonable expectation,” Savage said.

The first stage of the project, which occurred in summer 2014, mainly involved migrating account records and other information regarding bank, insurance, and certain other tax types and fees, from the old system to the new system.

It was the first time that the new system was used to process tax returns and other forms on a real-time basis.

In the second phase, which occurred in October/November 2015, the personal income tax, estate income tax, trust income tax, composite income tax, and pass-through withholding were migrated onto the new system.

After the third phase is completed, in November 2016, the Division of Taxation will, over time, gradually implement other elements of the overall project, including a new “portal” to allow taxpayers and tax

professionals to perform certain tax-related tasks online, through a new Division of Taxation webpage. The new computer system, known in the industry as an integrated tax system, is the result of legislation approved by the Rhode Island General Assembly in 2012, which appropriated \$25 million for the project, to be paid out over a number of years to the vendor.

Revenue Solutions Inc. (RSI), of Pembroke, Mass., was the successful bidder. The Division of Taxation is using RSI's Revenue Premier system. (Within the Division of Taxation, the system is known as the State Tax Administration and Revenue System, or “STAARS” for short).





## TAX BREAK AIMED AT GROWING JOBS IN RHODE ISLAND

Legislation approved by the Rhode Island General Assembly and signed into law by Governor Gina M. Raimondo has created a new tax break aimed at spurring job growth.

The legislation encourages insurance companies to create jobs in Rhode Island by linking Rhode Island's insurance premium tax rate to the number of jobs created by the industry in Rhode Island.

Adding new jobs in the state will trigger a reduction in the tax rate insurance companies will pay.

The tax rate reduction is designed to be revenue-neutral by requiring that any reduction in insurance company tax rates is fully offset by the income tax generated from the newly created jobs.

The bill, H. 8058 Sub A, was passed by the House on June 17, 2016, and by the Senate on June 18, 2016. Governor Raimondo signed it into law on September 7, 2016. A ceremonial bill signing took place at the State House on October 3, 2016. (A companion bill, S. 3012 Sub A, passed the House on June 18, 2016.)

“‘Make it in Rhode Island’ isn’t just a slogan. With these pieces of legislation, we’re making sure that insurance companies will be able to thrive and create jobs, right here in our state,” Governor Raimondo said in a statement.



Photo by Caitlin Downing / Governor's Office

**Bill Signing:** A new Rhode Island law provides a tax incentive for the insurance industry to create more jobs.

Accompanying Governor Gina M. Raimondo at the ceremonial bill signing October 3 at the State House were (from left) Rep. K. Joseph Shekarchi, of Warwick; Warwick Mayor Scott Avedisian; and Sen. William A. Walaska, of Warwick.

“These bills will play an important part in revitalizing the economy and transforming Rhode Island into the next great hub of innovation and enterprise,” she said.

“This initiative will incentivize large out-of-state insurers to move jobs or entire operations to Rhode Island in order to share in these savings. The more jobs the insurers bring to our state, the greater the savings these companies will see and Rhode Island’s economy will see a powerful boost and many more high-paying jobs for

our citizens,” Rep. K. Joseph Shekarchi, of Warwick, said in a statement.

“The legislation is an innovative change to Rhode Island law that will bring more jobs to our state without any budgetary impact to the taxpayers. I’m proud that Rhode Island is the first state in the country to create such a bold and impactful initiative to grow our economy,” Sen. William A. Walaska, of Warwick, said in a statement. (Shekarchi and Walaska were prime sponsors of the legislation.)



### E-file reminder

The Rhode Island Division of Taxation this year accepts the following returns under its electronic filing program (e-file):

- ◆ Form RI-1040
- ◆ Form RI-1040NR
- ◆ Form RI-1120C
- ◆ Form RI-1120S
- ◆ Form RI-1065

## NEW CHIEF REVENUE AGENT IN TAX PROCESSING

**S**usanna Coburn has been promoted to the rank of chief revenue agent in the Rhode Island Division of Taxation's Tax Processing Services section.

She will work with Susan Galvin, who is chief of Tax Processing Services.

"Sue Galvin oversees one of the largest and most complex sections at the Division," said Acting Tax Administrator Neena S. Savage.

