

RHODE ISLAND TAX NEWS

A NEWSLETTER FOR TAX PROFESSIONALS

SPECIAL EDITION: FILING SEASON 2021

WHAT'S NEW FOR FILING SEASON

Taxpayers and tax preparers will encounter a number of changes this season when they fill out Rhode Island personal income tax forms for the 2020 tax year.

For example, Rhode Is-

land's health insurance mandate took effect last year and shows up on returns this tax season (covering the 2020 tax year).

More taxpayers will qualify for the special tax break

involving income from pensions, 401(k) plans, annuities, and other such sources.

Also, more taxpayers this season will qualify for a separate tax break involving income from taxable Social Security benefits.

Also new for this season: The maximum credit allowed under the statewide property-tax relief program for eligible taxpayers (Form RI-1040H) has reached \$400 for the first time ever, an increase over last season.

This special edition of *Rhode Island Tax News* includes information about these and other filing-season matters.



TAXATION OF UNEMPLOYMENT BENEFITS

Last year, mainly as a result of the coronavirus (COVID-19) pandemic, millions of Americans across the country filed for state unemployment benefits.

If you collected Rhode Island unemployment bene-

fits last year, it is important to keep in mind that unemployment insurance benefits are taxable by federal law.

In other words, unemployment benefits count as income for federal personal income tax purposes.

The benefits must be included in your federal adjusted gross income when computing your federal income taxes.

(Please turn to page 2)



SPECIAL EDITION: FILING SEASON

This tax season, the deadline is April 15 for filing Rhode Island resident and nonresident personal income tax returns. It is also the deadline for claiming the statewide property-tax relief credit (Form RI-1040H) and for various other returns and payments. For more information about deadlines, please see pages 11 and 12.

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FILING SEASON: TAXATION OF UNEMPLOYMENT (CONTINUED FROM PAGE 1)

The computation of your Rhode Island personal income tax begins with your federal adjusted gross income.

Therefore, because unemployment benefits are taxable at the federal level, they are taxable at the Rhode Island level, too — just as they are in many other states.

If you collected unemployment benefits last year and failed to pay taxes, or failed to pay enough taxes on those benefits, you may face penalties and interest — “late charges” — when you file your federal and Rhode Island personal income tax returns this season, for the 2020 tax year.

To keep late charges to a minimum, prepare and file your federal and Rhode Island personal income tax returns as soon as you can this season.

Also keep in mind that the Division last year announced that tax-related help is available to taxpayers unable to fully pay their Rhode Island state taxes amid the pandemic. To view the announcement:

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

For example, you can apply for an installment agreement, allowing you to pay what you owe in installments over time.

The form for requesting an installment agreement, along with instructions and other information, is available

through the following link:

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

Taxpayers also have the right, under Regulation 280-RICR-20-00-4 (“Taxpayer Rights and Responsibilities”), to request that penalties be abated where there was no negligence or intentional disregard of the law.

For taxpayers seeking penalty relief as a result of the coronavirus, the Division has developed a COVID-19 penalty-waiver request form. It can be completed and filed once the taxpayer receives a Notice of Assessment in the mail from the Division.

COVID-19 penalty-waiver requests should be for the periods beginning on or after January 1, 2020, and must include a reason for the waiver request. Download the form from the table on the Division’s COVID-19 webpage:

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

As you prepare your federal and Rhode Island personal income tax returns this season, for the 2020 tax year, keep in mind that the Rhode Island Department of Labor and Training makes available a Form 1099-G early each calendar year for those who collected unemployment benefits the prior year. The form provides details on benefits collected and taxes withheld, if any, in the prior year.

Looking ahead

What if you are still collecting unemployment benefits this year, or just started collecting unemployment benefits this year? Planning ahead now can help you avoid an unexpected tax bill during tax-filing season early next year.

Fortunately, there are convenient ways to pay taxes on unemployment benefits and avoid late charges.

(Please turn to next page)



Keep in mind . . .

The best way to file your Rhode Island personal income tax return is electronically. E-filing is faster, results in fewer errors, and generates refunds more quickly. Also, e-filing is the only way to ensure that your refund is deposited directly into your bank or credit union account. (Direct deposit is not available for paper-filed returns.)



Publication 4128

Tax Impact of Job Loss

The Life Cycle Series

A series of informational publications designed to educate taxpayers about the tax impact of significant life events.

Publication: The Internal Revenue Service has a publication that explains, in plain language, the tax impact of losing your job (see screenshot above). It includes information about the tax treatment of severance pay and unemployment compensation. The publication is available in English and Spanish (see links below).

§ English: <https://go.usa.gov/xwAec>

§ In Spanish: <https://go.usa.gov/xfYxc>



FILING SEASON: TAXATION OF UNEMPLOYMENT (CONTINUED FROM PRIOR PAGE)

Withholding

You can have federal and/or Rhode Island income tax withheld from your weekly unemployment benefit payment, just as you have taxes withheld from your paycheck when you are working.

Many people prefer withholding because it is convenient. If you choose withholding, taxes are withheld automatically from your unemployment benefit payments.

When you initially file your claim for Rhode Island unemployment insurance benefits, you are required to select an option for tax withholding: You can have just federal tax withheld, just Rhode Island tax withheld, both federal tax and Rhode Island tax withheld, or no tax withheld at all. It's up to you.

If you are collecting unemployment benefits and did not choose to have any taxes withheld, you have the option to complete a form to have taxes withheld. (Instructions are included on the form. Use the same form if you want to change your original selection regarding withholding.) To view the form, use the following link:
<https://go.usa.gov/xAdwc>

Estimated payments

Many people make estimated payments of federal and state personal income tax.

