

RHODE ISLAND TAX NEWS

A NEWSLETTER FOR TAX PROFESSIONALS

OCTOBER/NOVEMBER/DECEMBER 2017

AWARD FOR DIVISION OF TAXATION

The Rhode Island Division of Taxation has been honored by Rhode Island Governor Gina M. Raimondo for its work on the new agency-wide computer system.

At a ceremony at the State

House in August, the Division was officially named a recipient of the 2017 Executive Branch Employee Recognition Award for Outstanding Government Service.

Rhode Island Tax Admin-

istrator Neena S. Savage formally accepted the award (see photo below) on behalf of a Division team -- which led the installation and implementation of the new system.

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Award Ceremony: Rhode Island Governor Gina M. Raimondo (third from left) presented awards to a number of Rhode Island state agencies and employees at a ceremony at the State House in August. Receiving an award on behalf of the Rhode Island Division of Taxation was Rhode Island Tax Administrator Neena S. Savage (second from right).

Photo by Daisy Fleming, Governor's Office

TAX AMNESTY

Rhode Island's tax amnesty program officially starts when the Division of Taxation begins accepting amnesty applications on December 1, 2017. If you pay what you owe, the Division of Taxation will:

- Waive penalties
- Cut interest by 25%
- Agree not to prosecute

For more about amnesty, please turn to page 6.

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AWARD FOR DIVISION OF TAXATION (CONTINUED FROM PAGE 1)

Savage said that the team of 16, led by Daniel Clemence and Leo Lebeuf of the Division of Taxation, and Sandra Deneault of the Division of Information Technology (DoIT), worked tirelessly over multiple years to successfully manage the installation and implementation of the new system, known internally as the State Tax Administration and Revenue System (STAARS).

Hard work

Savage said the award is the result of the hard work of the following members of the STAARS team (listed in alphabetical order):

- ◆ Marlen Bautista
- ◆ Neil Caouette
- ◆ Kristin Cipriano
- ◆ Daniel Clemence
- ◆ Steven Cobb
- ◆ Susanna Coburn
- ◆ Nicole Coleman
- ◆ Kim Delgallo
- ◆ Sandra Deneault (DoIT)
- ◆ Christopher Dube
- ◆ Donna Dube
- ◆ Theriza Iafraite
- ◆ William Kaniecki
- ◆ Leo Lebeuf
- ◆ Jacques Moreau
- ◆ Paul Signore

The 2017 Executive Branch Employee Recognition

Award for Outstanding Government Service was given to the Division of Taxation team for “unselfish devotion to duty far and above that which is required, as well as significant contributions to the advancement of state

service,” according to the award certificate.

Overall, Governor Raimondo issued awards to 20 teams and/or individuals as part of the first annual Executive Branch Employee Recognition Awards.

“These public servants – aside from working creatively, efficiently and passionately to find solutions to our state’s most pressing challenges – have truly amazing stories,” she said in a statement.

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AWARD FOR DIVISION OF TAXATION (CONTINUED FROM PAGE 2)

“Let’s face it – being a public servant isn’t always the easiest job. You are constantly being asked to do more with less. And yet state employees are responsible for all the major things that touch the lives of Rhode Islanders, whether it be repairing our roadways or protecting our environment,” she said.

“They depend on you to get the services they need. So in addition to congratulating our award winners, I want to take this opportunity to say thank you for helping Rhode Island stay on the move!” Governor Raimondo said.

System vendor

In an email to staff, Savage also singled out for praise the work of the computer system vendor, Revenue Solutions Inc. (RSI).

“Another integral member of our team that deserves special recognition for their tireless collaboration and commitment to the Division is RSI. I want to thank Mike Early and the entire RSI team for their dedication and support throughout the STAARS project,” Savage said.

“According to the certificate, the award presented [to the Division] celebrates unselfish devotion to duty far and above that which is required, as well as significant contributions to the advancement of state service,” Savage said.



Stopping By: *At the awards ceremony at the State House, Rhode Island Governor Gina M. Raimondo took time to meet with Owen Clemence (left) and his sister, Hope Clemence. Their father, Daniel Clemence, was part of the Division of Taxation team honored by Governor Raimondo. Dan Clemence is chief of tax processing services at the Division’s Project Oversight & Development section. (Not shown in photo are his wife, Ellie, and their daughter Caroline.)*

“Our STAARS team certainly qualifies. As the Governor said, the work and

passion of these honored state employees is an inspiration to all of us.”