"Her section has been expanding, and will continue to expand, to handle additional duties involving our new computer system and our new high-speed imaging and scanning system. Few people here at the Division have as much institutional knowledge regarding the intersection of taxation and technology as Sue Galvin. And at her suggestion, we searched for someone to whom that knowledge could be transferred as part of succession planning," Savage said.

"I am pleased to welcome Sue Coburn into her new role as chief revenue agent in Tax Processing Services. She was chosen from a very strong field of candidates. Her accounting education, her work experience here at the Division, and her ability to adapt to changing circumstances and to take on new responsibilities make her an ideal candidate for this position," Savage said.



**New Chief:** *Susanna Coburn has been promoted to the rank of chief revenue agent in the Rhode Island Division of Taxation's Tax Processing Services section.*

"Sue Coburn will be involved in knowledge transfer, in succession planning, and in supervising a section which will see continued expansion in terms of responsibilities and technology," Savage said.

"I welcome the opportunity to work with the next generation of leaders to bring the section -- and the Division -- to the next level in these changing times," Sue Galvin said.

### **Pawtucket native**

Born and raised in the Darlington section of Pawtucket, Susanna (Amorim) Coburn graduated from William E. Tolman Senior High School in Pawtucket. She continued her studies at Rhode Island College, from which she graduated in 2000 with a bachelor's degree in accounting. In January 2001, she began work at the Division of Taxation -- a career path she chose in part because it offered a work-

life balance, she said. "I wanted to be a mother and have a career," she said. She began as a revenue officer in Collections, where she spent 3 ½ years. She then moved to Field Audit, where she spent the next 10 years as a revenue agent.

During her time in Field Audit, she was involved in a number of special projects. They included sales tax refund applications under certain state tax incentive programs, determining employee counts under other state tax incentive programs, and audits of large businesses for sales and use tax and corporate income tax credits.

In 2014, she was promoted to the rank of principal revenue agent in the Division's Excise Tax section, where she helped to implement the expansion of the sales and hotel taxes to include short-term residential rentals, including the rental of vacation homes and beach cottages. She has made a number of public appearances throughout the state on the Division's behalf, mainly to explain provisions of new taxes to stakeholders.

She and her husband have three children and reside in Cumberland. She is treasurer of the Pawtucket Youth Soccer Association, and serves as a eucharistic minister at Saint Teresa of the Child Jesus Church in Pawtucket.

## EXTENDED DUE DATES SET FOR 2016 AND LATER TAX YEARS

The Rhode Island Division of Taxation recently announced a new set of extended due dates for certain entities.

The changes mainly involve C corporations that file on Form RI-1120C, pass-through entities that file on Form RI-1065, and calendar-year trusts that file on Form RI-1041. The changes were made so that entities filing their federal and Rhode Island returns will have the same deadlines – a convenience for businesses and for tax professionals.

Federal legislation enacted July 31, 2015, changed the original due dates for C corporations and partnerships. The new federal law also made changes to extended due dates for certain entities.

Rhode Island legislation enacted in June 2016 conforms Rhode Island law to federal law on C corporation and partnership due dates. The new Rhode Island law leaves extended due dates to the Division of Taxation.

The intent of the Rhode Island legislation was to conform to the new federal law regarding original due dates.

Similarly, the Division of Taxation's intent in adopting new extended due dates for certain entities is to conform to the new federal law.

*Table at right is for calendar-year filers. For other filers, see:*

<http://go.usa.gov/xKt74>

### Due dates for certain entities – calendar-year filers

(For tax years beginning after December 31, 2015)

