

# RHODE ISLAND TAX NEWS

A NEWSLETTER FOR TAX PROFESSIONALS

SPECIAL EDITION: FILING SEASON 2019

## WHAT'S NEW FOR FILING SEASON

Following is a summary of some key changes for the 2019 filing season (covering 2018 returns).

### New schedule

There's a new schedule that you must file with your resident or nonresident

Rhode Island personal income tax return.

Schedule E -- "Exemption Schedule for RI-1040 and RI-1040NR" -- is mainly for entering information for all individuals you can claim as a dependent.

That's a change. During the last filing season, the Rhode Island Form RI-1040 (individual income tax return) did not require a separate listing of each dependent and each dependent's taxpayer identification number.

*(Please turn to page 2)*



**Seminar:** More than 100 tax professionals attended the Rhode Island Division of Taxation's "Seminar for Tax Preparers" held December 7, 2018, at the Community College of Rhode Island's Knight Campus in Warwick.



### ABOUT THIS ISSUE

This issue of *Rhode Island Tax News* looks at what's new for this filing season, and provides some tips for preparers and taxpayers. Coverage begins on this page. For information about the filing deadline and how it applies, please see page 6.

## FILING SEASON HIGHLIGHTS

More taxpayers will be eligible this filing season for Rhode Island's tax break on income from 401(k) plans, pensions, military retirement pay, annuities, and certain other sources.

In addition, more taxpayers will be eligible for Rhode Island's tax break on income from Social Security benefits.

### Inflation adjustment

That's because the income

thresholds for both tax breaks have been adjusted upward due to inflation for the 2018 tax year, and will be reflected on returns filed this season.

(Different rules and different income thresholds apply to each tax break, so be sure to follow your tax return instructions as you do your calculations.)

### Form RI-1040H

Meanwhile, the maximum credit available under

Rhode Island's statewide property-tax relief program (Form RI-1040H) has increased for this filing season, covering the 2018 tax year.

These are among the changes that individuals, businesses, and others will see during the new filing season.

*(Coverage of key changes begins above and continues on the following pages)*

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# NEW SCHEDULE E FOR EXEMPTIONS (CONTINUED FROM PAGE 1)

Instead, the form instructed taxpayers to enter, in a box on the Rhode Island form, the number of federal exemptions. However, federal legislation enacted in December 2017 suspended personal and dependency exemptions for federal income tax purposes.

So to make sure that taxpayers enter their dependent information on their Rhode Island form -- regardless of what the federal form may or may not require -- the Division created Schedule E. *(Part of Schedule E is reproduced at the bottom of this page.)*

On Schedule E, check a box for you, check another box for your spouse (if you're married), and list the required information for all individuals you can claim as a dependent. The completed Schedule E is used to help compute the overall number of exemptions on page 1 of your Form RI-1040 (whether it's a resident or nonresident return).

For each dependent, you must list on Schedule E the dependent's name, Social Security number (also known as the individual taxpayer identification number, or

ITIN), date of birth, and the dependent's relationship to you (for example, your son or daughter).

Remember: You must complete Schedule E and attach it to your return -- even if you have no dependents. Failure to do so may delay the processing of your return.

*(Note: Tax preparation software programs typically require that detailed information about taxpayers, including dependents, be entered onto special screens. The programs use the information on such screens to automatically populate various forms and schedules. Thus, for many tax professionals and taxpayers, Schedule E probably will not require any extra effort to prepare. However, those who prepare returns on paper, by hand, without the aid of software, will also have to manually prepare Schedule E.)*

Why is there a Schedule E? It was created in response to a new law. Under Rhode Island legislation enacted in 2018, no personal or dependency exemption is allowed under the Rhode Island personal income tax for any individual unless the

taxpayer identification number for that individual is included on the federal return claiming the exemption for the same tax-filing period. The law also says that if the ITIN for each individual is not required to be included on the federal return for purposes of claiming a personal or dependency exemption, the ITIN must be provided on the Rhode Island return for the purpose of claiming the exemption.

### Exemptions

Rhode Island continues to allow for personal and dependency exemptions on the Rhode Island personal income tax form.

This is important to note because Rhode Island's personal and dependency exemptions used to be tied directly to the federal ones.

In other words, the number of exemptions allowed for purposes of Rhode Island's personal income tax was tied to the number of federal exemptions.



And federal legislation enacted in December 2017, known as the Tax Cuts and Jobs Act, suspended the federal deduction for personal and dependency exemptions.

So if Rhode Island law had stayed as it was, taxpayers would have lost the ability to claim personal and dependency exemptions on their Rhode Island personal income tax returns.

However, a provision proposed by Gov. Gina M. Raimondo, which the General Assembly included in a bill it approved in June 2018, amended Rhode Island law in a way that preserves the exemptions.

Therefore, personal and dependency exemptions will continue to be reflected on Rhode Island personal income forms -- and will be available this filing season, covering returns for 2018.