At issue is a project involving the modernization of the Division of Taxation’s tax system and revenue accounting system.

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.

Real-time processing

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, in the autumn of 2015, records involving the personal income tax, estate income tax, trust income tax, composite income tax, and pass-through withholding were migrated to the new system.

In the third phase, completed in late 2016, several other tax types were moved to the new system, including the corporate income tax and sales and use tax.

Although the major phases of the project are now complete, other elements are on the horizon.

One such element is an interactive website (“portal”), which will allow taxpayers to file certain returns and make certain payments online.

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AWARD FOR DIVISION OF TAXATION (CONTINUED FROM PAGE 3)

Another element involves broadening the number of actions that taxpayers will be able to take through the portal, and also moving the estate tax system onto STAARS.

Project benefits

By the time the entire project is completed, the new system's benefits will become apparent to taxpayers, tax professionals, and others. For example:

◆ A high-speed scanning and imaging system is helping to ensure that returns -- and refunds -- are processed more quickly.

◆ Substantially all information about a taxpayer will be contained in one place. So if a taxpayer or preparer calls, the Tax Division employee can easily and quickly pull up the taxpayer's account to view all of the account activity on one system -- such as payments, notices, letters, and other items.

◆ There will be consistent business rules across all tax types -- for the application of interest and penalties, and for filing requirements, for example.

◆ The single location for taxpayer information should eventually result in faster processing of requests for letters of good standing.

◆ Faster processing of returns will also result in more timely review of those returns and their related accounts,



Awards Ceremony: On August 2, 2017, a crowd gathered at the State Room inside the Rhode Island State House as Rhode Island Governor Gina M. Raimondo presented the 2017 Executive Branch Employee Recognition Awards. She was joined in the presentation by Director of Administration Michael DiBiase. Afterward, she took time to meet with State employees, their loved ones, and others -- including Leo Lebeuf (see photo below), chief revenue agent in the Rhode Island Division of Taxation's Personal Income Tax section. (Pictures accompanying this article were taken by various photographers)



which should reduce the turnaround time for billing.

◆ More timely review and faster and more accurate billing can improve collection on delinquent accounts -- which helps all taxpayers.

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 in taxpayer funds for the project, to be paid out over a number of years to the vendor.

RSI, of Pembroke, Mass., was the successful bidder. The Tax Division is using RSI's Revenue Premier product.



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 OF EXAMINATIONS APPOINTED

Rahul Sarathy has been appointed as chief of examinations at the Rhode Island Division of Taxation by Rhode Island Tax Administrator Neena S. Savage.

In his new role as the Division of Taxation's third-in-command, he will oversee the agency's Field Audit section, Office Audit section, and Special Investigation Unit.

He will also work on special projects, including a taxpayer portal, business organization assessment, and leveraging the new integrated tax system (computer system) to enhance revenues and improve taxpayer services.

'Ideal candidate'

"I am pleased to welcome Rahul into his new role as chief of examinations in the Division of Taxation. He was chosen from a very strong field of candidates. His educational background, his technological expertise, and his extensive work experience -- including his role at Revenue Solutions Inc., our computer system vendor, where he was chief functional architect for multiple government agencies, made him the ideal candidate for this position," Savage said.

"At this time in the Division's history, his experience and skills will be a tremendous asset and resource for the Division," Savage said.



New Chief: *Rahul Sarathy is the new chief of examinations at the Rhode Island Division of Taxation. He was appointed by Tax Administrator Neena S. Savage, who cited his educational background, technological expertise, and extensive work experience.*

Rahul Sarathy was born in Boston, Massachusetts, and raised in Newton, Massachusetts, the oldest of three children.

His father, a native of India, is a professor of international business and marketing at Northeastern University in Boston. His mother, a native of upstate New York and a registered nurse, worked at an East Boston neighborhood health clinic.

He graduated from the

Massachusetts Institute of Technology, in Cambridge, Massachusetts, in 2003, with two bachelor of science degrees: one in mechanical engineering, the other in management science.

In school and in college, he was a classical trumpet player, performing with a number of symphonies.

After college graduation, he went to work with Accenture (formerly Arthur Andersen), a global consult-

ing firm. One of his first jobs there was as a consultant to the State of Connecticut on its new computerized tax system. "That's where I learned about taxes," he said.