Tax / Entity	Form	Due date	Extended due date
<b>Business Corporation Tax</b> Corporate income tax, RIGL Chapter 44-11	Form RI-1120C	April 15	September 15
<b>Public Service Corporation Tax</b> Public service gross earnings tax, RIGL Chapter 44-13	Form T-72	April 15	September 15
<b>Taxation of Banks</b> Bank excise tax, RIGL Chapter 44-14	Form T-74	April 15	September 15
<b>Taxation of Insurance Companies</b> Insurance gross premiums tax, RIGL Chapter 44-17	Form T-71	April 15	September 15
<b>Subchapter S Corporations</b> Corporate income tax, RIGL § 44-11-2	Form RI-1120S	March 15	September 15
<b>General partnership</b> RIGL Chapter 7-12	Form RI-1065	March 15	September 15
<b>Limited partnership (LP)</b> RIGL § 7-13-69 (filing as pass-through)	Form RI-1065	March 15	September 15
<b>Limited liability partnership (LLP)</b> RIGL § 7-12-60 (filing as pass-through)	Form RI-1065	March 15	September 15
<b>Limited liability company (LLC)</b> RIGL § 7-16-67 (filing as pass-through)	Form RI-1065	March 15	September 15
<b>Single-member LLC (SMLLC)</b> RIGL § 7-16-67 (owned by individual)	Form RI-1065	April 15	October 15
<b>Income tax of trust</b> Fiduciary income tax return, RIGL § 44-30-51	Form RI-1041	April 15	September 30
<b>Withholding of pass-through entity</b> with nonresident partners, members, shareholders RIGL § 44-11-2.2	Form RI-1096PT	March 15	September 15
<b>Composite income tax return</b> on behalf of qualified electing nonresident members RIGL § 44-11-2.2(d)	Form RI-1040C	March 15	September 15
<ul style="list-style-type: none"> <li>• Deadlines shown in table do not take into account impact of weekends and holidays.</li> <li>• Formulas and deadlines for estimated taxes and annual filing charges have not changed.</li> <li>• Original and extended due dates for corporate income tax also apply to entities subject to mandatory unitary combined reporting.</li> <li>• Deadlines for estimated and annual tax payments, and for returns, for surplus lines insurance brokers/licensees have not changed.</li> <li>• Single-member LLC (SMLLC) uses same due date and extended due date as its owner. This table assumes owner is individual.</li> </ul>			



**Legal Corner****RECENT STATE TAX CASES IN SUMMARY**

Following is a summary of tax-related cases in which final decisions were made after administrative hearings. By law, decisions are public information, but taxpayer information cannot be disclosed. Administrative Decisions are online at [www.tax.ri.gov](http://www.tax.ri.gov)

**Cigarette license**

At a retailer, over a period of time, the Division of Taxation conducted numerous seizures of cigarettes and other tobacco products for which Rhode Island tax had not been paid. (In general, the term “other tobacco products”, also known as OTP, means tobacco products other than cigarettes. The category includes such items as smoking tobacco, chewing tobacco, hookah and shisha tobacco, and snuff.)

The Division assessed tax and penalties and also requested revocation of the taxpayer’s cigarette dealer’s license. A hearing was held; the taxpayer did not appear. On March 3, 2016, Hearing Officer Catherine R. Warren determined that the Division had properly assessed the tax and penalties. She recommended that the cigarette dealer’s license be revoked. On July 20, 2016, Acting Tax Administrator Neena S. Savage adopted Warren’s decision and recommendation.

-- Final Decision and Order  
No. 2016-16



Rhode Island Tax News provides only summaries of some recent tax-case decisions, which are based on specific facts and circumstances.

The summaries are merely informative and provide general information. To determine how state tax laws and regulations apply to your particular circumstances, please consult your tax professional.

**Case dismissed**

To settle the Tax Division’s allegations of cigarette tax violations, a retailer reached an agreement (a “stipulation”) with the Division.

As part of the settlement, he agreed not to sell cigarettes or tobacco products at his premises, and to store all such products off-site, for five days in February 2016.

On one of the days that a Tax Division investigator inspected the store to verify compliance, the investigator found about four boxes of cigarettes, with the proper tax stamps, in a car parked next to the store. The car belonged to the store’s owner.

The Division argued that the retailer, by having cigarettes in his car, had violated the agreement; the agency asked for a 60-day suspension of his cigarette dealer’s license, plus an administrative penalty.

The Division argued that the term “premises” includes the store’s parking lot. The hearing officer found that the agreement did not make it clear whether the store’s “premises” includes the parking lot. She also noted a “lack of clarity” over the use and ownership of the parking lot.

On May 9, 2016, the hearing officer concluded that the taxpayer did not violate the agreement and recommended that the matter be dismissed. On July 21, 2016, the acting tax administrator adopted the hearing officer’s decision and recommendation.

-- Final Decision and Order  
No. 2016-17

**License suspended**

Upon inspecting a store, a tax investigator with the Division’s Special Investigation Unit found “other tobacco products” that were not taxed. It was the fifth such seizure from the store.