*(Please turn to next page)*

State of Rhode Island and Providence Plantations  
**2018 RI Schedule E**  
 Exemption Schedule for RI-1040 and RI-1040NR



1810599990101

Name(s) shown on Form RI-1040 or RI-1040NR

Your social security number

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PHOTO COURTESY OF GOVERNOR'S OFFICE

**Budget:** Rhode Island Governor Gina M. Raimondo (seated), surrounded by legislators, signed the budget bill for fiscal 2019 on June 22, 2018, at the State House in Providence, Rhode Island. The bill including a number of tax provisions, including preservation of the personal and dependency exemptions.

## TAX BREAK ON PENSION, 401(K) PLAN INCOME

### Pension tax break

There's an annual inflation adjustment for Rhode Island's tax break for income from private pensions, government pensions, 401(k) plans, 403(b) plans, military retirement pay, annuities, and certain other sources.

If your income falls below the threshold (which is subject to an annual inflation adjustment), and you meet certain other rules, up to \$15,000 of your income from pensions and other such sources will escape Rhode Island's personal income tax.

If you're single, the limit for the 2018 tax year is \$81,900,

up from \$80,000 for 2017.

If you're married and filing a joint return, the limit for the 2018 tax year is \$102,400, up from \$100,000 for 2017.

### Other rules apply

Because of the inflation adjustments, more taxpayers will qualify for the tax break. Keep in mind, however, that you still must meet the other rules -- involving your age and the type of your income.

The annual per-person cap on how much you may deduct under the tax break remains at \$15,000. (Technically, the tax break is

a modification which reduces the amount of your federal adjusted gross income for Rhode Island tax purposes.)

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### Pension/401(k)/annuity modification -- income limits by year

Filing status	2017	2018
Single	\$80,000	<b>\$81,900</b>
Married filing jointly*	\$100,000	<b>\$102,400</b>
Head of household	\$80,000	<b>\$81,900</b>
Married filing separately	\$80,000	<b>\$81,925</b>

\* Or qualifying widow or widower.

Note: If taxpayer meets all requirements, he or she may reduce federal AGI, for Rhode Island tax purposes, by up to \$15,000 of federally taxable pension/401(k)/403(b)/annuity income (via the Rhode Island modification). For more information on this modification, see Rhode Island General Laws § 44-30-12.

# TAX BREAK ON PENSION, 401(K) (CONTINUED FROM PREVIOUS PAGE)

Another change for the filing season involves the reference point for the pension/annuity tax break.

To understand the change, it's helpful to review the three main hurdles that a taxpayer must clear in order to qualify for the tax break:

- ◆ You must have reached "full retirement age" for Social Security purposes (generally age 66);

- ◆ Your income must be below a certain threshold; and

- ◆ At least a portion of your income from pensions, 401(k) plans, military retirement pay, annuities, and other such sources, must be taxed at the federal level.

How did you know whether a portion of your income from pensions, 401(k) plans,

military retirement pay, annuities, and other such sources was taxed at the federal level?

It used to be simple: Look at the "pensions and annuities" a certain line of your federal tax return (line 16 of

Form 1040 -- because line 4 includes income from IRAs.

Instead, you must look to the source of the income itself. In other words, you must find out the different sources of income that go into line 4 of the U.S. Form



ware properly sorts it.)

## Voluntary contributions

Rhode Island's personal income tax form includes a list of organizations to which taxpayers may voluntarily contribute money. The list is included in the "Checkoff Contributions Schedule" on the form.

Starting with the 2019 filing season, there will be a checkoff for the Substance Use and Mental Health Leadership Council of Rhode Island. (It will occupy the same line as the Childhood Disease Victim's Fund.)

The Council is made up of a number of not-for-profit substance use treatment and/or behavioral health organizations, prevention coalitions, and student assistance programs located throughout Rhode Island.

For the new checkoff, you'll be able to elect to contribute either \$1.00, \$5.00, \$10.00, or an amount of your choosing. Contributions will reduce the amount of your refund or increase your tax due, as with all other checkoffs on the list.

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Form 1040 (2018)			
	<b>1</b>	Wages, salaries, tips, etc. Attach Form(s) W-2	
	<b>2a</b>	Tax-exempt interest . . . .	<b>2a</b>
	<b>3a</b>	Qualified dividends . . . .	<b>3a</b>
Attach Form(s) W-2. Also attach Form(s) W-2G and 1099-R if tax was withheld.	<b>4a</b>	IRAs, pensions, and annuities . . . .	<b>4a</b>
	<b>5a</b>	Social security benefits . . . .	<b>5a</b>
	<b>6</b>	Total income. Add lines 1 through 5. Add any amount	
	<b>7</b>	Adjusted gross income. If you have no adjust	

U.S. Form 1040, or line 12 of U.S. Form 1040A).

However, new for this filing season, the Internal Revenue Service has made a key change in this regard:

Income from pensions, 401(k) plans, military retirement pay, annuities, and other such sources is lumped together with income from IRAs on the same line (see snapshot on this page).

What's the problem with that? For purposes of Rhode Island's tax break, income from IRAs does not count.

So to determine whether some of your income from pensions, 401(k) plans, annuities, and other such sources is taxed at the federal level, you cannot simply look at line 4 of your U.S.

