

RHODE ISLAND TAX NEWS

A NEWSLETTER FOR TAX PROFESSIONALS

APRIL/MAY/JUNE 2017

TIPS FOR LAST-MINUTE TAX FILERS

As this season's deadline draws near, the Rhode Island Division of Taxation is providing a number of tips for last-minute filers.

The first tip is to file your Rhode Island resident or nonresident personal income tax return electronically, through a process known as e-file.

The Division of Taxation has been strongly recommending e-filing since before the tax-filing season began. Why? E-filing is faster, more efficient, and more effective. E-filed returns are processed more

quickly than paper returns. There are fewer errors. Paper returns simply take longer to process – weeks longer, in some cases. Also, e-filing is the only way you can have your Rhode Island

personal income tax refund deposited directly into your bank account (assuming a complete and accurate return is filed).

(Please turn to page 2)



Tax Seminar: Tax preparers attended a filing season seminar in November that was sponsored by the Rhode Island Division of Taxation and held at the Community College of Rhode Island's Warwick campus.

NEW ONLINE PORTAL UNDER DEVELOPMENT

The Rhode Island Division of Taxation is in the process of developing a new portal.

The portal will supplement the Division of Taxation's website and is scheduled to be launched later this year. Eventually, the portal will:

◆ allow for online filing of applications for letters of

good standing and online payment of the related fee.

◆ allow online returns and payments involving the International Fuel Tax Agreement, also known as IFTA; and

◆ allow online returns and payments involving surplus lines insurance brokers/licenseses. (Thus, for exam-

ple, a surplus lines broker/licensee will be able to file online in April 2018, for the 2017 tax year.)

The portal is part of a broader project involving the overall modernization of the Division of Taxation's tax and revenue accounting system.

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FILING DEADLINE IS APRIL 18, 2017

April 18, 2017, is the deadline for filing Rhode Island resident and nonresident personal income tax returns.

It is also the deadline for returns for calendar-year C corporations, and for a number of other tax filings and payments.

For an at-a-glance table, please see page 7.

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TIPS FOR LAST-MINUTE TAX FILERS (CONTINUED FROM PAGE 1)

Direct deposit is not an option for paper filings.

Choose a preparer

If you can't e-file yourself, use a preparer. Most preparers e-file returns.

The Internal Revenue Service provides an online database for all authorized e-file providers that choose to be included in the database. You can locate the ones nearest you by entering your ZIP code in the search box:

<https://go.usa.gov/xX97t>

For tips on choosing a preparer, use the following link:

<https://go.usa.gov/xX9Aq>

E-file for free

If you can't afford a preparer, you may be eligible to use a "Rhode Island Free File" program, which lets you prepare your own federal and Rhode Island return online, and e-file them, at no charge.

The option to prepare and e-file your own federal and Rhode Island personal income tax returns at no charge through the Rhode Island Free File program is available only through the Rhode Island Division of Taxation website.

Many, but not all, taxpayers qualify for the free programs. Review terms and conditions

through the following link:

<https://go.usa.gov/xX9Ar>

There are many sites throughout Rhode Island where volunteers will prepare and e-file your returns for you. These include sites operated by the Volunteer Income Tax Assistance (VITA) program and the AARP Tax-Aide program.

For information on sites near you, call the United Way by dialing 211. You can also find sites near you through the following link:

<https://go.usa.gov/xX9AT>

Paper filing

If you must file your Rhode Island personal income tax return on paper, please keep the following points in mind:

◆ Paper returns take the longest to process. Part of the reason is that paper returns generate the most errors. So when you prepare your return, make sure your math is correct.

◆ Be sure to sign and date the return. (Unsigned returns will be sent back to the taxpayer.)

◆ If Rhode Island personal income tax was withheld from your paycheck, pension, or other source of in-



Photo courtesy of CClA

Presentation: Rhode Island Tax Administrator Neena S. Savage (at lectern above) discussed the benefits of the Rhode Island Free File program during a presentation at the Pilgrim Senior Center in Warwick in March. Other speakers included U.S. Representative Jim Langevin (at left). Additional information about the event is on page 8 of this newsletter.

come last year, make sure you include a complete and accurate Schedule W with your return.

◆ Attach all Form W-2 wage statements and other required documentation as outlined in the instructions. But don't use staples or sticky tape, which slow down processing. Remember: paper returns must be run through the Division of

Taxation's high-speed scanning equipment. Staples and sticky tape clog up the works. So for any required attachments to your return, use paper clips, binder clips, or even rubber bands.

◆ Include your Social Security number (or ITIN).

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TIPS FOR LAST-MINUTE TAX FILERS (CONTINUED FROM PAGE 2)

If you're married, include the Social Security number (or ITIN) of your spouse, too.

- ◆ Include all pages of the return.
- ◆ Use a standard-size envelope, and keep folding of the return to a minimum, to ease in processing.
- ◆ Include with the return only the required documents as shown in the instructions. (For example, do not include birth certificates.)

Another point to remember: So far this season, some paper filers have included their Form W-2 wage statements but not Schedule W. In other instances, some paper filers have included their Schedule W but not their Form W-2 wage statements. All of the documents should be included.