Making estimated payments is convenient and can help to ensure that you will not be subject to late charges when you file your federal and state personal income tax returns during the next annual filing season.

You may make estimated payments of Rhode Island personal income tax online via the Division's taxpayer portal:
<https://taxportal.ri.gov/>

There is no charge for this service. (If you are using the portal for the first time, you must register first. Start with the "Create a New User" link on the portal's home page.)

Estimated payments also may be made online by credit card or debit card. (A fee, charged by a third-party vendor, applies to payments made by credit card or debit card.) To learn more about making payments by credit card or debit card, including the fee charged by the third-party vendor, use this link:
<https://go.usa.gov/xwfHr>

Estimated payments also may be made by check using the Division's form. To view the form (it includes instructions), use this link:
<http://www.tax.ri.gov/taxforms/personal.php>

Estimated payments are typically required to be made at regular intervals, each April, June, September, and January.

More information

For more information about Rhode Island unemployment insurance benefits, use the following link:

<https://dlt.ri.gov/>

For more information about Rhode Island state taxes:
<http://www.tax.ri.gov/>

For more about federal taxes and unemployment benefits, use the following link:
<https://go.usa.gov/xwAen>

For further details about federal estimated taxes, use the following link:
<https://go.usa.gov/xwAtx>



Please note...

This newsletter provides only an informal summary of federal and Rhode Island laws as they relate to the taxation of unemployment insurance compensation, also known as unemployment benefits. This newsletter is for general information purposes only. It is not a substitute for federal laws, or for Rhode Island General Laws, or for Rhode Island Division of Taxation regulations, rulings, or notices, or for Rhode Island Department of Labor and Training publications, regulations, guidance, and procedures.

Taxpayers are encouraged to consult tax and other professionals to determine how the information published here may affect them.

Additional information

Unemployment benefits are taxable at the federal level, so they are automatically taxable at the Rhode Island level -- just as they are in many other states.

Thus, the following are taxable: regular unemployment benefits; expanded unemployment benefits under federal laws enacted in 2020; the "additional \$600" in unemployment benefits available under the CARES Act; and unemployment benefits for people who are not ordinarily eligible, such as the self-employed, independent contractors, and gig workers.

Fortunately, the Rhode Island Department of Labor and Training allows withholding for all of the types of unemployment benefits mentioned above, which is a convenience for people who are collecting benefits. If you choose withholding, federal income tax is withheld at the rate of 10% from your gross weekly unemployment benefit amount; Rhode Island personal income tax is withheld at the rate of 2.5% of your gross weekly benefit amount.



FILING SEASON: UNEMPLOYMENT FRAUD, FORM 1099-G

On January 28, 2021, the Internal Revenue Service issued guidance for taxpayers who have been sent a Form 1099-G ("Certain Government Payments") for unemployment benefits they did not actually receive.

According to the IRS, criminals last year took advantage of the coronavirus (COVID-19) pandemic by filing fraudulent claims for unemployment benefits throughout the country by using stolen personal information of individuals who had not filed claims.

Payments made as a result of these fraudulent claims went to the criminals; the individuals whose names and personal information were taken did not receive any of the payments, the IRS said.

Taxpayers who have been sent an incorrect Form 1099-G for unemployment benefits they did not receive should contact the issuing state agency.

cy to request a revised Form 1099-G showing they did not receive these benefits, the IRS said.

In Rhode Island

In Rhode Island, the Department of Labor and Training (DLT) is making every effort to ensure that victims of confirmed unemployment benefit fraud will not receive a Form 1099-G for unemployment benefits paid on a fraudulent claim. (*To see what one version of a Form 1099-G looks like, see screenshot below.*)

If you receive a Form 1099-G from the DLT, but did not file for or receive unemployment benefits in 2020, file a report with the DLT through the following link: <https://dlt.ri.gov/1099/reportfraud/>.

Note: You will not be held responsible for paying taxes on Rhode Island unemployment benefits that were fraudulently received using

your identity. Once you fill out the form using the link above, the DLT will be in touch to provide a corrected Form 1099-G.

In addition, if you are the victim of unemployment benefit identity theft, you may report it to the Federal Trade Commission through the following link: <https://www.identitytheft.gov/Information>.

National problem

It is important to keep in mind that this is a national problem, not limited to Rhode Island.

For example, you may have received a Form 1099-G from another state showing the payment of unemployment benefits in your name, and you did not apply for or receive those benefits in 2020.

If that's the case, contact that state's unemployment insurance agency. For a list of con-



tacts for the various state unemployment insurance agencies nationwide, use either of the following links:

<https://go.usa.gov/xsgge>
<https://go.usa.gov/xsggt>

IRS guidance

For more information about this issue -- including what steps to take, read the guidance that the IRS issued in January 2021 about identity theft involving unemployment benefits.