1040. For example, if it's income from an IRA, it doesn't count for purposes of Rhode Island's tax break. However, if it's income from a 401(k) plan, government pension, private-sector pension, annuity, or other such source, it does count.

Determining the actual source of the income should not be difficult. Chances are that you were issued a Form 1099-R (or something similar) for most or all of the sources of the income.

So all you are faced with is an extra step in the overall calculation. (Also, if you use tax-preparation software, the software may perform this task for you, assuming that data from the Form 1099-R or other such document is properly entered into the software, and that the soft-

### To learn more

The Rhode Island Division of Taxation's has published a guide to the tax break on income from pensions, annuities, 401(k) plans, profit-sharing plans, and other sources. To view or download, click [here](#).

# TAX BREAK ON SOCIAL SECURITY BENEFITS

## Social Security benefits

Legislation enacted in 2015, and effective for tax years beginning on or after January 1, 2016, established a personal income tax modification involving Social Security benefits.

The modification decreases federal adjusted gross income for Rhode Island purposes for qualifying taxpayers who receive Social Security benefits.

In general, a taxpayer is eligible for the modification if all three of the following conditions are met:

- The taxpayer’s federal adjusted gross income (AGI) includes taxable income from Social Security;
- The taxpayer has reached “full retirement age” as defined by the Social Security Administration; and
- The taxpayer’s federal AGI is below a certain amount (a “threshold”).

Those thresholds began at \$80,000 for someone who is single, \$100,000 for a married couple filing a joint return. However, under legislation approved by the General Assembly, the thresholds are subject to an annual adjustment for inflation.

Using the inflation-related formulas as prescribed by statute, the Division of Taxation has since increased the thresholds. As a result, more taxpayers may qualify for the tax break involving Social Security benefits.

For this filing season (covering 2018 returns), the threshold is now up to \$83,550 for someone who is single, \$104,450 for a married couple filing a joint return

## Deduction, exemption

The Rhode Island standard deduction amounts have increased for the 2018 tax year. The increase is due to the annual application of a

formula involving inflation.

The adjustment (which amounts to about 2 percent for 2018) helps to preserve the value of the deduction against inflation.

The statutory formula, as applied by the Division of Taxation, also resulted in an increase in the personal and dependency exemption amount. The amount, which was \$3,900 for the 2017 tax year, has risen to \$4,000 for the 2018 tax year.

Most taxpayers are able to claim the full amount of their applicable standard deduction, as well as personal and dependency exemptions.

However, if a taxpayer’s



federal adjusted gross income (as modified for Rhode Island tax purposes) falls within a certain income range, the standard deduction amount – and the personal and dependency exemption amount – are limited or eliminated.

To view these and other inflation-adjusted amounts for the 2018 tax year, click [here](#).

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Social Security modification -- income limits by tax year		
Filing status	2017	2018
Single	\$81,575	\$83,550
Married filing jointly*	\$101,950	\$104,450
Head of household	\$81,575	\$83,550
Married filing separately	\$81,575	\$83,550

\* Or qualifying widow or widower.

Note: Amounts are determined based on inflation figures calculated by U.S. Bureau of Labor Statistics and applied to formulas under Rhode Island General Laws § 44-30-12.



**Meeting:** Patrick Gengarella (left), chief of the Audit & Investigation section at the Rhode Island Division of Taxation, answered questions from tax professionals following the Division’s “Seminar for Tax Preparers” held November 2, 2018, at the Community College of Rhode Island’s Newport County campus in Newport, Rhode Island.

# FILING DEADLINE THIS YEAR IS APRIL 15

## Filing deadline

The deadline for filing Rhode Island resident and non-resident personal income tax returns, and for related tax payments, this filing season is Monday, April 15, 2019 -- the same as the federal filing deadline.

The usual deadline is April 15. However, the deadline has fallen on different days in recent years mainly because of where Emancipation Day in Washington, D.C., fell on the calendar.

In general, if Emancipation Day falls on the same day as the federal tax-filing deadline, the federal (and Rhode Island)

tax-filing deadline is moved to the next business day (because the Internal Revenue Service honors Emancipation Day).

This season, however, Emancipation Day falls on April 16. Therefore, the filing deadline is on the usual

April 15. That's also the deadline for filing property-tax relief claims on Form RI-1040H, and for filing residential lead abatement credit claims on Form RI-6238.

*(Note: A summary table appears on this page, and a more detailed table on page 10.)*



## Start of season

The filing season for Rhode Island resident and nonresident personal income tax returns began on Monday, January 28, 2019. On that day, the Division officially began accepting and processing electronically filed personal income tax returns as well as paper returns on Form RI-1040 and Form RI1040NR, and certain other filings, including property-tax relief claims on Form RI-1040H.

The IRS launched the federal filing season on the same date. For the benefit and convenience of taxpayers and tax preparers, the Rhode Island launch date was the same as the federal launch date.