Forms, instructions

Forms, instructions, schedules, and other items are available online around the clock at the Division's website:

<https://go.usa.gov/xX9Ak>

The link also shows "fillable" forms and schedules for resident and nonresident returns. You type your information directly on-screen, print out the completed forms and schedules, and send them in. Fillable paper returns process more efficiently than do handwritten returns.



Hearing: Rhode Island tax officials briefed the House Oversight Committee on January 19, 2017, about personal income tax refunds for the 2016 filing season, changes in processing for the 2017 filing season, and related topics. Those who addressed the committee included (from left, in screenshot above) Michael F. Canole, chief of examinations at the Rhode Island Division of Taxation; Robert S. Hull, director of the Rhode Island Department of Revenue; and Rhode Island Tax Administrator Neena Savage. The hearing was broadcast on Capitol Television.

A balance due

If your Rhode Island return shows a balance due, and you e-file or have your return e-filed for you, you typically can authorize the Division to withdraw the required amount directly from your bank or credit union account. (Try to schedule the withdrawal, or "direct debit," several business days in advance of the deadline, to avoid delays.)

To pay a balance due, your bank or credit union may allow you to use its online "bill pay" feature, which generates a check that your bank or credit union mails to the Division of Taxation. However, if you use the "bill pay"

feature, please include as much information as possible so that the Division can promptly and properly credit your account. For example, include your Social Security number, and be sure to enter other appropriate information, such as the tax year for which you are paying (typically tax year 2016), and the tax type involved (personal income tax). When using your bank or credit union's "bill pay" feature, be sure to complete the transaction several business days in advance of the deadline, so that the amount can be promptly and properly credited to your account. That way, you can avoid incurring interest and penalty charges. Also when using "bill pay," make sure

that the payment goes to the following address, not to a post office box: Rhode Island Division of Taxation, One Capitol Hill, Providence, R.I. 02908-5806.

You may also pay your balance due by credit card or debit card. For more information, including details on fees, use the following link:

<https://go.usa.gov/xX9AX>

Payment voucher

If you pay by check, be sure that your check is accompanied by a payment voucher.

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TIPS FOR LAST-MINUTE TAX FILERS (CONTINUED FROM PAGE 3)

That way, your payment will be properly and promptly credited to your account.

If you use tax-preparation software, or your preparer does, you may use the voucher provided by the software program. You may also use the Division's voucher:

<https://go.usa.gov/xX9AE>

Filing deadline

This season's filing deadline is Tuesday, April 18, 2017. All returns and payments are due on that date.

You may apply for an automatic six-month extension, which will give you six more months to file your return; the extended due date this year is October 16, 2017.

If you use tax-preparation software, or your preparer does, you may use the extension request form provided by the software program. You may also use the Division's extension form, which includes instructions:

<https://go.usa.gov/xX9Af>

For information about how to make a proper estimate when filing for an extension, please use the following link:
<https://1.usa.gov/1VE9vBW>

Note:- If you are not required to make a payment by April 18 – because your calculations show that you paid a sufficient amount last year, for



March Visit: Rep. Patricia A. Serpa (right), who chairs the Rhode Island House Oversight Committee, spoke with Susanna Coburn (left), chief revenue agent in the Rhode Island Division of Taxation's Tax Processing Services section, during a tour of the Division's mail-room and processing areas in March. At right in photo above is one of the agency's two high-speed scanning and imaging machines, which are used in the processing of paper tax returns and related documents.

example – don't file the Rhode Island extension form, but when you file your Rhode Island return by the October extended due date, attach a copy of your federal extension application. Also note that if you have a balance due, you still must pay what you owe by April 18 or face penalty and interest charges. Remember: It's an extension of the time to file, not of the time to pay. If you'll have a balance due, file Form RI-4868 on paper.

If you can't pay what you owe by April 18, file anyway to avoid the failure-to-file penalty – and enter into an agreement to pay over time, in installments. To learn more about such payment plans, call the Tax Division's

Compliance & Collections section, at (401) 574-8941 from 8:30 a.m. to 3:30 p.m. business days. (Have a copy of your return handy when you call.)

Form RI-1040H

Also note that April 18, 2017, is the deadline for filing property-tax relief claims on Form RI-1040H, and residential lead abatement credit claims on Form RI-6238. (No extension applies to those two forms.)

Estimated tax

Don't forget that Tuesday, April 18, 2017, is the deadline for the first payment of quarterly estimated personal income tax for the 2017 tax year.

Avoid scams

The Rhode Island Division of Taxation, the Internal Revenue Service, and others issued a warning recently for tax preparers and taxpayers about last-minute phishing email scams, especially those scams requesting deposit changes for refunds or account updates.

For more information about guarding against that and other scams and cybercrimes, use the following link:

<https://go.usa.gov/xX9A6>

WHERE'S MY REFUND? USE TAX DIVISION'S ONLINE TOOL

Before calling the Division of Taxation to check on the status of a Rhode Island personal income tax refund, use the agency's "Where's My Refund?" interactive online tool. It is available 24 hours a day, seven days a week.