Use the following link:

<https://go.usa.gov/xsgg7>

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Unemployment compensation \$	OMB No. 1545-0120	2020 Form 1099-G	Certain Government Payments	
		2 State or local income tax refunds, credits, or offsets \$				
PAYER'S TIN	RECIPIENT'S TIN	3 Box 2 amount is for tax year	4 Federal income tax withheld \$	Copy B For Recipient		
RECIPIENT'S name Street address (including apt. no.) City or town, state or province, country, and ZIP or foreign postal code		5 RTAA payments \$	6 Taxable grants \$	<p>This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.</p>		
		7 Agriculture payments \$	8 If checked, box 2 is trade or business income <input type="checkbox"/>			
		9 Market gain \$				
Account number (see instructions)		10a State	10b State identification no.			11 State income tax withheld \$
						\$

Form 1099-G (keep for your records) www.irs.gov/Form1099G Department of the Treasury - Internal Revenue Service



FILING SEASON: HEALTH INSURANCE MANDATE

There's a new item to consider when filling out the Rhode Island personal income tax return this season:

It's Rhode Island's health insurance mandate, which took effect last year and shows up on returns this tax-filing season.

Rhode Island's health insurance mandate (also known as the "individual mandate" or "health coverage mandate") was enacted on July 5, 2019.

The mandate to have sufficient health-care coverage (technically known as "minimum essential coverage") took effect January 1, 2020.

It is somewhat similar to the federal mandate as it existed in early December 2017 (prior to the enactment later that month of the federal Tax Cuts and Jobs Act).

Details of the mandate are spelled out in the forms and instructions, which are available via this link:

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

Following are a few highlights.

Rhode Island residents

- ✓ Keep in mind that the mandate applies only to Rhode Island residents, not to nonresidents. If you were a part-year Rhode Island resident, the mandate applies only for the months during which you were a Rhode Island resident.

Form in the mail

- ✓ To help you fill out your Rhode Island personal income tax return this season, your health insurance company (or another organization) is required to send you a copy of a form which shows, among other things, the months in 2020 for which you (and your dependents, if applicable) had sufficient health coverage. (You may have received the form or letter in the mail by now. It may be similar to the form or letter you received in the mail when the federal mandate was in full force prior to December 2017.)

Most had coverage

- ✓ The overwhelming majority of taxpayers had sufficient health-care coverage for all of 2020 and therefore will not

have to pay a penalty on their returns this season.

They had sufficient coverage through:

- ◊ employer-sponsored health insurance;
- ◊ the federal Medicare health insurance program;
- ◊ the joint federal-state Medicaid program;
- ◊ TRICARE (the health care program for uniformed military service members, retirees, and their families); or
- ◊ some other means.

Check the box

- ✓ If you (and your dependents, if applicable) had sufficient health insurance coverage for all of 2020 – through employer-sponsored health insurance, the federal Medicare health insurance program, or some other means – please remember to check the box on your return indicating that you had such coverage for all of 2020. (See screenshot from Form RI-1040 below.)

(Please turn to next page)



Please note

The article that begins on this page is a basic, plain-language summary of Rhode Island's health-insurance mandate (also known as the health coverage mandate, or individual mandate). The article is for general information purposes only and is not intended as a substitute for Rhode Island General Laws, HealthSource RI regulations, or Division of Taxation regulations, rulings, or notices. For more information, please use the following links:

<https://go.usa.gov/xA78E>
<https://go.usa.gov/xA78y>
<https://healthsourceri.com/>
<https://go.usa.gov/xsg2j>

12 a USE/SALES tax due from RI Schedule U, line 4 or line 8, whichever applies.....

12a

b Individual Mandate Penalty (see instructions). Check to certify full year coverage.



12b

13 a TOTAL RI TAX AND CHECKOFF CONTRIBUTIONS. Add lines 10a, 10b, 11, 12a and 12b..... 13a



FILING SEASON: HEALTH INSURANCE MANDATE (CONTINUED FROM PRIOR PAGE)

Remember: If you (and your dependents, if applicable) had sufficient health insurance coverage for all of 2020, there's no need to fill out Form IND-HEALTH -- but you must check the box on the front page of your return. Failure to check the box could delay the processing of your return -- and of any associated refund. (If you use tax-preparation software, or your preparer does, the software may check the box for you after you fill out a certain screen or answer the program's questions. How it is handled will depend on the software program.)

Note: If you are a dependent filing your own return, and the matter of your health insurance coverage is handled by your parents on their return, check the box on line 12b of Form RI-1040 (or line 15b of Form RI-1040NR).

Form IND-HEALTH

- ✓ If you (or your dependents, if applicable) did not have sufficient health insurance coverage for all of 2020, you may be subject to a penalty (which is actually a tax, and which technically goes by the following name: the "shared responsibility payment penalty"). You may be able to limit the impact of the penalty -- or avoid it altogether -- if you qualify for an exemption. See the forms and instructions for details -- especially Form IND-HEALTH and its instructions. (See screenshot below.) Links to the forms and instructions are on the following page.

Exemptions

- ✓ The exemptions are

spelled out on Form IND-HEALTH and further detailed in the related instructions. Some are straightforward. For example, if your income was below a certain threshold for 2020 and you therefore don't have to file a Rhode Island personal income tax return, you're exempt - you won't have to pay the penalty. In other instances, depending on the exemption, you will have to apply through HealthSource RI for an exemption certificate, then enter that certificate number on your return. HealthSource RI is Rhode Island's health insurance marketplace -- also known as a health insurance exchange, or health insurance portal. To learn more:

[https://
healthsourceri.com/](https://healthsourceri.com/)

Pandemic exemption

- ✓ What about the coronavirus (COVID-19) pandemic? HealthSource RI filed a regulation effective December 31, 2020, expanding its criteria for qualification for the hardship exemption to include one involving the coronavirus.

It's called the COVID-related hardship exemption -- and it can be claimed by using code "19" on your Form IND-HEALTH.

The COVID-related hardship exemption is valid for use only for the months of April 2020 through December 2020 and may be claimed directly (without obtaining an exemption certification number from HealthSource RI).

