

# RHODE ISLAND TAX NEWS

A NEWSLETTER FOR TAXPAYERS AND PREPARERS

APRIL/MAY/JUNE 2012

## ‘WHERE’S MY RHODE ISLAND REFUND?’

The Rhode Island Division of Taxation has issued more refunds so far this year – and for more money – than at the same point last year.

But that’s of little comfort if you’re not among those who’ve received their refunds already. You want to know one thing: where’s your refund?

First off, be patient. If your return was filed electronically, it may take up to two to three weeks for your refund to be issued.

If your paper return was mailed or shipped in, it may take up to four to six weeks for your refund to be issued.

If you expect a refund, and the applicable time period has elapsed, try the Tax Division’s [“Where’s My Tax Refund?” online refund status tool](#).

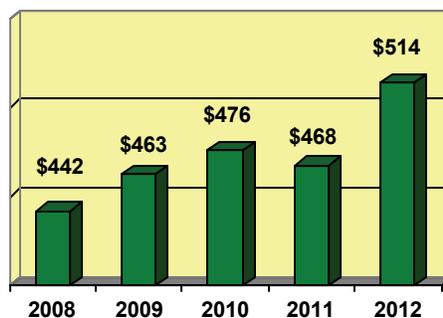
To use the tool, you’ll have to enter your Social Security number, your filing

status (whether you filed as “single” or “married filing jointly,” for example), and the amount of your expected refund. Detailed instructions are on the website.

*(Please turn to page 2)*

### Average income tax refunds

(by filing season)



Cumulative figures, before interest and offset, through early April for each filing season

## HOW TO CLAIM A TDI TAX REFUND

If you paid too much in tax last year under Rhode Island’s Temporary Disability Insurance (TDI) program, consider filing for a refund.

If you worked for a single employer in 2011, odds are that the employer

withheld the proper amount.

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 (because there’s no way for one employer

to know how much in TDI tax the other employer withheld).

If you paid more than \$759.20 in TDI in 2011, you paid too much. Use [Form TX-16](#) to claim a refund.

*(Please turn to page 4)*

### REFUND POINTS:

- Tax Division has issued more refunds this year
- Average refund is higher than last year
- If you haven’t received your refund yet, be patient
- Check Tax Division website weekly for refund updates
- Some returns have been set aside due to fraud, errors
- Processing picks up after filing season ends

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## 'WHERE'S MY REFUND?' (CONTINUED FROM PAGE 1)

Keep in mind that the "Where's My Tax Refund?" tool is updated once a week. The latest updates are usually available by Saturday, so you may want to check the "Where's My Tax Refund?" online refund status tool just once a week, on the weekend, when you know it's been updated with the latest information.

If the online tool says that your refund/return is "under review," it could mean that your return is still making its way through processing at the Tax Division.

There is a backlog of such returns; there's one every tax season. But the backlog is a bit bigger this time around for two main reasons: some taxpayers are making errors on their returns, and the Tax Division is increasing its efforts to crack down on the ever-growing national problem of tax fraud.

### Errors

The Tax Division has a list of computer codes, each of which corresponds to an error that pops up on personal income tax returns.

The list of computer codes goes on for pages -- because there are dozens upon dozens of potential errors.

But some errors occur far more frequently than others. Following are the top three reasons why some refunds are being delayed this year:

**1.) Schedule W** – If you file Form RI-1040, chances are

you must use Schedule W. It's where you list key information from all of your Forms W-2 and Forms 1099 that show Rhode Island income tax withheld.

This is the second year in which Schedule W is required, but many taxpayers are still forgetting to fill it out and file it with their returns. It's almost never a problem with electronically filed returns, but is often a problem with returns filed on paper.

When taxpayers phone or visit the Tax Division to ask about the status of their refund, the reason for the delay is most often a missing or



erroneous Schedule W.

Also, in many cases, taxpayers are filling out and filing Schedule W, but they make mistakes

One mistake involves entering the incorrect federal ID number from the Forms W-2 or Forms 1099. Another involves entering information that should *not* be included, such as the amount of TDI withholding, federal income tax withholding, or income tax withholding of another state.