Taxpayers and tax professionals use the secure website to find out if the Division of Taxation has received a return and whether any associated refund has been processed.

The Division of Taxation's "Where's My Refund?" online tool is updated with fresh information at least once a week, typically late each Friday.

Recent improvements

The Division of Taxation's "Where's My Refund?" interactive online tool has been made more user-friendly this filing season, providing additional information about the status of returns, refunds, and related information.

Before now, the Division's online tool provided only a limited amount of infor-

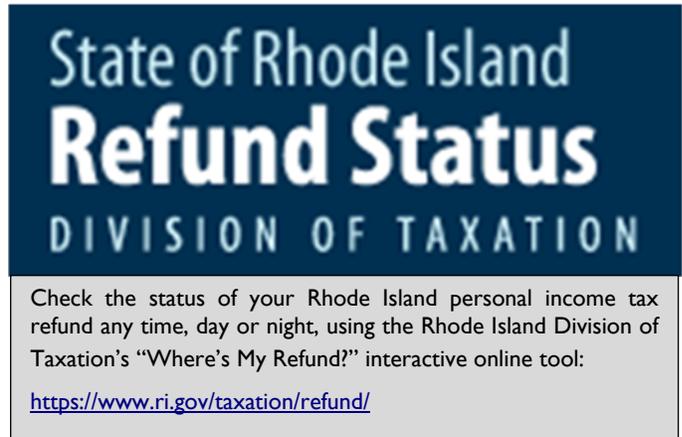
mation about the status of returns. For example, if processing of a return was delayed, the taxpayer might have been advised only that the return was "under review."

However, the Division has upgraded the online tool for the current filing season. As a consequence, there will now be up to 12 separate messages to give taxpayers and tax preparers a better idea of any issue that may be delaying the processing of the return and any associated refund. That way, fewer taxpayers and tax preparers will have to phone or email the Division of Taxation about the status of a return and any associated refund.

Examples

For example, if a taxpayer is claiming a credit for income tax paid to another state, the "Where's My Refund?" online tool will tell the taxpayer if he or she needs to provide a signed copy of the return(s) from the other state(s) to allow processing to proceed.

A separate message will show whether a taxpayer failed to file a complete and accurate Schedule W showing the amount of Rhode Island personal income tax withheld from a paycheck or other income source last year. The tool will also provide guidance on what steps



State of Rhode Island
Refund Status
DIVISION OF TAXATION

Check the status of your Rhode Island personal income tax refund any time, day or night, using the Rhode Island Division of Taxation's "Where's My Refund?" interactive online tool:
<https://www.ri.gov/taxation/refund/>

to take to resolve the matter.

Another message will display whether a taxpayer failed to attach the required Form W-2 wage statement or Form 1099 showing a certain type of income received last year – and what to do about it.

When to use online tool

If your return was e-filed, you may begin to use the tool to check the status of your refund within 48 hours after the Division has received your e-filed return. (However, if you've e-filed on a Friday or on a weekend, wait until the following week.)

If you filed your return on paper, you may begin to use the online tool to check the status of your refund four weeks after you mailed your paper return. (The IRS provides the same guidance regarding paper-filed federal returns.)

The Division of Taxation administers more than 55 different tax types and fees.

One of those tax types, involving the personal income tax, involves the processing of more than 645,000 personal income tax returns each year.

The agency has a staff of approximately 230 employees – and not all of them handle personal income tax returns; many staffers are assigned to other statutorily required duties, including the processing of letters of good standing for businesses, sales permits for retailers, and business returns for corporations, pass-through entities, and others. The Division thanks tax preparers and taxpayers for their patience and diligence during and after the filing season.

Table of due dates

Some filing deadlines have changed starting this season. See page 7 for a table of due dates.

NEW PORTAL UNDER DEVELOPMENT (CONTINUED FROM PAGE 1)

The first stage of the overall 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, 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 November 2016, other tax types were moved to the new system, including the corporate income tax and sales and use tax.

Integrated tax system

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 Tax Division is using RSI's Revenue Premier product. The new system is known within the Tax Divi-

sion as the State Tax Administration and Revenue System (STAARS).

Before the overall computer conversion project began, more than 50 tax types and fees administered by the Division were kept in various places, including Access databases, computer spreadsheets, and a mainframe computer which uses 1970s-era COBOL language.

With the third phase of the project now complete, Division of Taxation personnel now maintain and access substantially all tax types and fees on a single, agency-wide computer system, known as an integrated tax system.

"We are moving to a new system that will eventually save everyone time and give taxpayers and tax professionals more tools and improved online access," said Rhode Island Tax Administrator Neena Savage. "To get to that point, we must change over the old system to the new system. But to keep disruption to a minimum, we are doing the changeover gradually, in stages over time," she said.

Future plans

Future plans include migrating estate tax records over to the new system and moving the revenue accounting system onto the new system. The Division of Taxation is also using high-



Processing: Justin Iafrate, a senior clerk in the Rhode Island Division of Taxation's Processing section, works on one of the agency's two high-speed scanning and imaging machines. The machines, which are used to help process paper returns, are part of the agency's overall technology upgrade project.

speed document scanning and imaging machines as part of the overall project. Also planned is the portal, which taxpayers will be able to access any time to make certain filings and payments.