(Please turn to next page)

State of Rhode Island Division of Taxation Form IND-HEALTH Individual Health Insurance Mandate Form																																			
Name	Social security number																																		
<table border="1"> <thead> <tr> <th colspan="4">Coverage Exemption Reasons and Codes</th> </tr> <tr> <th>Income Below Filing Threshold</th> <th>NC</th> <th>Aggregate Self Only Coverage Considered Unaffordable</th> <th>G1</th> </tr> </thead> <tbody> <tr> <td>Coverage Considered Unaffordable</td> <td>A</td> <td>Member of Tax Household Born or Adopted During the Year</td> <td>H1</td> </tr> <tr> <td>Short Coverage Gap</td> <td>B</td> <td>Member of Tax Household Died During the Year</td> <td>H2</td> </tr> <tr> <td>Citizens Living Abroad & Certain Noncitizens</td> <td>C</td> <td>Nonresident of Rhode Island</td> <td>N</td> </tr> <tr> <td>Members of Healthcare Sharing Ministry</td> <td>D</td> <td>Had Minimum Essential Health Coverage</td> <td>X</td> </tr> <tr> <td>Members of Indian Tribes</td> <td>E</td> <td>HealthSource RI Exemption</td> <td>RI</td> </tr> <tr> <td>Incarceration</td> <td>F</td> <td>COVID - Related Hardship</td> <td>19</td> </tr> </tbody> </table>				Coverage Exemption Reasons and Codes				Income Below Filing Threshold	NC	Aggregate Self Only Coverage Considered Unaffordable	G1	Coverage Considered Unaffordable	A	Member of Tax Household Born or Adopted During the Year	H1	Short Coverage Gap	B	Member of Tax Household Died During the Year	H2	Citizens Living Abroad & Certain Noncitizens	C	Nonresident of Rhode Island	N	Members of Healthcare Sharing Ministry	D	Had Minimum Essential Health Coverage	X	Members of Indian Tribes	E	HealthSource RI Exemption	RI	Incarceration	F	COVID - Related Hardship	19
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Incarceration	F	COVID - Related Hardship	19																																
Enter the name and social security number for each member of your tax household. For each household member, use the chart above to enter an exemption code for each corresponding month in which the household member had minimum essential health coverage or an exemption. If an individual qualified for an exemption through HealthSource RI, enter the exemption number(s) in the space provided.																																			



FILING SEASON: HEALTH INSURANCE MANDATE (CONTINUED FROM PRIOR PAGE)

The COVID-related hardship exemption can only be claimed if you attest that, due to a direct impact of the COVID-19 pandemic, the following statements are true:

- ◊ You lost minimum essential coverage during the 2020 calendar year, and
- ◊ You suffered a hardship with respect to the capability to obtain minimum essential coverage during the subsequent months in the 2020 year.

Remember: To claim the COVID-related hardship exemption, you had to have had health coverage at the start of 2020, and you had to have lost coverage for the remainder of the year (April through December 2020) as a direct result of the coronavirus.

More information

✓ For more information about this and other exemptions – and about the health insurance mandate overall – see the forms and instructions on the Division’s website.

A table on this page includes a list of helpful links to the forms and instructions you may need (depending on your circumstances).

For example, the list includes a link to Form RI-1040 and its instructions (for residents), Form RI-1040NR and its instructions (for part-year resi-



Health Insurance Available: Most people have health insurance, but some do not. HealthSource RI is Rhode Island's health insurance marketplace (also known as a health insurance exchange, or health insurance portal). It helps Rhode Islanders choose the best, most affordable health insurance plan. You may even qualify for financial help. HealthSource RI recently established a new enrollment period to give Rhode Islanders additional time to sign up for health coverage. Uninsured Rhode Islanders can enroll for coverage effective as early as March 1. HealthSource RI's enrollment period will continue through May 15, 2021. For more information, see <https://healthsourceri.com/> or call 1-855-840-4774.

dents in this case); the main health insurance mandate form (Form IND-HEALTH) and its related instructions, and the shared responsibility worksheet.

Summary available

✓ The Division of Taxation recently posted a “Tips for tax season” Advisory that includes tips and reminders – for tax preparers and for do-it-yourself taxpayers – on how to fill out Rhode Island personal income tax returns when it comes to the health insurance mandate.

It offers three main tips -- with illustrations -- to keep in mind regarding the mandate when filling out the Rhode Island personal income tax return.

To view that Advisory:
http://www.tax.ri.gov/Advisory/ADV_2021_06.pdf

HELPFUL LINKS

Following are links to some forms, instructions, and other resources you may find helpful regarding Rhode Island's health insurance mandate (also known as the health coverage mandate or individual mandate).

Rhode Island Form 1040:
<https://go.usa.gov/xA79g>

Rhode Island Form 1040 instructions:
<https://go.usa.gov/xs29S>

Rhode Island Form 1040NR:
<https://go.usa.gov/xA79b>

Rhode Island Form 1040NR instructions
<https://go.usa.gov/xA79K>

Individual health insurance mandate form:
<https://go.usa.gov/xA79k>

Health insurance mandate form's instructions:
<https://go.usa.gov/xA799>

Shared responsibility worksheet:
<https://go.usa.gov/xA79X>



FILING SEASON: PASS-THROUGH ENTITY TAX

As a result of Rhode Island legislation enacted in 2019, pass-through entities can elect to pay an entity-level tax.