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**Tax Deadline:** Rhode Island Tax Administrator Neena Savage (above) discussed this season's tax-filing deadline during an interview at her office in January with Channel 12's Kim Kalunian. [Screenshot from Channel 12, WPRI]

## Filing deadline

*This filing season, the deadline is Monday, April 15, 2019, for filings and payments. The April 15 deadline applies to the following for Rhode Island tax purposes:*

- Resident and nonresident personal income tax returns
- 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) whose owner has a deadline of April 15
- 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 quarterly estimated payment for 2019 of Rhode Island personal income tax
- First estimated payment for 2019 for calendar-year entities subject to corporate income tax or certain other levies (in other words, first-quarter business estimates)

**Editor's Note:** The following is for the convenience of those Rhode Island residents and preparers who file personal income tax returns to neighboring states: Connecticut is following the federal deadline of April 15, 2019, for Connecticut tax purposes, according to the Connecticut Department of Revenue Services. Because of the Patriots' Day holiday on April 15 in Massachusetts, and the Emancipation Day holiday on April 16 in the District of Columbia, the Massachusetts filing deadline is April 17, 2019, according to the Massachusetts Department of Revenue.

# EARNED INCOME CREDIT FOR 2018 TAX YEAR

## Earned income credit

Under federal and Rhode Island law, there is a special tax credit available for the working poor.

It is called the earned income credit, or EIC. (It is sometimes referred to as the earned income tax credit, or EITC.)

Eligible taxpayers may claim a federal earned income credit and a Rhode Island earned income credit.

- ◆ For tax year 2015, the Rhode Island credit was 10 percent of the federal credit.
- ◆ For tax year 2016, the Rhode Island credit rose to 12.5 percent of the federal credit.
- ◆ For tax years 2017 and

2018, the Rhode Island earned income credit is 15 percent of the federal credit – and continues to be fully refundable.

“Refundable” in this situation means that the Rhode Island earned income credit will be refunded to the taxpayer to the extent it exceeds the taxpayer’s tax liability.

The following examples illustrate how the Rhode Island earned income credit works.

Suppose that for the 2018 tax year, someone has no Rhode Island personal income tax liability. Suppose, too, that the person receives a \$1,000 federal earned income credit. In that case, the person is eligible for a

\$150 Rhode Island earned income credit.

As another example, suppose that a family for the 2018 tax year has \$700 in Rhode Island personal income tax liability. Suppose, also, that the family has a \$5,000 federal earned income credit. In that case, the family is eligible for a \$750 Rhode Island earned income credit.

*(See tables on this page for an at-a-glance look at these examples.)*

Keep in mind that Rhode Island conforms to federal eligibility and income thresholds for purposes of the earned income credit.

## Fraud prevention

Also keep in mind that, under Rhode Island regulation, due diligence requirements and records retention requirements must be met for the earned income credit (as well as for the statewide property-tax relief credit).

If the Division of Taxation suspects fraud regarding an earned income credit claim, the Division may need to take additional steps in order to validate the claim.

This might mean, for example, requesting additional documentation of income and expenses, which could delay issuing a refund in which the earned income credit is involved.

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## Q&A

**Q: The State of Connecticut recently enacted legislation which says that, for tax years beginning on or after January 1, 2018, pass-through entities are subject to an entity-level tax on their own income. In general, partners in pass-through entities that are subject to the entity-level tax are entitled to a Connecticut credit. These and related changes will show up during the 2019 filing season. If someone who files a Rhode Island personal income tax return this season claims a Rhode Island credit on the 2018 Rhode Island return for taxes paid to Connecticut, should that person calculate the Rhode Island credit based on the person’s Connecticut tax liability prior to reduction for the Connecticut credit?**

**A:** Yes. For purposes of computing the Rhode Island personal income tax credit for taxes paid to other jurisdictions, the person should count his or her Connecticut personal income tax liability before that liability is reduced by the new Connecticut credit. Thus, the changes last year to Connecticut statute have no impact on the Rhode Island return. (For more details on the Connecticut law and its application, click [here](#).)

### Rhode Island earned income credit – Example 1

	Tax year 2018
Rhode Island tax	\$0.00
Federal EIC	\$1,000.00
Rhode Island % (% of federal EIC)	15.00%
Rhode Island EIC	\$150.00

### Rhode Island earned income credit – Example 2

	Tax year 2018
Rhode Island tax	\$700.00
Federal EIC	\$5,000.00
Rhode Island % (% of federal EIC)	15.00%
Rhode Island EIC	\$750.00

# CREDIT INCREASE FOR PROPERTY-TAX RELIEF

## Form RI-1040H

The maximum credit available for qualifying taxpayers under the statewide property-tax relief program has increased approximately 4.3 percent.

For filing season 2019 (covering tax year 2018 returns), the maximum credit claimed on Form RI-1040H is \$365, up from \$350 for the prior year. That represents an increase of \$15.

(Some may qualify for the maximum, some for a smaller amount, some for no credit: Applicants must meet various rules, which are spelled out on the form.)

The maximum annual credit was established at \$55 per household in 1977, and was increased by the General Assembly several times until it reached \$300 starting in 2006.

Under that legislative change, the credit can increase based on net terminal income generated by State-authorized video lottery games.