"We appreciate the patience of taxpayers, tax professionals, and many other Division stakeholders as we have gradually and carefully rolled out the different phases of this project. My thanks, as well, to all Division of Taxation employees for their team work on this important

project," Savage said.

Those helping the Division on the new portal include RSI and Rhode Island Interactive LLC, of Providence, R.I., which manages www.RI.gov, the official government web portal for the State of Rhode Island. "RSI, and Rhode Island Interactive, which is a subsidiary of NICUSA Inc., are providing valuable assistance as we work to ensure that the new taxation portal will function efficiently, effectively, and securely," Savage said.

FILING FOR REFUND OF RHODE ISLAND TDI TAX

If you worked for a single employer last year, chances are that the employer withheld the proper amount in Rhode Island temporary disability insurance (TDI) tax.

But if you worked for two or more employers last year – at the same time, or in succession – you may have overpaid in TDI tax.

That’s because there’s no way for one employer to know how much in TDI tax the other employer withheld.

So check for yourself: If you paid more than the maximum of \$795.60 in TDI tax last year, you paid too much and should therefore file for a refund.

Although the TDI program is generally overseen by the Rhode Island Department of Labor and Training, TDI taxes – and refunds – are handled by the Rhode Island Division of Taxation.

To claim your refund, use Form TX-16, “Claim for Refund of Temporary Disability Insurance Tax.” Instructions are on the form.

Following are some points to keep in mind as you fill it out:

- ◆ TDI applies to each person, individually. So if you’re married and trying to figure out if you’re owed a TDI tax refund, count only the TDI tax that you yourself paid. Your spouse will have to do a separate calculation.
- ◆ If you’re married, each

spouse must file a separate form for a TDI tax refund. (Remember: TDI applies to each person, individually.)

- ◆ Claims for TDI tax refunds can be filed only on paper, not electronically. The mailing address is in the instructions. (TDI tax refunds are issued only by check, not electronically.)
- ◆ For each employer you list on the claim form, you must attach a copy of the Form W-2 wage statement you received from that employer.
- ◆ You may request TDI refunds only for 2016, 2015, and 2014. You must use a separate Form TX-16 for each year for which you claim a refund.
- ◆ For more information on TDI refunds, call (401) 574-

8700 from 8:30 a.m. to 3:30 p.m. business days. (The “Where’s My Refund?” online tool is only for personal income tax refunds, not for TDI refunds.)

Don’t expect to receive your TDI refund immediately after you file for it. There are reasons it could be delayed.

For example, TDI refunds for 2016 can’t be processed until the Tax Division has received and processed employers’ tax and wage reports for late 2016.

It can take until sometime in April, depending on the year, to start processing all those employer reports. Depending on when you file your claim for a refund, it could take up to 12 weeks until you receive your re-

fund check.

For more information, see <http://www.uitax.ri.gov/> or call (401) 574-8700 (option 2).

A copy of the form is available at:

<https://go.usa.gov/xX968>

The April 18, 2017, tax filing deadline

This filing season, the deadline is April 18, 2017, for:

- Resident and nonresident personal income tax returns and payments.
- Calendar-year C corporations that file their return on Form RI-1120C.
- Public service corporation tax filers.
- Bank excise tax filers.
- Insurance gross premiums tax filers.
- A single-member limited liability company (LLC) owned by individual.
- Fiduciary returns, using a calendar year, on Form RI-1041.
- Property-tax relief claims on Form RI-1040H.
- Residential lead abatement credit claims on Form RI-6238.
- First quarter estimated payment of 2017 Rhode Island personal income tax.

Note: Formulas and deadlines for estimated taxes have not changed. Single-member limited liability company (SMLLC) uses same due date and extended due date as its owner; table assumes owner is calendar-year individual.

About links

This issue of *Rhode Island Tax News* includes a number of links to various websites. All of the links have been tested for functionality and accuracy. If you click on a link and it does not open, copy and paste it into your browser’s address bar. If it still does not work, try using a different browser. (The links in this publication have been tested using the Chrome and Firefox browsers.)

RHODE ISLAND FREE FILE PROGRAM IS ADVOCATED

Rhode Island Tax Administrator Neena Savage was among a number of federal, State, and private-sector officials who gathered at the Pilgrim Senior Center in Warwick in March to highlight benefits of the federal and the Rhode Island Free File programs.

The Rhode Island Free File program generally allows qualifying taxpayers to use a participating tax preparation software program to prepare and file their federal and Rhode Island personal income tax returns online at no charge.

“The IRS and Rhode Island Free File programs make it easier for eligible taxpayers to fill out their federal and state tax returns online and save money in the process,” Savage said at the event.

The Rhode Island Free File online tax preparation and e-file programs are available for use only by clicking on one of the programs that are listed on a special page of the Rhode Island Division of Taxation’s website. That special page also describes the terms and conditions of each program so that taxpayers can determine if they qualify.