The election applies to tax years beginning on or after January 1, 2019. This is the second filing season in which the pass-through entity tax will appear on tax returns, covering the 2020 tax year.

The new law allows a pass-through entity, which normally would not pay tax on its income, to elect to do so -- at the rate of 5.99%.

Form RI-PTE

The pass-through entity that chooses to take advantage of the law must list the entity-level tax paid on Form RI-PTE ("Pass-through Entity Election Tax Return"), pay the tax due on its net income, and file a copy of Form RI-PTE with the Division.

The pass-through entity tax elected to be paid is then passed through to the "owners" (such as shareholders or partners) on a proportionate basis -- according to their share of ownership.

The pass-through entity lists the owner's proportionate share of the entity tax paid on Rhode Island Form K-1 or Rhode Island Form RI-1099E, and provides a copy to the owner and to the Division of Taxation (along with its filing of Form RI-PTE).

Schedule M's role

Using the information from the owner's copy of Rhode Island Form K-1 or Form RI-1099E, the owner lists, on Schedule M of the owner's Rhode Island personal income tax return, his or her proportionate share of the entity-level tax paid.

Net modifications from Schedule M are then entered on Form RI-1040 or Form RI-1040NR, page 1, line 2. This is a modification increasing federal adjusted gross income for Rhode Island tax purposes. This step has the effect of increasing the owner's Rhode Island modified gross income to the amount it would have been if the entity had not made the election to pay Rhode Island state income tax at the entity level.

Schedule W's role

Also using the information from the owner's copy of Rhode Island Form K-1 or Form RI-1099E, the owner lists, on Schedule W of the owner's personal income tax return, his or her proportionate share of the entity-level tax paid. That amount, along with any Rhode Island withholding ordinarily listed on Schedule W (such as withholding from wages) is carried over to Form RI-1040, line 14a, or Form RI-1040NR, line 17a, as part of the computation of total payments and credits. This al-

lows the owner to then claim a credit, on the owner's Rhode Island personal income tax return, for his or her proportionate share of the entity-level tax paid.

The net effect

Thus, although the owner must increase the amount of his or her federal adjusted gross income (for Rhode Island personal income tax purposes) by the proportionate amount of entity-level tax paid, the owner also gets to claim on the same personal income tax return a credit for the proportionate share of entity-level tax paid.

It is in this way that the owner ensures that he or she is "made whole" for Rhode Island personal income tax purposes. In other words, the overall procedures ensure that, purely from a Rhode Island personal income tax standpoint, the owner will be in the same position as before.

Forms and outreach

The Division has forms and instructions to facilitate the claiming of the pass-through entity tax election. The Division has also made numerous presentations, in a variety of forums, to let preparers know about the changes and how they apply. The Division also has worked with providers of tax-preparation software to ensure that their programs accurately reflect the changes. (Also see the step-by-step guide on the following two pages.)

ENTITY-LEVEL TAX: STEP BY STEP

A step-by-step guide on the following two pages shows how to account for the elective entity-level tax for Rhode Island purposes. The guide explains, in summary fashion, the role of Form RI-PTE and the Form RI-1099E.

The guide also shows, in summary fashion, how it all ties together, through the proper completion of Schedule M and Schedule W on the Rhode Island personal income tax return.



WEBPAGE

The Division has created a webpage to hold key forms related to the entity-level tax that pass-through entities may elect to pay: http://www.tax.ri.gov/taxforms/pte_election.php



QUESTIONS

Questions about the pass-through entity tax and Form RI-PTE? Call (401) 574-8829 (option #6) or email: tax.corporate@tax.ri.gov

Questions about the personal income tax and Form RI-1040? Call (401) 574-8829 (option #3) or email: tax.assist@tax.ri.gov



FILING SEASON: PASS-THROUGH ENTITY TAX (CONTINUED FROM PREVIOUS PAGE)



STEP 1: If your pass-through entity elects to take advantage of Rhode Island's entity-level tax on pass-through entities, the entity must complete Form RI-PTE -- and check the box to indicate the type of entity involved (see screenshot below). The entity must file the completed form with the Division, and each owner of the entity must attach a copy of the form to his or her personal income tax return.

State of Rhode Island Division of Taxation
2020 RI-PTE
Pass-through Entity Election Tax Return

20113899990101

Federal employer identification number Social security number

For the taxable year from MM/DD/2020 through MM/DD/YYYY

Name

Address 1

Address 2

City, town or post office State ZIP code

E-mail address NAICS code

Entity type: LLC LLP LP Partnership SMLLC Sub S Corp Sole Prop Sole Proprietor Trust

STEP 2 For taxpayers claiming payments from Form RI-PTE, attach a copy of Form RI-1099E (or Rhode Island Form K-1) showing the amount of Rhode Island source income earned from, and Rhode Island tax paid on your behalf by, the pass-through entity. (See screenshot below.) The owner must attach a copy of Form RI-1099E (or Rhode Island Form K-1) to his or her Rhode Island personal income tax return for substantiation purposes. The pass-through entity must submit a copy of Form RI-1099E (or Rhode Island Form K-1) to the Rhode Island Division of Taxation, along with its filing of Form RI-PTE.