In 2007, he joined Revenue Solutions Inc. (RSI), of Pembroke, Massachusetts, as a senior consultant. One of his first jobs was to design a computerized tax system for the State of South Carolina. Over time, he rose to the rank of chief functional architect at RSI, focusing on understanding business processes and taxes at each government agency, and guiding the implementation of new computer systems at each.

Key role

He has provided support for a number of RSI projects in various states, including Missouri, Indiana, and Maine. He also played a key role in the design and implementation of the Rhode Island Division of Taxation's agency-wide computer system (integrated tax system), all while earning a master of science degree in taxation from Northeastern University in 2016.

Sarathy lives in Providence. He has a five-year-old standard poodle, Nellie. He continues to attend the symphony, reads numerous works of fiction, and occasionally plays the trumpet.

RHODE ISLAND TAX AMNESTY STARTS DECEMBER 1

Preparations at the Rhode Island Division of Taxation are under way for the Rhode Island tax amnesty which begins in December.

If you pay the tax you owe, the Division will waive penalties and reduce the interest by 25 percent.

Legislation authorizing the amnesty (see excerpts at right) was approved by the General Assembly and signed into law by Governor Gina M. Raimondo on August 3, 2017.

“The start of amnesty is still approximately two months away, but we want to let tax professionals and taxpayers know that we are well along in our planning and in our preparations,” said Rhode Island Tax Administrator Neena S. Savage, who oversees the Division of Taxation.

“We are providing a summary of amnesty information – some highlights, at a glance – for those tax professionals and taxpayers who are eager for information well in advance. We are making steady progress in our preparations and we will be ready for the amnesty when it begins,” Savage said.

For example, the Division already has set up the official amnesty website:

<http://www.taxamnesty.ri.gov/>.

When construction of the website is completed, it will serve as the central repository

31 SECTION 17. Title 44 of the General Laws entitled "TAXATION" is hereby amended by
32 adding thereto the following chapter:
33
34

CHAPTER 6.5
RHODE ISLAND TAX AMNESTY ACT OF 2017

1 **44-6.5-1. Short title.**
2 This chapter shall be known as the "Rhode Island Tax Amnesty Act of 2017."
3
4 **44-6.5-2. Definitions.**
5 As used in this chapter, the following terms have the meaning ascribed to them in this
6 section, except when the context clearly indicates a different meaning:
7 (1) "Taxable period" means any period for which a tax return is required by law to be filed
8 with the tax administrator.
9 (2) "Taxpayer" means any person, corporation, or other entity subject to any tax imposed
10 by any law of the state of Rhode Island and payable to the state of Rhode Island and collected by
11 the tax administrator.
12 **44-6.5-3. Establishment of tax amnesty.**
13 (a) The tax administrator shall establish a tax amnesty program for all taxpayers owing any
tax imposed by reason of or pursuant to authorization by any law of the state of Rhode Island and

ry for official amnesty-related information: The Division plans to post information in stages over time – including the amnesty application form when it is completed.

The Division plans to mail account statements to approximately 90,000 taxpayers, beginning in early November, letting them know of their account balance. The account statements also will let the taxpayers know how much it will cost them to pay off their balance. In addition, the mailing will include the official amnesty

application form and a payment voucher. The Division is also extending amnesty to those whose Rhode Island tax delinquencies are not known to the agency. For example, someone who has never filed a Rhode Island return, but who should have filed, may be eligible for amnesty. That person should contact the agency either shortly before amnesty begins or during the amnesty period.

The Division will establish a phone bank to answer calls about amnesty; details will

be announced before the amnesty period begins. The Division also is planning an extensive advertising and marketing campaign for amnesty.

The Division will start accepting amnesty applications on December 1, 2017. The amnesty will run for 75 days, through February 15, 2018. Amnesty applies to all Rhode Island state taxes, and is for any taxable period ended on or before December 31, 2016.

SEMINAR FOR TAX PREPARERS IS SCHEDULED

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 income from 401(k) plans, government pensions, private-sector pensions, 403(b) plans, annuities, and other such sources.

Estimated taxes

Other topics will include the coming tax amnesty, changes involving the sales tax and use tax, changes involving corporate estimated taxes, and other items.

The Division of Taxation will hold the seminar at the Community College of Rhode Island (CCRI) Newport County Campus in Newport on Thursday, November 2, 2017.

The seminar will be repeated on Friday, December 1, 2017, at CCRI's Knight Campus in Warwick.