### 2.) Form RI-1040H –

When you file a claim for a "rebate" of up to \$300 under the statewide property-tax relief program, you must include all of the required paperwork, such as your property tax bills (if you own your house), at least three months' worth of rent receipts (if you rent), and your Social Security paperwork (such as your Social Security Administration award letter, or Form SSA-1099). Many claimants forget.

### 3.) Other state's return –

If you claim a credit on your Rhode Island return for income tax you paid to another state, you must include a copy of that state's return with your Rhode Island return. Many taxpayers forget. (Some do remember, but incorrectly calculate nonresident allocation of income.)

### Error register

When such errors pop up, the return gets placed on the Tax Division's error register – where it can remain until Tax Division personnel can manually attend to it.

That could take time. At one point during the 2012 filing season, there were more than 30,000 returns, all claiming refunds, that were sitting on the error register.

Remember that staff members in the Tax Division's Personal Income Tax section are busy helping walk-ins prepare and file their returns.

*(Please turn to page 3)*

## Online Services »

### ▪ Where's my Tax Refund?

Find the status of your tax refund online

A link to the "Where's My Tax Refund?" online tool is located on the home page of the Rhode Island Division of Taxation's website, under "Online Services." It is updated once a week, usually by Saturday.

## 'WHERE'S MY REFUND' (CONTINUED FROM PAGE 2)

There has been a steady stream of walk-ins nearly every business day throughout the filing season.

While Tax Division personnel are helping walk-ins, they cannot also attend to the backlog of returns on the error register that need individual attention.

As a result, whittling away at the error register takes time (though the process speeds up once the April 17 filing deadline passes and the number of walk-ins drops sharply).

### Fraud

Another reason for delays involves fraud – a growing national problem that affects the Internal Revenue Service and many states, including Rhode Island.

As electronic filing has grown, so, too, has the filing of fraudulent returns – often by people and organizations outside Rhode Is-

land, and sometimes beyond U.S. borders.

Under one fraudulent scheme, crooks use stolen Social Security numbers and a variety of other items to try to create fake federal and state tax returns -- hoping they'll generate refunds.

Fortunately, the Tax Division has a staff of fraud experts who draw on their years of experience, and specialized computer tools, to stop the fraudulent refund claims.

The Tax Division has also recently beefed up its already rigorous anti-fraud

efforts, putting in place special screens and other tools intended to block fraudulent refunds before they're issued.

At one point this filing season, the Tax Division had stopped 14,500 refunds, totaling \$2 million. "We're being very cautious in issuing refunds, and we have to be," Tax Administrator David M. Sullivan said. "It's our responsibility to stop fraud."

The stepped-up anti-fraud effort reduces crime and saves taxpayer dollars. Most of the refunds that end up being stopped by the Tax

Division's experts and their computer software programs are believed to be fraudulent. Some, however, could be *bona fide* refunds that happened to be caught in the net. That could be another reason that your refund has been delayed.

Another reason that refunds may be snagged: offsets.

### Offsets

Before issuing your refund, the Tax Division must – by law – run a series of checks to determine whether you are delinquent in Rhode Island personal income tax, federal income tax, child-support payments, court costs, or certain other items. If so, your refund is applied against the delinquency, a process known as the offset. As a result, your refund could be reduced, or even eliminated.

At one point during the 2012 filing season, the Tax Division had intercepted more than \$5.04 million from 14,462 refunds on account of the offset program.

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Refund Offsets			
	2011 filing season	2012 filing season	Difference
Number of offsets	13,937	14,462	+ 4%
Total offset	\$ 3,971,241	\$ 5,040,862	+27%
Average offset	\$ 285	\$ 349	+22%

Cumulative figures: tax year 2010 through April 11, 2011; tax year 2011 through April 9, 2012.