‘Partnership’

“Free File is a partnership between the IRS and brand-name tax software companies that has helped more than 48 million people since 2003 accurately prepare their tax returns, capturing all credits



Kick-Off: Federal, State, and private-sector officials were on hand in March at the Pilgrim Senior Center in Warwick to highlight the benefits of the federal and Rhode Island Free File program. Among those attending were (above, from left) U.S. Representative Jim Langevin, Bernie McKay of the Intuit Financial Freedom Foundation, Rhode Island Tax Administrator Neena Savage, U.S. Senator Jack Reed, and U.S. Senator Sheldon Whitehouse.

and deductions to maximize their refund, at no cost,” U.S. Representative Jim Langevin said in prepared remarks for the event in Warwick. “And because of a similar successful partnership with the Rhode Island Division of Taxation, eligible Rhode Island taxpayers can prepare and file both their federal and state returns for free,” he said.

Saving money

“Free File saves taxpayer dollars by encouraging e-filing versus filing paper returns,” U.S. Senator Jack Reed said in prepared re-

marks. “Currently, it costs the IRS 22 cents to process an electronic return compared to \$4.09 to process a paper return. The government saves money and you save money – everybody wins,” Reed said.

Earned income credit

Free File can help taxpayers file for the federal and Rhode Island earned income credit, U.S. Senator Sheldon Whitehouse said. He also pointed out that taxpayers can obtain tax preparation assistance through the Volunteer

Income Tax Assistance program, known as VITA.

“The Free File and VITA programs can help even more people save money and get the refund they deserve – and your organizations help raise awareness about these great programs,” he said in prepared remarks.

View details about the participating companies in the Rhode Island Free File program through this link:

<https://go.usa.gov/xX9Ar>

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.

Refund offset

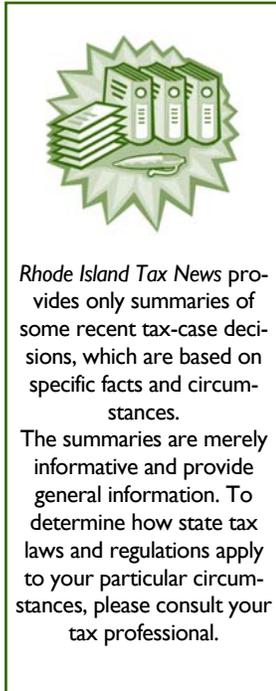
At issue is a personal income tax matter which eventually triggered a refund offset.

The taxpayer filed her 2006 Rhode Island personal income tax return on time. Sometime afterward, her federal income for 2006 was adjusted upward by the Internal Revenue Service (IRS).

Under Rhode Island General Laws § 44-30-59, if the amount of a taxpayer's federal taxable income reported on his or her federal income tax return is changed or corrected by the IRS, the taxpayer must file an amended Rhode Island return.

In this case, the taxpayer did not file an amended return, so the Division of Taxation issued a Notice of Deficiency in 2010 based on her revised income.

When the taxpayer failed to pay the amount of Rhode Island tax due, the Division used her refund for 2015. (Ordinarily, a three-year statute of limitation would apply on the Division assessing tax. However, under RIGL § 44-30-83(b)(1)(iii), that limit does not apply when the tax-



payer has failed to file a report of a change of income.)

At a preliminary conference, the taxpayer told a principal revenue agent at the Division that she had been in bankruptcy and, as a result, her 2006 tax had been discharged.

The Tax Division, citing federal bankruptcy statutes, asserted that the state tax debt was not discharged.

On December 29, 2016, Hearing Officer Catherine R. Warren determined that the taxpayer was required to file an amended Rhode Island return but failed to do so -- and owed tax for 2006 which was not discharged in bank-

ruptcy. Warren also determined that the Division properly offset the taxpayer's 2015 personal income tax refund for the 2006 tax debt. Thus, the taxpayer is not entitled to her 2015 refund.

On January 3, 2017, Rhode Island Tax Administrator Neena S. Savage adopted Warren's decision and recommendation.

-- Final Decision and Order
No. 2017-01

Nursing facility tax

A number of taxpayers, subject to the nursing facility provider assessment under RIGL § 44-51-1 *et seq.*, filed refund claims, asserting that the taxpayers had overpaid.

Under the statute, the tax is levied at the rate of 5.5 percent of gross patient revenue.

As part of a lengthy and multi-pronged assertion, the taxpayers argued that "gross patient revenue" does not include revenue from hospice, ancillary, Medicare Advantage, or TRICARE.

For example, the taxpayers asserted that the State is taxing hospice and ancillary services at nursing facilities, but not at other providers, so the tax is neither broad-based nor uniform.

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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 9)

The hearing officer found that the federal requirements allow a tax to be broad-based and uniform if applied to a provider; given that all nursing providers are taxed, the tax is broad-based and uniform.

The taxpayers also asserted that “gross patient revenue” for purposes of the tax improperly included revenue from the federal Medicare health insurance program and from TRICARE, the health care program for uniformed service members and their families.