At a hearing, the retailer argued, in part, that the taxing of OTP is not supported by statute. The Division argued, in part, that OTP is taxable by statute, and that this was the retailer’s fifth offense.

(Please turn to page 8)

**Tax hearings**

Any taxpayer aggrieved by the action of the Tax Division in determining the amount of tax, surcharge, or penalty, may make written request for a formal hearing.

The taxpayer is first afforded an opportunity to have a preliminary review. Should the matter not be resolved, it may then proceed to formal hearing under the terms of the state Administrative Procedures Act (RIGL § 42-35-1 et seq.) and Tax Division regulation AHP 97-01.

If not satisfied with the outcome, the taxpayer may appeal to Sixth Division District Court (RIGL § 8-8-24 et seq.).

**Legal Corner**

**RECENT STATE TAX CASES IN SUMMARY** (CONTINUED FROM PAGE 7)

The Division asked for a 120-day license suspension, and a penalty of five times the amount of tax due. The hearing officer determined that the OTP is taxable, and that the taxpayer has a history of selling untaxed tobacco products – repeat violations of the law. In her recommendation on May 17, 2016, she wrote that the tax owed and the penalties were properly assessed and that the license be suspended for 18 days. On July 21, 2016, the acting tax administrator adopted the hearing officer’s decision and recommendation.

-- Final Decision and Order No. 2016-18

**Tax stamps**

On a tobacco compliance check at a store, the Division seized four packs of cigarettes that had illegible Rhode Island tax stamps. The hearing officer recommended financial penalties. The acting tax administrator adopted the decision and recommendation.



-- Final Decision and Order No. 2016-19

**Rolling papers**

The Tax Division seized untaxed rolling papers from a store – the taxpayer’s second offense. The taxpayer did not appear at the hearing, and the evidence was that the store had closed. On June 1, 2016, the hearing officer found that the Division properly assessed tax.

**Statute of limitations for Rhode Island personal income tax refunds** [Rhode Island General Laws § 44-30-87]

A claim for credit or refund of an overpayment of tax must be filed within three years from the time the return was filed or two years from the time the tax was paid, whichever of the periods expires the later.

<p>Three-year rule </p>	<p>If the claim is filed within the three-year period, the amount of the credit or refund cannot exceed the amount of the tax paid within the three-year period.</p>
<p>Two-year rule </p>	<p>If the claim is not filed within the three-year period, but is filed within the two-year period, the amount of the credit or refund cannot exceed the amount of the tax paid during the two years immediately preceding the filing of the claim.</p>

**Note:** Any income tax withheld from the taxpayer during any calendar year, and any amount paid as estimated income tax for a taxable year, is deemed to have been paid on the fifteenth day of the fourth month following the close of the taxable year for which the payments were being made.

**Example of how the rules apply**

Maria’s 2012 return was due on April 15, 2013. She actually filed the return on July 1, 2015. As a result, July 1, 2015, becomes the starting date for the three-year rule. The three-year period thus runs from July 1, 2015, to July 1, 2018. Were there any Rhode Island income tax payments attributable to 2012 during this three-year period? No.

When Maria worked in 2012, Rhode Island personal income tax was withheld from her wages each week for 52 weeks. By statute, the wage withholding was deemed paid on April 15, 2013. Maria then had two years from the April 15, 2013, payment date to file a 2012 return. Was the return filed within the two-year period? No. Maria does not pass either the three-year rule or the two-year rule. Her refund claim is therefore denied.

She recommended financial penalties and revocation of the cigarette dealer’s license. The acting tax administrator in July adopted the hearing officer’s decision and recommendation.

-- Final Decision and Order No. 2016-20

**Violation**

A taxpayer entered into an agreement with the Division of Taxation to settle four outstanding tax liabilities. The outstanding tax liabilities had arisen from four seizures

of unstamped cigarettes and other tobacco products for which tax had not been paid. To settle the matter, the taxpayer agreed to make five payments at fixed intervals, but wound up making only partial payment, thus violating the agreement. On June 1, 2016, the hearing officer recommended that the cigarette dealer’s license be re-

voked and that the taxpayer be liable for the total amount of the four deficiencies (with credit given for the amount already paid). On August 4, 2016, the acting tax administrator adopted the hearing officer’s decision and recommendation.