## INCOME TAX REFUNDS: THE BOTTOM LINE

The Rhode Island Division of Taxation so far this year has issued more personal income tax refunds, and in greater amounts, than it did at the same point last year. The agency is also meeting its target of issuing 98.5 percent of all personal income tax refunds within 30 days after the returns are received. But none of those facts is important to you if you haven't received your

refund. What to do? First, use the "[Where's My Refund?](#)" tool on the Tax Division website. It's updated once a week, by Saturday.

Or call the agency at (401) 574-8829, and press option 3, from 8:30 a.m. to 4 p.m. business days.

Keep in mind, also, that thousands of returns have had to be set aside and need to be



reviewed manually -- some for fraud, some to fix errors. That process will take time, and may not be finished until weeks after the April 17 filing deadline, so please be patient.

# CLAIMING A REFUND FOR TDI TAX (CONTINUED FROM PAGE 1)

Instructions are on the form. Among the key points to keep in mind:

- ◆ If you're married, each spouse must file a separate form for a TDI tax refund. (TDI applies to each person, individually.)
- ◆ For each employer you list



*TDI REFUND EXAMPLE*

*Isabella, of Cranston, worked two jobs last year, both in the private sector in Rhode Island. In her full-time job, as a nurse manager, she was paid \$40,000. Her employer withheld 1.3 percent of her pay for TDI tax, for a total of \$520.*

*In her second job, as a part-time nurse, she was paid \$30,000. Her employer withheld 1.3 percent of her pay for TDI tax, for a total of \$390.*

*Thus, Isabella paid \$910 in TDI tax overall in 2011. But the maximum TDI tax for 2011 was only \$759.20 (which is 1.3 percent of the first \$58,400 in wages). So she can file for a refund of \$150.80.*

Isabella's TDI tax picture	
TDI withheld, 1 <sup>st</sup> job:	\$ 520.00
TDI withheld, 2 <sup>nd</sup> job:	\$ 390.00
TDI withheld overall:	\$ 910.00
Less maximum TDI tax:	( \$759.20 )
Tentative TDI refund:	\$150.80

on the claim form, you must attach a copy of the Form W-2 wage statement from that employer.

- ◆ You may request TDI refunds only for 2011, 2010, and 2009. ([Details are on the form.](#)) You must use a separate [Form TX-16](#) for each year for which you claim a refund.

- ◆ 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.)

### Refund process

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 2011 can't be processed until the Tax Division has received and processed employers' tax and wage reports for the fourth quarter of 2011. It can take until early April, depending on the year, to start processing all those employer reports. Thus, depending on when you file your claim for a refund, it could take up to 12 weeks until you receive your

TDI refunds at a glance				
	2008	2009	2010	2011
Number of refunds	3,710	3,732	3,075	2,566
Total refunded	\$823,639	\$794,196	\$822,511	\$605,137
Average refund	\$ 222	\$213	\$ 267	\$ 236

Figures are for calendar years and may include refunds issued for prior years

refund check. In addition, snags may develop in the processing of your refund claim, issues that will have to be resolved manually – if, for example, a business that employed you last year was bought out by another during the year, or if your employer entered the wrong Social Security number for you on the quarterly tax and wage report.

### Offset possible

Also, TDI refunds are subject to offset. So if you received too much in unemployment benefits or TDI benefits from the Rhode Island Department of Labor and Training, and you haven't paid them back, your TDI refund could be reduced – or eliminated – to cover what you owe.

The same principle applies if you're delinquent on your

Rhode Island personal income tax.

### ABOUT TDI

TDI is a kind of short-term disability insurance program. It generally pays benefits to people who are out of work due to illness or injury unrelated to the job.

If you work in the private sector in Rhode Island, you probably pay TDI tax, through withholding. About 391,500 workers pay TDI tax each year.

The TDI tax has two key components: the tax rate, and the amount of your wages to which that tax rate applies.

For 2012, the tax rate of 1.2 percent applies to the first \$60,000 of your wages. Thus, the maximum tax will be \$720.

The [Rhode Island Division of Taxation's Employer Tax section](#) collects TDI tax and issues TDI [refunds](#).

The [Rhode Island Department of Labor and Training](#) administers the [overall TDI program](#).