Although such increases had been possible since July 2007, it turns out that tax year 2014 was the first time that an increase could occur based on the limits of the formula. And, based on the formula, the maximum credit has increased again,

and will apply on returns filed this season.

Keep in mind that the deadline for filing claims on Form RI-1040H this season is April 15, 2019. Also, although the maximum credit amount has increased for this filing season, eligibility rules remain the same.

The program was established only for those 65 and older or disabled. (“Disabled” means those persons who are receiving a Social Security disability benefit or Supplemental Security Income (SSI) payment.)

The program was broadened by a 1988 law to include disabled persons (elderly or not). In 1997,



the program was expanded to non-disabled people younger than 65.

However, under legislation enacted in 2013, effective for 2014 and later tax years, the program returned to its roots, with the credit solely for those 65 and older or disabled. The annual household income limit also remains at \$30,000.

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Statewide property-tax relief credit (Form RI-1040H)	
EFFECTIVE DATE:	MAXIMUM:
January 2018	\$365.00
January 2017	\$350.00
January 2016	\$335.00
January 2015	\$320.00
January 2014	\$305.00
July 2006	\$300.00
July 1997	\$250.00
July 1980	\$200.00
July 1979	\$175.00
July 1978	\$150.00
July 1977	\$55.00

Legislation enacted in 2006 allowed the credit to increase based on net terminal income generated by State-authorized video lottery games. Tax year 2014 was the first time that the credit increased due to that statutory formula.



**Tax Talk:** Patricia Thompson (left), a certified public accountant with Piccerelli, Gilstein & Co., LLP, an accounting firm based in Providence, talks with Rahul Sarathy (center), chief of examinations at the Rhode Island Division of Taxation, and Michael Canole (right), assistant tax administrator, at the Division’s “Seminar for Tax Preparers” held at the Community College of Rhode Island’s Knight Campus in Warwick on December 7, 2018.

# TIPS FOR FILING RETURNS ON PAPER

## Tips for paper filers

The Rhode Island Division of Taxation advises against the use of staples when preparing paper returns for mailing because staples delay processing.

“Our staff works hard every day to process Rhode Island personal income tax returns as quickly and efficiently as possible. But when returns or attachments are stapled, our mailroom staff must stop to remove the staples so that the documents will be ready for scanning into our high-speed scanners,” said Rhode Island Tax Administrator Neena S. Savage. That slows down processing time, she said.

Furthermore, if a stapled document is missed during preparation for the high-speed scanners, it can clog up a scanner, further delaying processing of returns and of any associated refunds.

Instead of using staples or sticky tape to bind tax return documents together prior to mailing, taxpayers should use binder clips, paper clips, or rubber bands – all of which

can be quickly removed by Division staff during the processing of the return.

Each year, the Division of Taxation processes more than 650,000 Rhode Island resident and nonresident personal income tax returns. For every staple encountered, members of the Division’s mailroom operations staff must stop what they are doing to remove the staple and recondition the affected documents before the documents can be scanned.

That, in turn, slows down individual income tax refunds and other services. Staples should only be applied where tax form instructions advise to use them.

All tax forms typically come with return instructions. By paying close attention to the instructions and appropriately preparing tax documents, taxpayers can expect faster service, Savage said.

**Other filing tips:** Although most tax returns are electronically filed, some

taxpayers still mail in paper returns. The Division of Taxation makes the following recommendations for paper filers:

- Sign your return.
- Include with your return any Form W-2 wage statements and Form 1099 information statement.
- If you had any Rhode Island income tax withheld last year (from a job, a pension, or other source of income), don’t forget to accurately complete your return’s Schedule W and include it in your mailing.
- Include the Social Security number (or ITIN) for you and for your spouse and dependents (if applicable). And don’t forget to include the completed Schedule E with your return.
- Include all pages of the return.
- Use a standard-size envelope. Also, 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.)

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## Q&A

**Q: My client has a balance due on her Rhode Island personal income tax for 2018. She wants me to e-file her return now, but arrange things so that payment from her bank account to the Division won’t be made until April 15, or a few days before that date. Will the Division mail her a notice in the meantime?**

**A:** Yes, we will mail her a notice. Although the notice is titled “Notice of Deficiency”, it is really being used by us to provide a reminder to the taxpayer that she has a balance due for 2018; she has until April 15, 2019, to pay that balance; and if she fails to pay by the deadline, she will be subject to interest and penalty. It is also a reminder that if she has arranged to make payment via automatic withdrawal on a certain date, we will make the withdrawal on that date.

Please consider telling your client that if she receives the notice from us, it is not a bill; it is simply a reminder.

State of Rhode Island and Providence Plantations  
**2018 Form RI-1040**  
Resident Individual Income Tax Return



18100199990101

Your social security number		Spouse's social security number	
Your first name	MI	Last name	Suffix
Spouse's name	MI	Last name	Suffix
Address			
City, town or post office		State	ZIP code
City or town of legal residence	Check each box that applies. Other	Primary <input type="checkbox"/>	Spouse <input type="checkbox"/>
		New <input type="checkbox"/>	Amended <input type="checkbox"/>

# DUE DATES FOR INDIVIDUALS AND ENTITIES

## Due dates

The Rhode Island Division of Taxation in the fall of 2016 announced changes to the original due dates and extend-

ed due dates for a number of business returns.