-- Final Decision and Order No. 2016-21  
*(Please turn to page 9)*





# RHODE ISLAND TAX NEWS IN BRIEF

## Scam alert

Rhode Island Acting Tax Administrator Neena S. Savage issued several alerts in recent months regarding scams.

In August, she urged tax professionals to read an Internal Revenue Service announcement about a new phishing scam, which specifically targets tax preparers. The announcement also reviewed ways to safeguard data.

The second warned of a new wave of online attacks targeting tax professionals.

The third called upon tax professionals and taxpayers to be on guard against fake emails purporting to contain an IRS tax bill related to the Affordable Care Act.

## Credit report

The Division of Taxation in August posted on its website its latest annual tax credit and incentive report, as required by Rhode Island statute.

The latest report identifies 20 businesses that received a combined total of \$29.4 million in certain state tax credits and incentives for the fiscal year ended June 30, 2016.

Some of those recipients also received a combined total of approximately \$15.3 million in other Rhode Island tax credits and incentives, the report shows. The report is available at: [www.tax.ri.gov](http://www.tax.ri.gov)

## Preparations

The Division of Taxation is well into preparations for the coming filing season.

The agency has already sched-

uled a number of outreach sessions with groups of tax preparers in advance of the filing season. In addition, the agency is updating forms and instructions.

Furthermore, the agency is in communication with tax software providers to ensure that they have, and will use, the most up-to-date information in their software packages for tax professionals and individuals.

The Division is also in the process of updating the property tax credit amount (Form RI-1040H).

## Sharing economy

The Internal Revenue Service recently launched a new web page designed to help taxpayers involved in the sharing economy quickly locate the resources they need to help them meet their tax obligations. For more information:

<https://www.irs.gov/>



### Tax tip line

If you have information about wrongdoing involving state taxes, call the tax fraud tip line at (401) 574-TIPS or (401) 574-8477 and leave a message.

The line is staffed by the Rhode Island Division of Taxation's Special Investigation Unit, which follows up on all tips. Callers can leave their names and contact information or remain anonymous.



### LLC reminder

The Rhode Island Division of Taxation reminds taxpayers that single-member LLCs must file Form RI-1065 each year and pay the required filing charge.

The annual filing charge is \$500 for 2015, \$450 for 2016, and \$400 for 2017 and later years.

## Legal Corner

### RECENT STATE TAX CASES IN SUMMARY (CONTINUED FROM PAGE 8)

#### License suspended

Untaxed tobacco-related products had been seized from a cigarette dealer. The dealer entered into an agreement with the Division to pay a certain amount of mon-



ey over time. The dealer made only three of the required seven payments. On September 7, 2016, the hearing officer determined that the dealer must pay the balance of the tax and penalty owed, plus interest,

and that the dealer's license should be revoked.

On September 19, 2016, the acting tax administrator adopted the hearing officer's decision and recommendation.

-- Final Decision and Order  
No. 2016-22

## ESTATE TAX FORMS REVISED; PAYMENT VOUCHER POSTED

The Rhode Island Division of Taxation has posted revised forms for estate tax filings.

The Division has also created and posted a voucher for use when making payments involving the estate tax or estate tax-related lien releases.

### Revised forms

The revised forms have a new, streamlined appearance and are designed so that they can be more readily processed through the Division's new agency-wide computer and high-speed scanning system.

Although the Division's Estate Tax section will not be converting over to the new computer system until sometime in 2017, the Division is urging taxpayers and tax professionals to begin using the forms now, so that they can become familiar with them in advance.

The Division is also providing the new forms to software providers so that they can be included in tax preparation software packages.

Until the date of the computer system conversion, the Division of Taxation's Estate Tax section will continue to accept submissions of forms that use the old format.

However, after conversion, all submissions will have to be

Home > Forms > Estate

### Estate Tax Forms

- All forms supplied by the Division of Taxation are in [Adobe Acrobat](#) (PDF) format.
- To have forms mailed to you, please call (401) 574-8970
- Note: To sort columns, click on the column title you would like to sort by.
- NEW** - Estate tax forms now contain a 1D barcode. Please use Internet Explorer to get the best results when downloading a form. Firefox users will need to change their Portable Document Format to allow the use of Adobe Acrobat Reader.
- Click on the fillable PDF in order to enter information on the form itself, and then print your completed form out.