## MASSACHUSETTS OFFERS GUIDANCE ON TDI TAX

Massachusetts law generally allows a credit against Massachusetts personal income tax for taxes paid to another state. In a directive issued earlier this year, the Massachusetts Department of Revenue made it clear that, for

purposes of the Massachusetts credit, Rhode Island Temporary Disability Insurance (TDI) taxes count as taxes paid to another state. In March, the agency [revised the directive, offering helpful guidance to practitioners](#)

[about amending prior-year returns](#) (which, as of the date the directive was issued, generally meant tax years 2008, 2009, and 2010). The agency also noted that amended returns can be filed [online](#) or by using a [paper form](#).

## LEGAL CORNER: RECENT STATE TAX CASES

*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 claim

A married couple filed a joint resident return in October 2008, covering tax year 2007. On that return, they claimed an overpayment, and directed that the overpayment be applied to tax year 2008.

In July 2010, the couple filed an amended return for tax year 2007, reporting changes -- including the claiming of a research and development credit. The result was an additional overpayment for tax year 2007, which the couple claimed as a refund. On October 19, 2010, the Tax Division denied the couple's refund claim, saying it had not been timely filed.

The taxpayers argued that Rhode Island should follow federal law and regulations regarding refunds, citing RIGL §§ [44-30-6](#) and [44-30-87](#). The Tax Division asserted that the taxpayers' tax was deemed paid on April 15, 2008, refunds are limited by RIGL § [44-30-87](#),

and the taxpayers did not qualify for either the law's two-year or three-year provisions.

Hearing Officer Catherine R. Warren determined that the taxpayers were not entitled to the refund claimed. Tax Administrator David M. Sullivan on January 19 adopted the hearing officer's decision and recommendation.

- [Final Decision and Order No. 2012-01](#)

### Responsible officer

After an audit, the Tax Division found that a man was the responsible officer for a business that owned a convenience store because he had filed the business's sales tax reports and signed its checks. The agency also found that the business had underreported sales tax.

The Tax Division held that the man was the responsible officer for purposes of the sales tax due, even though the business was in receivership; he had served as president, vice president, and treasurer of the business and exercised that authority. Under RIGL § [44-19-35](#), an officer of the company can be deemed the re-

sponsible officer for tax purposes.

Thus, he was held liable for the sales tax, interest, and penalties that were assessed against the business, Warren found. Sullivan on January 19 adopted the hearing officer's decision and recommendation.

- [Final Decision and Order No. 2012-02](#)

### Fuel tax

The Tax Division audited a taxpayer under the International Fuel Tax Agreement, also known as IFTA (a federally mandated intrastate compact that maintains a uniform administration of road use taxation among all IFTA member states, including Rhode Island.)

At issue, among other things, is whether the Tax Division properly assessed the taxpayer fuel use tax under IFTA (see RIGL § [31-36.1-1 et seq.](#)). Warren found that the taxpayer had incorporated in Rhode Island in July 2003, and received its IFTA license in January 2004. But it had operated as an interstate motor carrier in the second half of 2003 without an IFTA license and was liable for fuel tax during that period.

Warren found that the Tax Division had properly assessed the fuel use tax under IFTA, as well as interest and penalty. Sullivan on January 23 adopted the hearing officer's decision and recommendation.

- [Final Decision and Order No. 2012-03](#)

*(Please turn to page 6)*



### 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](#)).

## TAX DECISIONS ONLINE

The Rhode Island Division of Taxation now posts [Administrative Decisions online](#).

All Administrative Decisions for 2012 and for 2011 are now on the Tax Division's website -- listed by case number and by tax type.

No Administrative Decision has universal application; each is based on the facts and circumstances of a particular case.

Nonetheless, the decisions offer helpful summaries of key statutes and case law as they relate to Rhode Island tax matters.

## LEGAL CORNER: RECENT TAX CASES (CONTINUED FROM PAGE 5)

### Sales and use tax

After a field audit, the Tax Division determined that the taxpayer -- an asphalt manufacturer -- was liable for sales and use tax. The taxpayer claimed an exemption.