The seminar is free, but pre-registration 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 Rhode Island Tax Administrator Neena S. Savage, who oversees the Division of Taxation.

"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 Assistant Tax Administrator Michael F. Canole.

A supplement

CPAs, EAs, PAs, and other paid preparers are welcome to attend, too, Savage said. "The seminar at CCRI is in-



Newport County Campus: The seminar for tax preparers will be held at the CCRI Newport County Campus (see photo above) in Newport on Thursday, November 2, 2017, from 9:00 a.m. to 12:00 noon, in the main auditorium.

For directions:

<https://www.ccri.edu/about/campuses.html>



Knight Campus: The seminar for tax preparers will be repeated at CCRI's Knight Campus (see photo above), in Warwick, on Friday, December 1, 2017, from 9:00 a.m. to 12:00 noon, in Presentation Room No. 4080. For directions:

<https://www.ccri.edu/about/campuses.html>

Photos courtesy of CCRI

tended 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.

EXTENDED DUE DATES FOR 2016 AND LATER TAX YEARS

The Rhode Island Division of Taxation reminds tax professionals and taxpayers about the mid-October filing deadline.

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. The new Rhode Island law left 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.

Public hearing

The Rhode Island Division of Taxation plans to hold a hearing on October 18, 2017, on proposed actions involving eight regulations.

The hearing will begin at 9:30 a.m. at the Department of Administration building at One Capitol Hill in Providence, Rhode Island, diagonally across from the Smith

Due dates for certain entities – calendar-year filers

(For tax years beginning after December 31, 2015)

TAX / ENTITY	FORM	EXTENDED DUE DATE
Business Corporation Tax Corporate income tax, Rhode Island General Laws Chapter 44-11	Form RI-1120C	October 16
Public Service Corporation Tax Public service gross earnings tax, RIGL Chapter 44-13	Form T-72	October 16
Taxation of Banks Bank excise tax, RIGL Chapter 44-14	Form T-74	October 16
Taxation of Insurance Companies Insurance gross premiums tax, RIGL Chapter 44-17	Form T-71	October 16
Single-member LLC (SMLLC) RIGL § 7-16-67 (owned by individual)	Form RI-1065	October 16

Notes: Rhode Island personal income tax returns on extension are also due October 16, 2017. Formulas and deadlines for estimated taxes have not changed. Extended due dates for corporate income tax also apply to entities subject to mandatory unitary combined reporting. Single-member LLC (SMLLC) uses same due date and extended due date as its owner; this table assumes owner is individual.

Street entrance to the State House.

The proposed changes – some of which involve presenting regulations in the new Rhode Island Code of Regulations format – are available for review on the Rhode Island Secretary of State website: www.sos.ri.gov.

Special website section

The Rhode Island Division of Taxation has established a special section of its website to help foster compliance with the recently enacted “Non-Collecting Retailers, Referrers, and Retail Sale Facilitators Act.”

The webpage provides links, forms, legislative language,

and other items related to the new law -- all conveniently located in one place.

Under the legislation, which was approved by the General Assembly and signed into law by Governor Gina M. Rai-mondo on August 3, 2017, you may have certain registration and/or notice and reporting requirements involving Rhode Island sales and use tax.

Which requirements apply to you depends upon whether you qualify as a “non-collecting retailer”, a “retail sale facilitator”, or a “referrer” -- terms that are defined in the new law. To view the webpage, which includes a copy of the new law, use the following link:

<https://go.usa.gov/xRGwT>.



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.

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

Penalty

The taxpayer's return for 2013 was due on April 15, 2014. But it was filed on May 9, 2016 – without a payment, and there had been no withholding.

The Division sent a Notice; the taxpayer requested a hearing but did not show up.

On June 13, 2017, Hearing Officer Catherine R. Warren found that the taxpayer filed her 2013 Rhode Island personal income tax return late and owed tax but did not pay it.

Thus, the taxpayer owes the tax, plus interest and penalties. On July 24, 2017, Tax Administrator Neena S. Savage adopted the hearing officer's decision and recommendation.

-- Final Decision and Order
No. 2017-08



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.

Tax credit

At issue is whether the Division of Taxation correctly disallowed the taxpayer's claim for a qualified rehabilitation expenditure (QRE) under the historic preservation tax credit program of 2013 (Rhode Island General Laws sec. 44-33.6-1 *et seq.*).