As a result, businesses in the 2017 filing season had the same deadlines for their feder-

al and Rhode Island returns -- a convenience for businesses and for tax professionals.

For example, calendar-year C corporations, which once



## Due dates for certain entities – calendar-year filers (For 2018 tax year)

Tax / Entity	Form	Due date
<b>Business Corporation Tax</b> Corporate income tax, RIGL Chapter 44-11	Form RI-1120C	April 15, 2019
<b>Public Service Corporation Tax</b> Public service gross earnings tax, RIGL Chapter 44-13	Form T-72	April 15, 2019
<b>Taxation of Banks</b> Bank excise tax, RIGL Chapter 44-14	Form T-74	April 15, 2019
<b>Taxation of Insurance Companies</b> Insurance gross premiums tax, RIGL Chapter 44-17	Form T-71	April 15, 2019
<b>Subchapter S Corporations</b> Corporate income tax, RIGL § 44-11-2	Form RI-1120S	March 15, 2019
<b>General partnership</b> RIGL Chapter 7-12	Form RI-1065	March 15, 2019
<b>Limited partnership (LP)</b> RIGL § 7-13-69 (filing as pass-through)	Form RI-1065	March 15, 2019
<b>Limited liability partnership (LLP)</b> RIGL § 7-12-60 (filing as pass-through)	Form RI-1065	March 15, 2019
<b>Limited liability company (LLC)</b> RIGL § 7-16-67 (filing as pass-through)	Form RI-1065	March 15, 2019
<b>Single-member LLC (SMLLC)</b> RIGL § 7-16-67 (owned by individual)	Form RI-1065	April 15, 2019
<b>Income tax of trust</b> Fiduciary income tax return, RIGL § 44-30-51	Form RI-1041	April 15, 2019
<b>Withholding of pass-through entity</b> with nonresident partners, members, shareholders RIGL § 44-11-2.2	Form RI-1096PT	March 15, 2019
<b>Composite income tax return</b> on behalf of qualified electing nonresident members RIGL § 44-11-2.2(d)	Form RI-1040C	March 15, 2019

Date for corporate income tax also applies to entities subject to mandatory unitary combined reporting. Single-member LLC (SMLLC) uses same due date as its owner; this table assumes owner is individual. "RIGL" means Rhode Island General Laws.

filed returns in March, now file them in April. Calendar-year partnerships, which formerly filed in April, now must file in March.

This is a reminder that the new original due dates and extended due dates also apply for 2018 and later tax years.

*(For at-a-glance look at due dates, see table on this page. For details on due dates and extensions, see forms and instructions).*

## Driver's license

For the fourth consecutive filing season, Rhode Island and most other states will ask taxpayers and preparers to enter taxpayer driver's license information when preparing returns.

Taxpayers (and their preparers) will enter the information whether the return is prepared electronically or on paper.

The aim is to help authenticate the returns that are filed – one more tool to combat the increasing problem of tax refund fraud.

It is part of a coordinated and collaborative effort among the states, the Internal Revenue Service, tax software providers, and others to authenticate (verify) the returns that are filed. That, in turn, will help combat identity theft and refund fraud.

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## DRIVER'S LICENSE INFORMATION (CONTINUED FROM PREVIOUS PAGE)

A return will not be rejected solely because a taxpayer does not provide a driver's license number, or if a preparer forgets to enter it into the system.

However, "Providing the information can only help process the return more quickly and help in our overall anti-fraud effort," said Rhode Island Tax Administrator Neena Savage.

Some related points:

- For a married couple filing a joint return, enter the driver's license number of both spouses. If only one spouse has a driver's license, enter that number. If one or both spouses has a state-issued ID number, enter that number.
- If the taxpayer has a driver's license issued in another state, enter that number on the return.
- If the taxpayer does not

have a driver's license, the taxpayer should obtain a state-issued ID. (If the taxpayer has neither, proceed with filing the return.)

### WEBSITE NOTICES

For the second consecutive year, many taxpayers will be receiving notices from certain retailers in early 2019 regarding their obligation involving Rhode Island's sales and use tax.

Because of a Rhode Island law enacted in August 2017, many "non-collecting retailers" -- including a number of out-of-state websites that do not collect Rhode Island sales tax on taxable purchases -- must mail their customers a notice.

Under the law, a noncollecting retailer must send the customer, who had \$100 or more in cumulative annual purchases for 2018, a notice by January 31, 2019.

In general, the notice lets the customer know that use tax may be due on some or all of the purchases that the customer made during 2018. (The notice may look somewhat like the sample at the bottom of this page.)

Using this information, the customer must file a signed use tax return, Form T-205, which is available on the [Rhode Island Division of Taxation's website](#), or the customer must include the use tax from such purchases when computing overall use tax due on his or her Rhode Island personal income tax return for the 2018 tax year.