Document	Description	File Download
ESTATE-V	Estate Tax Fee Payment Voucher Form - <b>NEW</b>	<a href="#">Download</a>

**Revised Forms:** *The Rhode Island Division of Taxation has posted revised forms for estate tax filings (see screenshot above). To learn more, use the following address:*

<http://www.tax.ri.gov/taxforms/estate.php>

on the revised forms to allow for accurate scanning and processing of the documents.

Different taxes are being converted to the new computer system on different dates.

*(See related article on page one about the November 2016 phase of the computer system conversion.)*

The conversion date for the estate tax has not been set, but the Division will publicly announce it in advance, to let taxpayers and tax professionals know.

### Payment voucher

The updated package of

forms includes a new payment voucher, which taxpayers and tax professionals should use when making payments involving the estate tax or estate tax-related lien releases.

After the Division's Estate Tax section shifts over to the Division's new computer system, the voucher will have to be used for all filing-fee payments and will need to accompany any estate tax return filed with the Division.

Anyone with questions about the updated forms or other issues involving Rhode Island's estate tax may call the Division's Estate Tax section at (401) 574-8900 from 8:30 a.m. to 3:30 p.m. business days.



### Archives online

Previous issues of the Rhode Island Division of Taxation's newsletter, *Rhode Island Tax News*, are available for viewing or for download at the agency's website:

[www.tax.ri.gov](http://www.tax.ri.gov)

**Practitioners' Corner****QUESTIONS AND ANSWERS ABOUT STATE TAXES**

**Q: My client has a dormant entity which is merely serving as a means to hold an asset. The entity has no income; it simply holds some real estate. Is that entity still subject to the annual minimum corporate tax (or the annual filing charge for pass-through entities)?**



**A:** Yes. Many taxpayers – and some practitioners – are not aware that a corporation and a limited liability company (including a single-member

LLC) are required to file returns each year and pay the minimum corporate tax (or pay the equivalent annual filing charge) – regardless of whether they make income or not. This holds true even if the entity was

created solely to hold an asset, such as real estate.

Odds are that your client went to the trouble of placing his real estate in an LLC in order to take advantage of the State-provided limit on liability. In other words, chances are that your client

is using the LLC as a kind of insurance policy. There is a cost involved. In this case, the annual cost — in the form of a filing charge — was \$500, but drops to \$450 for tax year 2016, and to \$400 for tax years beginning on or after January 1, 2017.

To keep the entity's charter active and viable, they must file an annual report with the Secretary of State's office and pay the associated annual fee, and file an annual return or report with the Division of Taxation and pay the associated annual tax or annual filing charge. (The annual filing charge is the same as the annual corporate minimum tax; see Rhode Island General Laws § 44-11-2(e).)

*(Please turn to page 12)*

**About  
'Practitioners' Corner'**

*The "Practitioners' Corner" feature provides general answers to some of the questions that the Tax Division encounters through the normal course of business.*

*The answers are intended solely to provide general information. They do not represent formal guidance, and are not substitutes for Rhode Island General Laws, Tax Division regulations, or Tax Division rulings.*

**FILING ON BEHALF OF A CONDO ASSOCIATION**

A homeowners association that is registered as a non-profit corporation in Rhode Island, and that qualifies as an exempt organization under Rhode Island General Laws (RIGL) § 7-6-4 ("Rhode Island Nonprofit Corporation Act"), is exempt from the Rhode Island corporate income tax.

However, homeowners associations that do not meet the qualifications of an exempt organization under RIGL § 7-6-4 are subject to the Rhode Island corporate income tax.

**Examples**

Below are two examples of when an exempt organization must file Form RI-1120C and pay tax.

♦ If the homeowners association has taxable income on federal Form 1120-H or federal Form 1120-C, the association must file Form RI-1120C and is subject to the Rhode Island corporate income tax or the minimum corporate tax under RIGL § 44-11-2(e), whichever is the greater.

♦ If the homeowners association is registered as an exempt organization for federal tax purposes, and files federal Form 990-T to report unrelated business taxable income, the homeowners association must file form RI-1120C. The association is subject to the Rhode Island corporate income tax or the minimum corporate tax under RIGL § 44-11-2(e), whichever is the greater.