As part of the process toward

claiming credits, the taxpayer claimed a QRE for development fees, which the Division disallowed, and the taxpayer requested a hearing.

The taxpayer asserted, in part, that the development fees had been earned, accrued, and properly capitalized – and that contractual liability had been established, so that the fees could be allowed as QREs without regard to whether the fees were actually paid as of a certain reporting date. The Division asserted, in part, that a cost has to have been actually paid in order to be an allowable QRE.

On July 10, 2017, the hearing officer determined that the development fees claimed as a QRE by the taxpayer had not been paid and that the claim for QRE credit on those fees is denied.

On July 24, 2017, the tax administrator adopted the hearing officer's decision and recommendation.

-- Final Decision and Order
No. 2017-09

**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 280-RICR-20-00-2.

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

DECLARATORY RULING INVOLVING RESTAURANTS

The Rhode Island Division of Taxation recently posted a Declaratory Ruling regarding whether a restaurant group's use of mobile point-of-sale devices is subject to the

Rhode Island sales and use tax.

The issue involved a large, full-service, casual-dining company, with restaurant locations in Rhode Island.

The ruling was based on the facts and circumstances of this particular case. To learn more: www.tax.ri.gov.

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

Q: One of my clients has moved. How do we change their address with the Division of Taxation – for sales and payroll tax purposes, as well as for the sales permit?



A: Use the change-of-address form on our website. Here's the link:

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

Once there, you'll find the change-of-address form in two versions: one is the usual PDF form, the other is a fillable form.

Note: If you withhold payroll tax from employees and you are changing your address, be sure to notify our Employer Tax section in writing, separate and apart from the change-of-address form. To notify the Employer Tax section, use the following address: Rhode Island Division of Taxation, Employer Tax Unit, Suite 36, First Floor, One Capitol Hill, Providence, R.I. 02908.

Q: At the time of his death, my client – a Rhode Island resident – had an ownership interest in a partnership. The partnership's assets consisted entirely of real es-

tate in Connecticut. I realize that the client's estate would have to count the real estate, for Rhode Island estate tax purposes, if the client owned it outright. But what about in

the case of a partnership?

A: At the time of his death, your client had an ownership interest in a partnership. The value of that ownership stake must be included for purposes of computing Rhode Island estate tax. That is the case no matter what the partnership owned.

Q: What is the due date and extended due date for purposes of mandatory unitary combined reporting? How long is the extension?

A: Form RI-1120C is filed by C corporations and must also be used for combined reporting. For a calendar-year filer, whether the filer is a stand-alone C corporation or is part of a combined group engaged in a unitary business (combined reporting), the due date is mid-April and the extended due

date is mid-October. Thus, the extension is for six months. For example, for tax year 2016, the due date was April 18, 2017, and the extended due date is October 16, 2017.

For fiscal-year filers, the due date is the 15th day of the fourth month following the end of the taxable year, and the extended due date is the 15th day of the 10th month following the end of the taxable year.

For more information on the topic, use the following link: <https://go.usa.gov/xXncs>.

Q: My limited liability company (LLC) received a notice of revocation from the Rhode Island Department of State (Secretary of State) a few months ago. I want to get it reinstated as soon as possible. I'm told that one step the LLC must take is to get a letter of good standing from the Division of Taxation. Is that correct? And to get current on its taxes (annual filing fee), can the LLC pay in installments?

A: Your LLC is seeking to reinstate with the Secretary of State. To do that, one thing the LLC must do is obtain a letter of good standing from the Division of Taxation.

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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.

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.

Practitioners' Corner**QUESTIONS AND ANSWERS ABOUT STATE TAXES** (CONTINUED FROM PAGE 10)

To obtain a letter of good standing from the Division, one needs to have all returns filed and all payments made in full. No payment plan is allowed for that purpose.

To get the ball rolling, file a letter of good standing application. The Division will send you a letter letting you know what you need to do in order to get the letter of good standing.

Once you've done all that, you can use the letter of good standing to get reinstated with the Secretary of State. Keep in mind that the Division charges a \$50 fee for a letter of good standing application.



Here's a link to our website, where you can find the letter of good standing application in the forms section:

www.tax.ri.gov

Here's a link to the Department of State's website:

www.sos.ri.gov

Q: If my client makes a contribution to a Section 529 college-savings plan (also known as a Section 529 plan), and the contribution exceeds the 'deductible' limit for Rhode Island personal income tax purposes, is

there a carryforward provision?