The taxpayers asserted that because the tax is indirectly imposed on carriers that receive revenue from the Medicare fund, provider taxes are pre-empted by federal law. The



hearing officer found that the tax is imposed on gross patient revenue of nursing care providers; there is no requirement that the tax is passed through by the providers to insurance carriers. “The tax is not based on premiums or anything related to insurance carriers,” she wrote.

Overall, she found that the taxpayers are not entitled to any of their claimed refunds. On January 23, 2017, she

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.		
Three-year rule	⇒	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.
Two-year rule	⇒	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.

found that the Division properly denied all of the taxpayers’ refund requests.

On February 1, 2017, the tax administrator adopted the hearing officer’s decision and recommendation.

-- Final Decision and Order
No. 2017-02

Federal change

At issue: whether a married couple owed additional income tax, as well as interest and a penalty, for tax year 2011. The Internal Revenue Service notified the wife that certain wage and unemployment income was taxable for the 2011 tax year.

Rhode Island General Laws § 44-30-59 says, in general,

that if a taxpayer’s federal taxable income is changed or corrected by the IRS, the change must be reported promptly to the Division of Taxation – along with an amended return.

In this case, however, the couple did not file an amended Rhode Island return reflecting the federal change. So the Division issued a Notice of Deficiency for additional tax owed for 2011, plus penalty and interest for late payment. The couple disputed the levy. The Division held a hearing. Neither spouse showed up.

On February 20, 2017, the hearing officer determined that the taxpayer failed to file an amended 2011 Rhode Island return as required, so tax is owed on the unreported income, along with interest and a penalty. On February 24, 2017, the Tax Administrator adopted the hear-

ing officer’s decision and recommendation.

-- Final Decision and Order
No. 2017-03

Use tax on car

Was the taxpayer exempt from paying use tax on the purchase of a car? Here are the facts:

The taxpayer bought a car from a Rhode Island dealer in September 2014, and registered the car in North Carolina, but brought the car back to Rhode Island where it was serviced in 2014. He filed a Rhode Island resident income tax return for 2014, and his Form W-2 wage statements for 2014 indicated that he lived in Rhode Island. He also owned another car, which was registered in Rhode Island in 2014.

(Please turn to page 11)

SEMINAR TO BE HELD ON SELF-AUDITS, SALES & USE TAX

The Rhode Island Division of Taxation plans to hold a seminar in June involving sales and use tax.

This seminar will provide an overview of the new self-audit program. The seminar also will serve as an introduction to the basics of Rhode Island's sales and use.

The seminar is designed for business owners, bookkeepers, purchasing agents, accountants, and other professionals.

A key feature

A key feature of the seminar will be the self-audit program, under which a business audits its own books and records to see if the business has a previously undisclosed Rhode Island use tax liability.

If the self-audit application is

approved, the self-audit is completed in accordance with the program's guidelines, and the business pays what it owes, the Division can waive penalties and some interest.

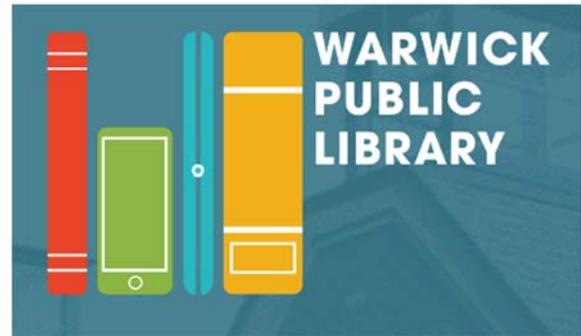
Sales and use tax

Also at the seminar, Rhode Island Division of Taxation personnel will outline the fundamentals of the sales and use tax and discuss how to register a business and how to complete the Business Application and Registration (BAR) form.

The seminar is presented from the standpoint of businesses, including small businesses and professionals.

The seminar is not geared to individual consumers.

The seminar will be held on Thursday, June 22, 2017,



Seminar: The Rhode Island Division of Taxation will hold a seminar in June for business owners, bookkeepers, and others. It will focus on the basics of the sales and use tax. It will also focus on the new self-audit program. It will be held at the central branch of the Warwick Public Library.

from 10 a.m. to 11:50 a.m. in the large meeting room at the Warwick Public Library's Central Library, 600 Sandy Lane, Warwick.

There is no charge for the seminar, which is presented as a public service by the Division of Taxation. But pre-

registration is required.

To pre-register, please use the following link:

<http://bit.ly/2ntkZhG>

Legal Corner

RECENT STATE TAX CASES IN SUMMARY (CONTINUED FROM PAGE 10)

Rhode Island statute generally says that if someone buys a car in Rhode Island, the person is liable for Rhode Island use tax. However, a *bona fide* nonresident is exempt.

The Division asserted, in part, that the taxpayer is not a *bona fide* nonresident based on his connections with Rhode Island for the year in question.

The Division also asserted that the standard for taxing for purposes of the use tax differs from the standard for personal

income tax or domicile.

The taxpayer disputed the Division's levy and a hearing was held but the taxpayer did not show up.



On February 20, 2017, the hearing officer determined that the Division properly issued a Notice of Deficiency to the taxpayer for the use tax on the purchase of the car in 2014, given that he was not a *bona*

fide nonresident in 2014.