### An example

Suppose that Janice Taxpayer, of Cranston, purchased a combined total of \$500 in jewelry in 2018 from a large out-of-state website. The purchases were subject to Rhode Island's 7 percent



sales/use tax, but the website did not collect the tax.

Therefore, the website must mail a notice to Jane Taxpayer by January 31, 2019, reminding her of the purchases and of her obligation to pay the required 7 percent Rhode Island sales/use tax.

(Also, the website must provide the Division of Taxation by February 15, 2019, a certain annual attestation that the notice requirements have been fulfilled.)

*(Please turn to next page)*

### E-file reminder

The Rhode Island Division of Taxation this filing season will accept 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

## NOTICE:

### NON-COLLECTING RETAILER – JANUARY 31 NOTICE

*[Note: The following is to be sent by the non-collecting retailer to its customers by January 31 each year regarding purchases made by the customers during the prior calendar year.]*

#### Rhode Island Sales & Use Tax Annual Notice

Please be advised that you are receiving this notice because you have made cumulative annual taxable purchases from [Non-collecting Retailer] totaling one hundred dollars (\$100.00) or more during the previous calendar year.

Pursuant to Rhode Island General Laws §§ 44-18-18 and 44-18-20, sales or use tax is due on

# TAX ON WINNINGS FROM SPORTS WAGERING

## Sports wagering

Legislation enacted in 2018 makes it clear that prizes, including payoffs, received under Rhode Island General Laws Chapter 42-61.2, “Video-Lottery Games, Table Games and Sports Wagering”, are exempt from Rhode Island sales and use tax, but are subject to Rhode Island personal income tax.

Thus, prizes, including payoffs, from sports wagering, which opened to the public in late 2018, are included in income for federal and Rhode Island personal income tax purposes.

## Tax credit

Under the Jobs Training Tax Credit Act, enacted in 1996, a qualifying employer is generally allowed a credit against the corporate income tax (and certain other tax types) for the qualifying expenses of offering training and/or retraining to qualifying employees.

Legislation enacted last year established a sunset retroactively: No credits shall be awarded for tax years beginning on or after January 1, 2018. (However, credit unused from the prior year can still be used on the 2018 tax return, in accordance with the terms and conditions described in statute.)

## Corporate tax

When mandatory unitary combined reporting was enacted in Rhode Island in

2014, for tax years beginning on or after January 1, 2015, the Division developed Schedule CRS (“Combined Reporting Schedule”).

The detailed schedule was filed with the combined group’s Form RI-1120C (“Business Corporation Tax Return”).

The Division used information from Schedule CRS and from other sources to compile a report that was due to the General Assembly in March 2018.

Now that the Division has completed the report and filed it by the statutory deadline, there is no need to require corporations that are

subject to combined reporting to file Schedule CRS.

So the Division has retired Schedule CRS and replaced it with a more streamlined schedule for purposes of mandatory unitary combined reporting.

The new schedule will save time for taxpayers and preparers. It should also help in the processing of returns by the Division.

The new schedule is called the “CGM Schedule” because it provides for a listing of combined group members.

The new schedule essentially asks only for a combined group member’s name, federal employer identification number (EIN), address, and



whether the member has nexus with Rhode Island. The schedule does not require detailed financials.

In other words, it is a shorter schedule on which only basic information will be included about members of each combined group.

The change applies for 2018 and later tax years, so the new schedule will first show up during this filing season.

*(Please turn to next page)*



**Security:** *The Internal Revenue Service, the Rhode Island Division of Taxation, and other partners in the Security Summit urged taxpayers in December to protect their tax and financial data from identity thieves. In Rhode Island, Tax Administrator Neena Savage and then-Attorney General Peter Kilmartin helped launch the start of National Tax Security Awareness Week by taking part in a news conference in Cranston co-hosted by the IRS and the Rhode Island Society of Certified Public Accountants.*

# ANNUAL SALES TAX RETURN; SALES PERMIT RENEWAL

The annual Rhode Island sales tax reconciliation, covering the 2018 calendar year, was due on or before January 31, 2019.

The sales tax reconciliation serves as a kind of annual report for retailers. On the form, filers account for their sales, deductions, and certain other items for 2018 – including the amount of sales tax remitted.

New for this year, Schedule A of the form (on page 2, toward the top) includes two additional categories: one for investigation, guard, and armored car services, the other for “software as a service” (SaaS).

The changes on the form reflect changes in the law. For example, as of July 1, 2018, Rhode Island’s 7 percent sales and use tax became applicable to all investigation, guard, and armored car services.

Effective October 1, 2018, the 7 percent sales and use tax became applicable to vendor-hosted prewritten computer software (which is sometimes referred to as software as a service, or SaaS).

The annual reconciliation can be filed online or on paper. Most holders of sales permits file their annual reconciliations online.

If you file on paper, remember to use your sales reconciliation account ID number (not your federal employer

identification number or Social Security number).

By the way: Most annual sales tax reconciliations can be filed online. However, certain ones – including the alcoholic beverages return for liquor stores, and the annual reconciliation for writers, composers, and artists – can be filed only on paper. For more information about the annual reconciliation, click [here](#).