A: Yes.

In general, Rhode Island provides a personal income tax break for contributions to a Section 529 plan.

The "break" is in the form of a modification, which reduces your federal adjusted gross income for Rhode Island tax purposes. The annual limit for this purpose is \$500 if you're single, \$1,000 if you're married and file a joint return.

What happens if, for example, a married couple opens an account in Year One and contributes \$1,200

in that year? In general, the couple claims a modification of \$1,000 for Year One. The couple carries over the excess amount of \$200 and claims it in Year Two.

Keep in mind that this is only a general discussion. If your client plans to take advantage of the carryover provision, it is important for you to read Rhode Island General Laws § 44-30-12 (c), which spells out limitations, restrictions, and qualifications.

(For example, you'll find out about the requirement for the taxpayer to attach, to

the Rhode Island personal income tax return, a computation of the contributions carryover for the taxable year.)

Rhode Island General Laws are available for viewing at the following link:

<http://webserver.rilin.state.ri.us/Statutes/>

(Editor's Note: The remaining questions focus all on a single topic.)

Q. On the bill that I receive each month from a telecommunications company, there is a new line which reads: 'RI Gross Receipts Tax Surcharge.' Is that allowed?

A: The Division of Taxation cannot comment on a particular taxpayer's situation – whether the taxpayer is an individual or a corporation.

However, as a general rule, a public utility or public service corporation, including a telecommunications company, is free to state on a customer bill that the business is subject to Rhode Island's public service corporation tax.

That tax, under Rhode Island General Laws Chapter 44-13, is computed on a public service corporation's gross earnings, or gross receipts.

(Please turn to page 12)



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

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

Thus, the levy is sometimes referred to as the gross receipts tax.

All telephone and telecommunications companies have been subject to the public service corporation tax since 1942, when the public service corporation tax, as we know it today, was adopted.

It's the company itself that's subject to the tax, not its customers. However, if the company chooses to add a new charge on the bill that it sends to its customers, and it wants to call that new charge 'RI Gross Receipts Tax Surcharge' – or something else, that's ultimately up to the company and its various stakeholders.

Q: The customer bill from a telecommunications company says that the tax is a gross receipts tax "surcharge." Is that true?

A: We don't view the public service corporation tax (also known as the gross receipts tax) as a surcharge. The tax has been in place since 1942. However, Rhode Island General Laws § 44-13-1(a) says that the gross receipts tax on a public service corporation "shall be in addition to any tax upon its real estate and tangible personal property locally or otherwise assessed and shall be measured by its gross earnings" It is possible that a public utility or public service corporation could

view the tax as a surcharge.

Q: The Rhode Island public service corporation tax has been in place since 1942. However, has the Rhode Island public service corporation tax increased or decreased so much recently that a telecommunications company would feel prompted to make special mention of the tax on its bills to customers?

A: There have been no substantive changes to the Rhode Island public service corporation tax in recent years.

Whether an individual company's tax has changed, up or down, is confidential taxpayer information, so we cannot comment. If a public utility or public service corporation, including a telecommunications company, cares to share that information with its customers, that's up to the entity.

Q: Must a telecommunications company put its Rhode Island public service corporation tax on its customer bills?

A: Under Rhode Island General Laws § 44-13-36, every corporation whose principal business is manufacturing,

selling, distributing and/or transmitting electricity or heating gas "shall directly reflect in its rates charged for the electricity or gas used in the manufacturing process, as defined in § 44-18-30(7), the actual public service corporation tax rates in effect for those sales of electricity and gas."

However, telecommunications companies are not required by statute to state their Rhode Island public

service corporation tax on customers' bills.

The state taxes imposed on any business represent a cost of doing business and should be

incorporated into any prices or rates it charges, as part of its overhead.

However, no law prevents any business, including a telecommunications company, from separately stating on customer invoices what the business pays in state taxes.

For more information on the Rhode Island public service corporation tax, see Rhode Island General Laws Chapter 44-13.

**Filing deadline**

October 16, 2017, is the deadline for filing Rhode Island resident and nonresident personal income tax returns for the 2016 tax year.

The usual deadline is in April, but some taxpayers elected to use a six-month extension, moving the deadline to October 16. Final payments for tax year 2016 are also due by then.

(The extended due date would normally be October 15, but that falls on a Sunday this year, so the deadline moves to the next business day. If you miss the October 16, 2017, 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.

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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

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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.)

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