<input type="checkbox"/> Check if amended	2. Payer's entity type		3. 2020 RI-1099E Fiscal year payers, enter fiscal dates , 2020 to , 2021		Rhode Island Pass-Through Entity Election		
1. Payer's identification number	<input type="checkbox"/> LLC	<input type="checkbox"/> SMLLC	<input type="checkbox"/> Sub S Corp	<input type="checkbox"/> LP	<input type="checkbox"/> Sole Prop	<input type="checkbox"/> Partnership	<input type="checkbox"/> Trust
4. Payer's name and address	5. Recipient's name and address		6. Recipient's identification number				
			<input type="checkbox"/> Individual <input type="checkbox"/> Pass-through <input type="checkbox"/> Other _____		7. Recipient type		
					8. Recipient's percent of ownership		
					9. Recipient's Rhode Island withholding		

Copy A - PAYER copy (attach to Form RI-PTE)



FILING SEASON: PASS-THROUGH ENTITY TAX (CONTINUED FROM PREVIOUS PAGE)

STEP 3: *The owner must list the owner's proportionate share of entity-level tax paid as an increasing modification on Schedule M, line 2h, of the owner's Rhode Island personal income tax return. (The screenshot below shows the top of Schedule M and, below the zig-zag line, the bottom of Schedule M where the entity-level tax must be included as a modification increasing federal adjusted gross income for Rhode Island personal income tax purposes.)*



<input type="checkbox"/> State of Rhode Island Division of Taxation 2020 RI Schedule M - page 1 RI Modifications to Federal AGI	 20101099990101				
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Name</td> <td style="width: 50%;">Social security number</td> </tr> <tr> <td> </td> <td> </td> </tr> </table>		Name	Social security number		
Name	Social security number				



MODIFICATIONS INCREASING FEDERAL AGI	
2a Income from obligations of any state or its political subdivisions, other than Rhode Island under RIGL §44-30-12(1) and RIGL §44-30-12(2). 2b Rhode Island fiduciary adjustment as beneficiary of an estate or trust under RIGL §44-30-17 2c Recapture of Family Education Account modifications under RIGL §44-30-25(g) 2d Bonus depreciation taken for federal purposes that must be added back to Rhode Island income under RIGL §44-61-1 2e Recapture of Tuition Saving Program modifications (section 529 accounts) under RIGL §44-30-12(4) 2f Recapture of tax credit income previously claimed as a modification decreasing Federal AGI (see instructions for more information) 2g Recapture of Scituate Medical Savings Account modifications under RIGL §44-30-25.1(d)(3)(i) 2h Pass-through Entity Tax Elected to be Paid under RIGL §44-11-2.3	2a 2b 2c 2d 2e 2f 2g 2h

STEP 4: *On Schedule W of the owner's Rhode Island personal income tax return, the owner must include the owner's proportionate share of the entity-level tax paid (entering letter code "E" in column B), along with any Rhode Island withholding. (See screenshot below.) The total from Schedule W is then entered on Form RI-1040, line 14a, or RI-1040NR, line 17a, as part of the computation of total payments and credits.*

<input type="checkbox"/> State of Rhode Island Division of Taxation 2020 RI Schedule W Rhode Island W-2 and 1099 Information - Page 4	 20101099990101				
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Name(s) shown on Form RI-1040 or RI-1040NR</td> <td style="width: 50%;">Your social security number</td> </tr> <tr> <td> </td> <td> </td> </tr> </table>		Name(s) shown on Form RI-1040 or RI-1040NR	Your social security number		
Name(s) shown on Form RI-1040 or RI-1040NR	Your social security number				
Complete this Schedule listing all of your and, if applicable, your spouse's W-2s and 1099s showing Rhode Island Income Tax withheld. <u>W-2s or 1099s showing Rhode Island Income Tax withheld must still be attached to the front of your return.</u> Failure to do so may delay the processing of your return. ATTACH THIS SCHEDULE W TO YOUR RETURN					



FILING SEASON: APRIL FILING DEADLINE

The filing and payment deadline for Rhode Island resident and nonresident personal income tax returns this season will be April 15, 2021.

Why? The normal deadline is April 15. In some years, that falls on a weekend. But this year, April 15 falls on a Thursday.

Also in some years, the filing deadline falls on Emancipation Day in Washington, D.C., and Internal Revenue Code § 7503, says, in part, that when the filing deadline falls on a legal holiday, the deadline is moved to the next day which is not a Saturday, Sunday, or a legal holiday.

But this year, April 15 is a Thursday, and Emancipation Day is April 16, a Friday, so

the filing deadline for Rhode Island is Thursday, April 15, 2021. See table on 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
- ◆ Form RI-1041



Neighboring states

The following information is provided 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, 2021, for Connecticut tax purposes, according to the Connecticut Department of Revenue Services.

The Massachusetts filing deadline, for Massachusetts tax purposes, is also April 15, 2021, according to the Massachusetts Department of Revenue.

Reminder

The Rhode Island Division of Taxation in the fall of 2016 announced changes to the original due dates and extended due dates for a number of business returns.

As a result, starting with the 2017 filing season, businesses have the same deadlines for their federal and Rhode Island returns -- a convenience for businesses and for tax professionals.

For example, calendar-year C corporations, which formerly 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 the 2020 tax year and later tax years. See table on this page and on the next page.

March due date for these entities – calendar-year filers*

TAX / ENTITY	FORM	DUUE DATE
Subchapter S Corporations	Form RI-1120S	March 15, 2021
General partnership	Form RI-1065	March 15, 2021
Limited partnership (LP)	Form RI-1065	March 15, 2021
Limited liability partnership (LLP)	Form RI-1065	March 15, 2021
Limited liability company (LLC)	Form RI-1065	March 15, 2021
Pass-through entity election**	Form RI-PTE	March 15, 2021
Political organization tax return	Form RI-1120POL	March 15, 2021
Withholding of pass-through entity	Form RI-1096PT	March 15, 2021
Composite income tax return	Form RI-1040C	March 15, 2021

* Table lists March due date for certain entities. For details on all entities and their requirements, including due dates for extensions and estimated payments, see applicable forms and instructions: <http://www.tax.ri.gov/taxforms/>. Single-member LLC (SMLLC) uses same due date as its owner. Note: This table was revised on March 12, 2021, mainly to provide certain information on pass-through entity election.