### Sales permit renewal

If you have a Rhode Island sales permit issued by the Rhode Island Division of Taxation, you must renew it once a year.

The deadline for renewing your sales permit this time around was February 1,

2019. The renewal fee is \$10, which covers the period July 1, 2019, through June 30, 2020.

Sales permits are typically mailed out each summer. To renew online, click [here](#). To download the paper renewal form, click [here](#).

If you renew your sales tax permit on paper, remember to use the ID number associated with renewing your sales permit. (Don’t use your federal employer identification number or Social Security number.)

Questions? Call the Division’s Excise unit at (401) 574-8955 from 8:30 a.m. to 3:30 p.m. business days.



### Free File

For taxpayers who cannot pay for professional tax preparation, the Rhode Island Free File program (also known as Free File Rhode Island) is an option. Those who qualify can get their federal and Rhode Island personal income tax returns prepared and filed online at no charge. As a convenience, the Division offers a Rhode Island Free File poster on the following pages (one in English, one in Spanish).

**State of Rhode Island and Providence Plantations**  
**Form T-204R-Annual**  
**Sales and Use Tax Return - Annual Reconciliation**

<b>1</b>	a Pet services.....
	b Residential dwelling.....
	c Transportation services (taxi, limo, bus, ground).....
	d Clothing.....
	e Prewritten computer software delivered electronically or by "load and
	f Over-the-counter (OTC) drugs and medicines.....
	g Software as a Service (SaaS) sales .....
	h Investigation, guard and armored services (Security services).....
	i Other sales: All sales not listed on lines 1a through 1h.....

SCHEDULE A - SALES BY CATEGORY



# File Your Taxes For **FREE!**

**FILING YOUR TAXES IS AS EASY AS 1, 2, FREE!**

## 1 HOW TO QUALIFY

You may qualify to file your taxes for free with IRS Free File:

- IRS Free File is free for taxpayers with an Adjusted Gross Income of **\$66,000** or less
- Starting in **mid-January**, visit [www.tax.ri.gov](http://www.tax.ri.gov) and click on the link under "Free File-Rhode Island" to see if you are eligible to prepare and file your federal and RI tax returns for FREE
- Free File helps you capture all your credits and deductions and keep more of your hard earned refund!

## 2 GATHER YOUR DOCUMENTS ✓

- Copy of last year's tax return
- Social Security Card or Individual Taxpayer's Identification Number (ITIN) for each family member
- Proof of income including W2s and 1099 forms
- Documentation of deductible expenses
- Account and routing numbers of checking or savings accounts for direct deposit and a faster refund, *if available*
- Health coverage information for each family member *If health insurance was purchased through the Marketplace for any family member:*
  - Form 1095-A
  - Dependents' proof of income

## 3 FILE YOUR TAXES FOR FREE!

Visit [www.tax.ri.gov](http://www.tax.ri.gov) and click on the link under "Free File-Rhode Island"



For more information about Free File please visit: [www.TaxTimeAllies.org](http://www.TaxTimeAllies.org)



# ¡Declare sus impuestos GRATIS!

**¡PRESENTAR SU DECLARACIÓN DE IMPUESTOS ES TAN FÁCIL COMO 1, 2, GRATIS!**

## 1 COMO CALIFICAR:

Usted puede calificar para presentar sus impuestos gratis con Free File de IRS:

- El programa Free File de IRS es gratis para los contribuyentes con un ingreso bruto ajustado de **\$66,000** o menos
- A partir de mediados de enero, visite [www.tax.ri.gov](http://www.tax.ri.gov) y haga clic en el enlace debajo de "Free File-Rhode Island" para ver si es elegible para preparar y presentar sus declaraciones de impuestos federales y RI GRATIS.
- ¡Free File le ayuda a obtener todos sus créditos, deducciones y mantener más del reembolso que se ha ganado arduamente!

## 2 JUNTE SUS DOCUMENTOS ✓

- Copia de la declaración de impuestos del año pasado
- Tarjeta de Seguro Social o Número de Identificación Individual del Contribuyente (ITIN) por cada miembro de la familia
- Comprobante de ingresos, incluyendo formularios W2 y 1099
- Documentación de gastos deducibles
- El número de su cuenta bancaria y el número de ruta para el depósito directo para poder recibir su reembolso más rápido
- Si el seguro médico se compró a través del mercado de seguros de salud para cualquier miembro de la familia:*
  - Formulario 1095-A
  - Prueba de ingresos de dependientes

## 3 ¡DECLARE SUS IMPUESTOS GRATIS!

Visite [www.tax.ri.gov](http://www.tax.ri.gov) y haga clic en el enlace debajo de "Free File-Rhode Island"



Para obtener más información acerca de Free File por favor visite: [www.TaxTimeAllies.org](http://www.TaxTimeAllies.org)



## Rhode Island Department of Revenue Division of Taxation

### NEWSLETTER POLICY

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

### HOW TO SUBSCRIBE

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

### 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

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

#### *How to contact us*

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

##### Website

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

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

##### Mailing address

Rhode Island Division of Taxation  
One Capitol Hill  
Providence, R.I. 02908

##### Telephone

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