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

-- Final Decision and Order

No. 2017-04



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.

RHODE ISLAND TAX NEWS ROUNDUP

Following are some Tax Division developments that have occurred since the last quarterly newsletter was posted:

Public hearing

The Rhode Island Division of Taxation proposes to repeal 10 cigarette tax regulations and consolidate their content into a single, comprehensive regulation.

The Division of Taxation will hold a public hearing on the proposed repeal and consolidation. The hearing will be held at 9:30 a.m. on April 19, 2017, in the Powers Building at One Capitol Hill in Providence, Rhode Island.

The 10 regulations slated for repeal, and the new consolidated regulation, are publicly available on the Rhode Island Department of State's website:

<https://go.usa.gov/xX9sF>

The proposed consolidation will result in no substantive changes to Rhode Island cigarette tax regulation. The consolidation is part of a broader effort to reformat all Rhode Island regulations.

Scholarship

The Credit for Contributions to Scholarship Organizations program will begin on July 1.

The credit is for approved business entities that make contributions to approved scholarship organizations.



Budget Hearing: State tax officials testified before the House Finance Committee on March 22, 2017, on some aspects of Governor Gina M. Raimondo's proposed budget for fiscal 2018. Rhode Island Tax Administrator Neena Savage (at right in screenshot above) explained the taxation of various tobacco products as Rhode Island Department of Revenue Director Robert Hull displayed two such products for the committee's review. The hearing was broadcast on Capitol Television.

Although the contribution must be made by a business entity, the credit can be used against a variety of taxes -- and can be used by owners, shareholders, or partners of pass-through entities.

Applications are approved on a first-come, first-served basis until the credit cap of \$1.5 million per fiscal year is met. A list of qualified scholarship organizations and other helpful information is available on the program's web page. The application for the fiscal year that starts July 1, 2017, will be

available in late May or early June.

For more information, contact Donna Dube at the Division of Taxation at (401) 574-8903 or e-mail: Donna.Dube@tax.ri.gov

Tax incentives

The Division of Taxation has established a new section of its website to host economic impact analysis reports developed by the Rhode Island Commerce Corporation. Under Rhode Island General Laws § 42-64-10, the Commerce Corporation must prepare and publicly release an analysis

of the impact that certain proposed projects will or may have on the state. The same statute requires the Division of Taxation to post the reports on its website.

So far, the Division has posted a number of economic impact analysis reports that involve tax credit agreements. The reports are available via the following link:

<https://go.usa.gov/xX9sS>

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

Q: Just wondering if you could tell me what form a single-member LLC files to pay the entity tax in Rhode Island?

A: A single-member limited liability company, also known as a single-member LLC or SMLLC, files on Form RI-1065.

When filling out the "entity" part of the form, click on the box labeled "SMLLC."

Single-member LLCs are not subject to an entity tax in Rhode Island. Instead, they pay an annual filing fee or filing charge with the Division of Taxation.

The amount is equivalent to the annual corporate minimum tax under Rhode Island General Laws § 44-11-2(e). For the 2016 tax year, it's \$450, down from \$500 the prior year.

(Note: For tax-planning purposes, the annual corporate minimum tax – and the annual filing charge for pass-through entities – drops to \$400 for tax years beginning on or after January 1, 2017.)

Q: In 2017, a Connecticut resident sold Rhode Island real estate. Rhode

Island personal income tax was withheld at the closing based on the selling price of the real estate rather than on the actual gain. The form to choose to pay the tax based on actual gain was

not completed prior to the sale. The taxpayer now wants to know if there is a way to get this overpaid

tax back soon, rather than waiting to file their 2017 Rhode Island non-resident personal tax return.

A: The taxpayer will have to wait until early in calendar year 2018, when it comes time to file his or her Rhode Island nonresident personal income tax return.

Following is a brief summary of a complex topic: When a nonresident sells Rhode Island real estate, Rhode Island personal income tax is withheld from the proceeds based on the capital gain.

If the nonresident follows the proper procedure, Rhode Island personal income tax will be withheld at closing, computed at 6 percent of the gain.

Otherwise, Rhode Island personal income tax will be withheld at closing, computed at 6 percent of net sale proceeds. For more information, including the Division regulations that govern this corner of taxation:

<https://go.usa.gov/xX9HY>

Q: Just a quick clarification: Single-member LLCs are now due March 15th?

A: The annual information return on Form RI-1065 for a single-member LLC is due at the same time as that of the owner. The Division put this policy in place to make the process convenient for entities, owners, and preparers.

Example: The owner of a single-member LLC is a calendar-year S corporation, with a filing deadline in March and an extended due date in September. In that case, the single-member LLC's filing deadline is also in March and its extended due date is also in September.

Example: The owner of a single-member LLC is a calendar-year individual, whose filing deadline is in April and whose extended due date is in October. In that case, the single member LLC's filing deadline is also in April and its extended due date is also in October.

(Please turn to page 14)



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.