** If Form RI-PTE relates to SMLLC owned by individual, Form RI-PTE is still due March 15 and SMLLC's Form RI-1065 is due April 15. For pass-through entity election extension, use Form BUS-EXT, check applicable box, and file by March 15. First-quarter payment of estimated tax for pass-through entity election is due April 15.



FILING SEASON: FILING DEADLINES AT A GLANCE

April due date for these Rhode Island filings and related payments*

FILING	FORM	DU DATE
Personal income tax annual return	Form RI-1040, RI-1040NR	April 15, 2021
Personal income tax - extension	Form RI-4868	April 15, 2021
Personal income tax – estimated (1stQ 2021)	Form RI-1040ES	April 15, 2021
Property tax relief	Form RI-1040H	April 15, 2021
Residential lead abatement credit	Form RI-6238	April 15, 2021
Estate and trust income tax return	Form RI-1041	April 15, 2021
Estate and trust income tax - estimated	Form RI-1041ES	April 15, 2021
C corporation*	Form RI-1120C	April 15, 2021
First-quarter business estimates	Form RI-1120ES/BUS-EST	April 15, 2021
1120C business extension	Form RI-7004	April 15, 2021
Public service corporation tax	Form T-72	April 15, 2021
Business extension*	Form BUS-EXT	April 15, 2021
Bank excise tax	Form T-74	April 15, 2021
Insurance gross premiums tax	Form T-71	April 15, 2021
Single-member LLC*	Form RI-1065	April 15, 2021
Pass-through withholding*	Form RI-1096PT	April 15, 2021
Pass-through withholding – estimate*	Form RI-1096PT-ES	April 15, 2021
Pass-through withholding – extension*	Form RI-4868PT	April 15, 2021
Composite income tax – estimated	Form RI-1040C-ES	April 15, 2021

* Deadline of April 15, 2021, applies not only to calendar-year individuals and entities with normal due date of April 15, 2021, but also to fiscal-year filers whose original or extended due date would normally fall on April 15, 2021. Due date applies to filings and payments. Listing for single-member LLC assumes entity is owned by individual. Listing for C corporation also applies to filing under mandatory unitary combined reporting. April 15 deadline for pass-through withholding (Form RI-1096PT) applies only to trusts and single-member LLCs with a normal due date of April 15. Deadline for pass-through withholding estimates (Form RI-1096PT-ES), normally due April 15, 2021, applies to all entity types. Deadline for business extension applies only to public service corporation filers and bank excise tax filers.

FILING SEASON: TAX TREATMENT OF STIMULUS PAYMENTS

The Internal Revenue Service has advised taxpayers and tax preparers that income from the federal economic impact payments (sometimes called “stimulus payments”, “COVID-19 payments”, or “recovery rebates”) is not included in a person’s gross income for federal tax purposes. A person’s federal adjusted gross income is the

starting point for computing a person’s Rhode Island personal income tax return.

Therefore, because the economic impact payments are not treated as income for federal tax purposes, they are not treated as income for Rhode Island personal income tax purposes. In other words, income you received in 2020 from the federal economic

impact payments is free from federal and Rhode Island personal income tax.

Form RI-1040H

If you’re eligible for a property tax relief credit on Form RI-1040H, do not treat your federal economic impact payments as income for purposes of the Rhode Island property-tax relief

program’s \$30,000 annual household income limit.

To put this another way: When you are figuring out what counts as income for purposes of the property-tax relief credit on Form RI-1040H, do not count your federal economic impact payments.



FILING SEASON: EARNED INCOME CREDIT

Eligible taxpayers may claim the Rhode Island earned income credit this filing season.

It's a special tax credit, under federal and State law, 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 the 2017 tax year, and for later tax years, the Rhode Island credit is 15 percent of the federal credit — and continues to be fully refundable.



Division of Taxation "Seminar for Tax Preparers" - Shared screen with speaker view



Individual Mandate




Leo Lebeuf

Additional Discussion points			
Coverage Exemption Reasons and Codes			
Exemptions	Reasons	Codes	
Income Below Filing Threshold	NC	Aggregate Self Only Coverage Considered Unaffordable	G1
Coverage Considered Unaffordable	A	Member of Tax Household Born or Adopted After 2018	H1
Short Coverage Gap	B	Member of Tax Household Died During the Year	H2
Citizens Living Abroad & Certain Noncitizens	C	Nonresident of Rhode Island	N
Members of Healthcare Sharing Ministry	D	Had Minimum Essential Health Coverage	X
Members of Indian Tribes	E	HealthSource RI Exemption	RI
Incarceration	F	COVID - Related Hardship	I9

Talking Taxes: The Division of Taxation's "Seminar for Tax Preparers", normally held in person, was offered online in December 2020 due to the coronavirus (COVID-19) pandemic. For part of the webinar, Leo R. Lebeuf (in screenshot above), chief of the Rhode Island Division of Taxation's Assessment and Review Section (overseeing the Rhode Island personal income tax, corporate income tax, and excise and estate taxes), made a presentation and fielded preparer questions on a variety of topics to help tax professionals gear up for the 2021 filing season.