**Practitioners' Corner****QUESTIONS AND ANSWERS ABOUT STATE TAXES** (CONTINUED FROM PAGE 11)

Otherwise, the charter will be revoked and the unpaid state taxes could be a barrier to, or impede, the transfer of property.

**Q: There was a change in the recent legislative session regarding the tax on propane. Does it affect the sales and use tax exemption?**

A: No. Effective July 1, 2015, gross receipts from the sale – and from the storage, use, or other consumption – of every type of heating fuel became exempt from Rhode Island's 7 percent sales and use tax.

Also effective July 1, 2015, gross receipts from the sale – and from the storage, use, or other consumption – of electricity and gas furnished for any type of use became exempt from the 7 percent sales and use tax.

Those two provisions, which took effect in July of 2015, involved the sales and use tax. They remain in effect.

Separately, a bill which took effect in July 2016 involves the Rhode Island motor fuel tax. It says that propane used for the generation of electricity is not subject to the Rhode Island motor fuel tax.

(Propane that is used to operate or propel motor vehicles with internal combustion machines is still taxable under the motor fuel tax.)

**Q: Are an employee's after-tax contributions to a designated Roth 401(k) account subject to Rhode Island unemployment insurance tax?**

A: Yes.

**Q: In the past, we have not been able to e-file our clients' corporate extension and also e-file our clients' corporate return later that year. For 2016 returns, will we**

**be able to e-file their extension and their returns?**

A: You'll be able to e-file a Rhode Island corporate income tax return for tax year 2016. (In fact, e-filing the return is your best bet, in order to ensure compliance with Rhode Island's corporate e-file mandate.) However, to file for an extension, you'll have to file on paper. Keep in mind, though, that if the corporate income tax is paid online, you don't need to file the paper extension. To pay using our website, use the following link: <https://>

[www.ri.gov/taxation/business/index.php](http://www.ri.gov/taxation/business/index.php)

**Q: Based on the clients in my practice, it seems that more pass-through entities than usual have been receiving assessments for the unpaid filing charge. What has changed?**

A: The policy hasn't changed. If an LLC or other such entity (treated as a pass-through entity for federal tax purposes) is delinquent on filing its annual Rhode Island return and paying its annual tax or filing charge, the Division will send a notice of assessment.

The only change recently is that the Division's new agency-wide computer system is helping to uncover more delinquencies, so there are more billings.

**Q: If a Rhode Island resident works at a full-time job in another state for an employer which is located in that state, must that employer withhold for Rhode Island personal income tax purposes?**

A: No, although that employer may wish to consider offering Rhode Island withholding as a convenience.

(Please turn to page 13)



*The Rhode Island State Council on the Arts is spreading the word (see above) about Rhode Island's statewide sales tax exemption on the sale of original and limited edition works of art.*

**New email address**

The Rhode Island Division of Taxation's Corporate Tax section now has its own email address:

[Tax.Corporate@tax.ri.gov](mailto:Tax.Corporate@tax.ri.gov)

**Practitioners' Corner****QUESTIONS AND ANSWERS ABOUT STATE TAXES** (CONTINUED FROM PAGE 12)

**Q: If someone works in Rhode Island on behalf of an out-of-state employer, must that out-of-state employer withhold Rhode Island income tax from the worker's pay?**

A: Yes. Withholding is required for services that are performed in Rhode Island. To get the ball rolling, the employer should complete our Business Application and Registration form, available on our website:

[www.tax.ri.gov](http://www.tax.ri.gov)

For more information, see our Regulation PIT 97-15: <http://www.tax.ri.gov/regulations/other/pit97-15.php>

**Q: My client sells electronic cigarettes. Must he get a cigarette dealer's license from the Division of Taxation?**

A: No. He must register with us and obtain a sales tax permit and pay the \$10 annual fee, but there is no requirement for him to obtain a cigarette dealer's license.

However, your client should contact the Rhode Island Department of Health, which has its own requirements with respect to electronic nicotine delivery system distributors and dealer licenses. As a starting point, see RIGL § 23-1-55, and see the following website: <http://health.ri.gov/licenses/>

[detail.php?id=288](http://detail.php?id=288)

**Q: Are carrier/broker/inspection fees taxable on surplus lines policies, or just the pure premium?**

A: The tax is computed at the rate of four percent on the gross premiums charged the insured by the insurers, less the amount of premiums returned to the insured. The fees you mentioned should not be included in the gross premiums you compute because they are not taxable.