Warren concluded that about 58 percent of the asphalt is manufactured for the taxpayer's own use and is not exempt. She determined that the taxpayer owed tax, interest and penalty. Sullivan on January 26 adopted the hearing officer's decision and recommendation.

- [Final Decision and Order](#)  
No. 2012-04

### Split decision

After an audit, the Tax Division determined, among other things, that a woman who was listed as a responsible officer of her husband's company had received checks from that company. The agency also determined that she had access to a certain bank account.

The woman asserted that she did not know about the bank

account that apparently held money in her name, and that her husband wrote checks to her -- but she received and cashed only one of them.

Warren concluded that the woman does not owe certain amounts assessed by the Tax Division, including amounts that had been placed in the bank account. But Warren also determined that the check the woman cashed represents taxable income to her -- so she owes tax and any applicable penalties on that amount. Sullivan on February 15 adopted the hearing officer's decision and recommendation.

- [Final Decision and Order](#)  
No. 2012-05

### Field audit

The Tax Division conducted a field audit of the taxpayer for April 1, 2003, through March 31, 2006. The agency found that the taxpayer had not collected the correct amount of sales tax, and had failed to collect applicable sales tax on transportation costs. The hearing officer concluded after-

ward that the taxpayer owes the assessed sales tax, the assessed interest, and a 10 percent penalty. She cited RIGL §§ [44-19-11](#) and [44-19-12](#), among other sections. Sullivan on February 27 adopted the hearing officer's decision and recommendation.

- [Final Decision and Order](#)  
No. 2012-06

### Refund claim

On November 28, 2011, the taxpayers -- a married couple -- filed their Rhode Island return for 2008. On that return, they filed a claim for a refund for the 2008 tax year.

Under Rhode Island law, taxpayers generally may file a claim for a refund within two years from the time the tax was paid. In this case, their 2008 tax was deemed paid on April 15, 2009. They therefore had two years from that date to file their refund claim -- but didn't.

The law also generally al-



*Rhode Island Tax News provides only summaries of some recent tax-case decisions, which are based on specific facts and circumstances. Don't rely on them for legal advice; they are merely informative and provide general guidance. Consult your tax professional if you have a question or problem.*

lows a taxpayer to file a request for refund within three years of the filing of the return. But the refund is limited to the amount of tax paid within that three-year period -- and in this case, no tax was paid in that period.

Warren determined that the taxpayers were not entitled to the refund claimed, and Sullivan on March 22 adopted the hearing officer's decision and recommendation.

- [Final Decision and Order](#)  
No. 2012-07

## APPLICATION PERIOD FOR SCHOLARSHIP CREDIT STARTS JULY 1



The application period for the [Credit for Contributions to Scholarship Organizations](#) program will begin on July 1.

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

Although the contribution must be made by a business entity, the credit can be used against a variety of taxes, including the [business corpora-](#)

[tion tax](#), the [public service corporation tax](#), the [tax on banks](#), the [bank deposits tax](#), the [tax on insurance companies](#), and the [personal income tax](#).

Applications are approved on a first-come, first-served basis until the credit cap of \$1 million per fiscal year is met.

A list of qualified scholarship organizations and other helpful

information is [available on the program's webpage](#). The application for the fiscal year that starts July 1 (the 2013 application) will be available in late May or early June.

For more information, contact Donna Dube at the Tax Division at (401) 574-8903 or e-mail:

[Donna.Dube@tax.ri.gov](mailto:Donna.Dube@tax.ri.gov)

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**REGULATORY UPDATE:****PROPOSED REGS ON BUSINESS, SALES TAXES**

The Rhode Island Division of Taxation is preparing for a new round of regulations. Proposed are the following:

◆ **Regulation CT 12-14.**

This regulation would implement provisions of Rhode Island General Laws (RIGL) §§ [7-16-67](#) and [7-16-73](#), imposing an annual filing fee on limited liability companies (LLCs) and setting forth LLC filing requirements. It would amend and supersede Regulation [CT 98-14](#).