Practitioners' Corner**QUESTIONS AND ANSWERS ABOUT STATE TAXES** (CONTINUED FROM PAGE 13)

Q: I'm filling out a Form RI-1041 for a Rhode Island trust. The trust has qualified dividends, which get favorable tax treatment for federal tax purposes. Do qualified dividends get the same favorable tax treatment for Rhode Island tax purposes?

A: Dividends and capital gains are treated as ordinary income for purposes of Rhode Island fiduciary income taxes.

Q: I often use my bank's "bill pay" feature to pay bills. If a business or other entity accepts electronic payments, "bill pay" pays the bill electronically. If the business or other entity only accepts checks, "bill pay" pays the bill by check. If I use "bill pay" to make quarterly estimated payments of my Rhode Island personal income tax by check, what mailing address should I enter?

A: Use this address: Rhode Island Division of Taxation, One Capitol Hill, Providence, R.I. 02908-5806.

To make sure that your payments are properly processed and credited to your account, and that everything gets done

in a timely manner, payments that you make by check should be accompanied by a payment voucher. However, "bill pay" typically does not include a voucher with payments. So it's best to have such checks mailed directly to us.

Otherwise, if a "bill pay" check is mailed to another address, processing could be delayed. That, in turn, could result in our levying penalty and interest for late payment/underpayment. The bottom line is this: When using "bill pay," allow extra time for processing.



Also, when making out the check on the "bill pay" screen on your computer, try to include as much

information as possible so that we will be able to promptly credit the payment to you, including the taxpayer ID number, the tax type, and the tax year.

For more about this topic, please see the fourth-quarter 2016 issue of this newsletter. Newsletters are archived at the following website:

<https://go.usa.gov/xX9HW>

Q: Rhode Island has an e-file mandate for personal income tax returns. Is there a waiver

available?

A: Under Rhode Island General Laws § 44-1-31.1, paid preparers of tax returns must file Rhode Island tax returns for their clients electronically with the Rhode Island Division of Taxation. The provision applies to each preparer who prepared more than 100 Rhode Island returns in the prior year. The requirement took effect January 1, 2009.

Under Publication RI-1345, "Handbook for Electronic Filers of Individual Income Tax Returns," taxpayers can request that their preparer not file the return electronically.

A letter signed by both the taxpayer and the preparer must accompany the paper filing. The letter should state that the preparer has advised the client of the benefits of electronically filing returns but the client requests a paper return be filed.

(There is also a waiver available for preparers. See Regulation ELF 09-01 for information.)

(Please turn to page 15)



Small Business: Jacques Moreau (above), chief of the Rhode Island Division of Taxation's Collections section, joined Rhode Island Tax Administrator Neena Savage and Chief Revenue Agent Neil Downing at a small-business summit at Bryant University in Smithfield in January.

**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.

Practitioners' Corner**QUESTIONS AND ANSWERS ABOUT STATE TAXES** (CONTINUED FROM PAGE 14)

Q: Can I receive a reminder each year about filing the annual sales tax reconciliation return?

A: In late December of each calendar year, the Division of Taxation automatically mails postcards to everyone who has a sales permit. So, assuming that you have a Rhode Island sales permit, and that it is current, you should automatically receive a postcard reminder from us each December. The postcard is mailed to the address that's on the sales permit.



By the way, if you want to make an entry in your own office calendar, the annual reconciliation is due every January 31, for the previous calendar year. Thus, for example, the next annual reconciliation is due January 31, 2018, covering calendar year 2017. (If the due date falls on a weekend or holiday, the deadline moves to the following business day.)

Q: Near the end of your seminar for tax preparers, there was a reference to propane used for electric generation not being subject to motor vehicles fuel tax. Does this also apply to propane delivered to a personal resi-

dence used exclusively for an electric generator for power outages?

A: Propane used in a generator, for the purpose of generating electricity, whether for commercial or residential use, is not subject to Rhode Island motor fuel tax or Rhode Island sales tax.

Q: Like many other states, Rhode Island has adopted the new deadline for employers and others to file W-3, W-2, and certain other infor-

mation. What if the new deadline falls on a weekend or a holiday?

A: The deadline will automatically move to the next business day.

Q: Is there a calendar available to show me on exactly which dates in 2017 sales tax is due from retailers to the Division of Taxation – and when other excise taxes must be turned over?

A: Yes. Our calendar is available from our website:

<https://go.usa.gov/xX9H5>

**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



Tax Forum: Leo Lebeuf (left), chief revenue agent in the Rhode Island Division of Taxation's Personal Income Tax section, and Robert Mancini, president of the Rhode Island Society of Certified Public Accountants, took part in a recent taping of the "Tax Forum" program on Rhode Island PBS (WSBE TV).

Photo courtesy of Rhode Island PBS

Surplus lines

The Division of Taxation recently posted on its website a publication intended for surplus lines brokers/licenseses. Titled "Surplus Lines Brokers/Licensees: Guide to Tax Filings and Payments," it includes details and answers to frequently asked questions. To view the guide, use the following link:

<http://go.usa.gov/x8mYVW>



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.

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 Neil.Downing@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

BACK ISSUES

Rhode Island Tax News back issues are on the Tax Division website: 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

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

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The Division also thanks Hearing Officer Catherine Warren for her assistance.