**Q: My client says that he pays his taxes via "bill pay" on his bank's website. He says he executes the transaction on the day the tax is due. But the Rhode Island Division of Taxation ends up penalizing him for late payment. What gives?**

A: When you use the process, money is not instantly transmitted by the bank to the Rhode Island Division of Taxation. It could take one or more business days. So your client's best bet is to schedule the payment well in advance, to avoid penalty and interest for late payment.

What is "bill pay"? Generally speaking, it's a feature a bank may offer. With the feature, the bank's customer can pay a bill by using the bank's website, instead of writing a check from his or her checkbook. Once the customer fills in the correct information for the payment to proceed, the bank may make the payment electronically or may send a check on the customer's behalf, depending on the circumstances.



(Check with the bank for more details. Some banks call the feature "bill pay" or "billpay" or "automatic bill payment" or "online bill payment" or something else.)

**Q: An artist who wants to take advantage of Rhode Island's sales tax exemption for the sale of original, limited-edition works of art must obtain a Rhode Island sales tax permit and file for an exemption certificate. Must the sales tax permit and the exemption certificate be renewed each year?**

A: You don't need to renew the exemption certificate. But you must renew the sales tax permit each year, pay the associated \$10 fee, and file an annual reconciliation return – even if you have no taxable sales to report.

**Filing deadline**

October 17, 2016, was the deadline for filing Rhode Island resident and nonresident personal income tax returns for the 2015 tax year.

The usual deadline is in April, but some taxpayers elected to use a six-month extension, moving the deadline to October 17. Final payments for tax year 2015 were also due by then.

For calendar-year filers, October 17 was also the extended due date for C corporations filing Form RI-1120C, composite returns on Form RI-1040C, pass-through withholding returns on Form RI-1096PT, fiduciary returns (income tax returns for many estates and trusts) on Form RI-1041, and information returns on Form RI-1065 of partnerships and limited liability companies (LLCs) treated as pass-through entities for federal income tax purposes.

*(The extended due date is normally October 15, but that fell on a Saturday this year, so the deadline moved to the next business day. If you missed the October 17 extended due date, file as soon as possible to minimize potential penalties and interest charges.)*



## Rhode Island Department of Revenue Division of Taxation

### NEWSLETTER POLICY

*Rhode Island Tax News* is a newsletter from the Rhode Island Department of Revenue's Division of Taxation. It is typically published each quarter. Its purpose is to provide taxpayers and tax professionals with general information regarding Rhode Island tax laws, regulations, and rulings, and procedures. It is neither designed nor intended to address complex issues in detail. Nothing contained in this newsletter in any way alters or otherwise changes any provisions of the Rhode Island General Laws, regulations of the Tax Division, or formal rulings. The Tax Division is at One Capitol Hill, Providence, RI 02908. Its website is [www.tax.ri.gov](http://www.tax.ri.gov).

### HOW TO SUBSCRIBE

*Rhode Island Tax News* is distributed free, by e-mail, to those who have joined our listserv. If you are not on our listserv but would like to join, send an email to [Susan.Galvin@tax.ri.gov](mailto:Susan.Galvin@tax.ri.gov) with the word SUBSCRIBE in uppercase in the subject block.

### COMMENTS AND SUGGESTIONS

Unless otherwise indicated, all articles and photos in this issue are by the newsletter's editor, Neil Downing. If you have comments or suggestions for *Rhode Island Tax News*, please email: [Neil.Downing@tax.ri.gov](mailto:Neil.Downing@tax.ri.gov)

### BACK ISSUES

*Rhode Island Tax News* back issues are on the Tax Division website: [www.tax.ri.gov](http://www.tax.ri.gov)

#### *How to contact us*

Taxpayers may contact the Division of Taxation online, by phone, by letter, or in person. (Hours of operation are typically 8:30 a.m. to 3:30 p.m. business days.)

##### Website

[www.tax.ri.gov](http://www.tax.ri.gov)

(For numbers and e-mail addresses for specific sections, click the "Contact us" link.)

##### Mailing address

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One Capitol Hill  
Providence, R.I. 02908

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