◆ **Regulation CT 12-16.**

This new regulation would implement provisions of RIGL §§ [7-12-60](#) and [7-13-69](#), imposing an annual filing fee and filing requirement on limited liability partnerships (LLPs) and limited partnerships (LPs) and their partners.

◆ **Regulation CT 12-03.**

This regulation would implement RIGL §§ [44-11-29](#) and

[44-11-29.1](#), generally requiring a corporation to file a request for a Letter of Good Standing with the Tax Division in certain circumstances, and also setting forth the amount of the fee. This regulation would amend and supersede Regulation [CT 03-03](#).

◆ **Regulation CT 12-10.**

This regulation would amend and supersede Regulation [CT 01-10](#), which essentially deals with the schedule of estimated tax payments by corporations. Proposed revisions would include an easy-to-read table format.

◆ **Regulation SU 12-62.**

This regulation would amend and supersede Regulation [SU 09-62](#), which has to do with the taxation of rentals and leases of tangible personal property. The regulation would expand to include rentals and leases of motor vehicles.

◆ **Regulation SU 98-144.**

This existing regulation, involving application of tax on the lease of motor vehicles, would be repealed. Its content would be incorporated into the proposed sales tax Regulation SU 12-62, above.

◆ **Regulation SU 12-150.**

This regulation is intended to amend and supersede [Regulation 11-150](#), which deals with sales and use tax on package tours and scenic and sightseeing transportation services. The amendment would make it clear that, based on federal law, Rhode Island cannot apply sales and use tax to helicopter or airplane transportation services for sightseeing purposes.

*The Tax Division plans to hold public hearings on the proposals May 15, 2012, at 9 a.m. at the Department of Administration Building, One Capitol Hill, Providence.*

**CHECKING REGS**

To stay current on Tax Division regulations, monitor the "[Regulations](#)" section of the Tax Division website. You may also wish to search the "[Final Rules and Regulations Database](#)" and the "[Proposed Rules and Regulations Database](#)" sections of the Secretary of State's website.

**SALES AND USE TAX:****PAY BACK TAXES BY JULY 1 TO RENEW SALES TAX PERMIT**

Most retailers are current on their taxes and receive the annual sales tax permit in time for posting each July 1.

But a comparatively small number of retailers do not receive their permits: The Tax Division places a "block" on their accounts, preventing renewal of their sales tax permits, because they are delinquent in certain state taxes -- such as sales, meals and beverage, hotel and/or withholding

tax -- and have not met their obligations.

The bottom line: If you remain delinquent on your state taxes, your state sales tax permit won't be renewed.

**Doing business**

If you don't have a sales tax permit, you won't be eligible to legally operate a business in Rhode Island. (For more information, please see [Rhode Island General Laws Chapter 5-76](#).)



The Tax Division's Compliance & Collections section in March mailed notices to more than 4,000 holders of sales permits, reminding them that they are delinquent on state tax.

Your best bet is to pay what you owe. That way, you can

get your permit renewed -- which means you'll legally be able to continue conducting business in Rhode Island. (Besides, paying your back taxes takes a weight off your shoulders.)

**Contact information**

If you have any questions, or would like to make arrangements to pay, please call the Tax Division's Compliance & Collections section at (401) 574-8941 from 8:30 a.m. and 4 p.m. business days.

**LOOK BEFORE YOU LEAP:****CHANGING FILING STATUS FOR MARRIED COUPLES**

Some married couples have considered changing their “filing status” for purposes of filing their Rhode Island personal income tax return.

If you’re among them, tread carefully: whatever benefit you might obtain at the state level could be wiped out at the federal level.

As a result of a law enacted in 2010, which took effect for 2011 and later, standard deduction amounts have been increased substantially. But if your modified federal adjusted gross income exceeds \$195,000 (as shown on your 2011 return), your standard deduction is eliminated.

To try to sidestep the limitation, some married couples with income above \$195,000 have considered filing their Rhode Island return as “married filing separately” instead of “married filing jointly.” That way, the income of the spouses is not combined; it is applied separately, to each spouse. As a result, each spouse may fall below the \$195,000 standard deduction limitation. And so, each spouse



may qualify for a full standard deduction.

Suppose that Joe and Jill earn \$100,000 apiece. If they use “married filing jointly” on their Rhode Island return, their combined income will exceed the \$195,000 limitation, so they won’t qualify for the \$15,000 standard deduction amount for 2011.

But if Joe files his own return using the “married filing separately” status, he reports only his income, of \$100,000. The same goes with Jill. So in this example, Joe gets a \$7,500 standard deduction and so does Jill.

That may sound appealing. But there are some big potential obstacles to such a strategy. For example, you can’t use “married filing jointly” on your federal return and “married filing separately” on your

Rhode Island return; you’ve got to use the same filing status on both your federal and Rhode Island return. (Please see Rhode Island General Laws §44-30-11.)

And if you use the “married filing separately” filing status on your federal return, you face severe restrictions (some of which are listed at right).

**What to do?**

Before you make a decision, run the numbers both ways to see which approach might benefit you most. In other words, compare the overall federal and state tax impact of using the “married filing jointly” status for both your federal and Rhode Island return versus using the “married filing separately” status for both your federal and Rhode Island return. Also consult your tax adviser for details.

*For convenience, the discussion above focuses solely on the impact of the Rhode Island standard deduction amount. Other factors to consider include Rhode Island tax rates and the personal and dependency exemption amounts.*

**Impact of ‘Married Filing Separately’**

- ◆ Your federal income tax rate will probably be higher than it would on a joint return;
- ◆ You generally can’t claim the federal credit for child-care expenses;
- ◆ You can’t claim any of the federal income tax credits for higher education;
- ◆ You can’t claim the federal deduction for student loan interest;
- ◆ You can’t claim the federal tuition-and-fees deduction;
- ◆ Your federal capital loss deduction will be limited to \$1,500 (instead of the usual \$3,000 you’d get by filing jointly);
- ◆ If your spouse itemizes deductions for federal purposes, you can’t claim the standard deduction.

**OCTOBER 15 DEADLINE FOR FILING ON EXTENSION**

If you’re on the automatic six-month extension for filing your Rhode Island personal income tax return for tax year 2011, don’t forget that the deadline is October 15, 2012.

That’s the case even though the usual April filing deadline fell on April 17 this year.

Technically, the Rhode Island personal income tax filing date is April 15. If that falls on a weekend or holiday, the return and payment are considered timely filed if made on the following business day.

The same rule applies when the Internal Revenue Service extends the usual deadline for

special circumstances.

And so, Rhode Island’s automatic six-month extension this year extends the due date six months from the original due date of the return, April 15 (Reg. PIT 01-10).

(October 15 is also the deadline for federal personal income tax returns this year.)



## 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 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).

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## COMMENTS AND SUGGESTIONS

If you have comments or suggestions for *Rhode Island Tax News*, please e-mail its editor, Neil Downing: [Neil.Downing@tax.ri.gov](mailto:Neil.Downing@tax.ri.gov)

## BACK ISSUES

Back issues of *Rhode Island Tax News* are archived on the Tax Division website:

<http://www.tax.ri.gov/newsletter/index.php>

### NEW STATE MEMORANDUM:

## TAX HELP FOR SOME PEOPLE IN NURSING HOMES

The Rhode Island Executive Office of Health and Human Services (EOHHS) is working with nursing homes and others to address the impact of recent state tax law changes on certain individuals who are eligible for Medicaid long-term care.

Under the new law, which took effect last year, the top personal income tax rate was re-

duced and standard deduction amounts were increased, benefiting most taxpayers. But some taxpayers can no longer deduct medical expenses because itemized deductions are no longer allowed. As a result, some people eligible for Medicaid long-term care who are contributing nearly all of their income toward the cost of their care may now face a state tax liability - but may not have the

funds to pay.

EOHHS has developed a process that essentially allows an eligible individual's patient liability to decrease by the amount of the individual's tax -- thus ensuring that someone in such circumstances who has insufficient resources will not be unduly harmed by having to pay two liabilities.

[Click here to read the state EOHHS memorandum.](#)



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