Example: Suppose a family receives a \$1,000 federal earned income credit during the current filing season, for the 2020 tax year. The family's Rhode Island credit will be \$150 for this filing season.

Example: Suppose a family receives a \$5,000 federal earned income credit during the current filing sea-

son, for the 2020 tax year. The family's Rhode Island credit will be \$750 for this filing season.

New federal law

Recently enacted federal legislation has an effect on the federal earned income credit this filing season, covering the 2020 tax year. The Internal Revenue Service recently explained the impact as follows:

Under the new federal law, taxpayers can use their 2019 earned income to figure their 2020 federal earned income credit if their 2019 earned income was more than their 2020 earned income.

To qualify for the federal earned income credit, people must have earned income. The option described above by the IRS may help workers who earned less in 2020, or who received unemployment income instead of their regular wages, qual-

ify for bigger federal earned income tax credits -- and for larger federal income tax refunds -- this filing season.

Also, any federal economic impact payments (also known as stimulus payments, or recovery rebates) are not taxable or counted as income for purposes of claiming the earned income credit.

If, as a result of the new federal law, a taxpayer qualifies for a higher federal earned income credit, that taxpayer will also qualify for a higher Rhode Island earned income credit, based on existing Rhode Island law.

(Note: The new federal law was enacted before the Rhode Island General Assembly began its 2021 legislative session. The Division advises taxpayers and tax preparers to keep track of the current General Assembly session in case any Rhode Island tax changes are adopted.)

Rhode Island earned income credit – Example 1

	Tax year 2020
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 2020
Rhode Island tax	\$700.00
Federal EIC	\$5,000.00
Rhode Island % (% of federal EIC)	15.00%
Rhode Island EIC	\$750.00



FILING SEASON: PENSION/401(K) INCOME: TAX BREAK

The Rhode Island Division of Taxation reminds preparers and taxpayers about the Rhode Island personal income tax break for income from 401(k) plans, 403(b) plans, government pensions, private-sector pensions, military retirement pay, annuities, and other such sources.

In general, the tax break applies to many of those who must pay federal income tax on their income from pensions, 401(k) plans, 403(b) plans, annuities, and other such sources.

This filing season, covering tax year 2020, taxpayers list the taxable amounts of such income on a certain line of their federal income tax form:

- ◊ If completing U.S. Form 1040, look to line 5 and use the “taxable amount” listed in line 5b (see screenshot at top of this page).
- ◊ If completing U.S. Form 1040-SR, look to line 5 and use the “taxable amount” listed in line 5b (see screenshot in middle of this page).

Modification

The “tax break” is in the form of a modification, which reduces -- by a maximum of \$15,000 -- the amount of your federal adjusted gross income (AGI) for Rhode Island purposes.

Filing Status		<input type="checkbox"/> Single <input type="checkbox"/> Married filing jointly <input type="checkbox"/> Married filing separately (MFS) <input type="checkbox"/> Head of household (HOH) <input type="checkbox"/> Qualifying widow(er) (QW)															
Check only one box.		If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ►															
Your first name and middle initial		Last name															
If joint return, spouse's first name and middle initial		Last name															
<table border="1"> <tr> <td>if</td> <td>2a Tax-exempt interest . . .</td> <td>2b . . .</td> </tr> <tr> <td>d.</td> <td>3a Qualified dividends . . .</td> <td>3a . . .</td> </tr> <tr> <td></td> <td>4a IRA distributions . . .</td> <td>4a . . .</td> </tr> <tr> <td></td> <td>5a Pensions and annuities . . .</td> <td>5a . . .</td> </tr> <tr> <td colspan="3">Total . . .</td> </tr> </table>			if	2a Tax-exempt interest . . .	2b . . .	d.	3a Qualified dividends . . .	3a . . .		4a IRA distributions . . .	4a . . .		5a Pensions and annuities . . .	5a . . .	Total . . .		
if	2a Tax-exempt interest . . .	2b . . .															
d.	3a Qualified dividends . . .	3a . . .															
	4a IRA distributions . . .	4a . . .															
	5a Pensions and annuities . . .	5a . . .															
Total . . .																	
<table border="1"> <tr> <td>b Taxable interest . . .</td> <td>2b . . .</td> </tr> <tr> <td>b Ordinary dividends . . .</td> <td>3b . . .</td> </tr> <tr> <td>b Taxable amount . . .</td> <td>4b . . .</td> </tr> <tr> <td>b Taxable amount . . .</td> <td>5b . . .</td> </tr> <tr> <td colspan="2">Total . . .</td> </tr> </table>			b Taxable interest . . .	2b . . .	b Ordinary dividends . . .	3b . . .	b Taxable amount . . .	4b . . .	b Taxable amount . . .	5b . . .	Total . . .						
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Total . . .																	

Filing Status		<input type="checkbox"/> Single <input type="checkbox"/> Married filing jointly <input type="checkbox"/> Married filing separately (MFS)												
Check only one box.		If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ►												
Your first name and middle initial		Last name												
If joint return, spouse's first name and middle initial		Last name												
<table border="1"> <tr> <td>4a IRA distributions . . .</td> <td>4a . . .</td> <td>b Taxable amount . . .</td> <td>4b . . .</td> </tr> <tr> <td>5a Pensions and annuities . . .</td> <td>5a . . .</td> <td>b Taxable amount . . .</td> <td>5b . . .</td> </tr> <tr> <td>6a Social security benefits . . .</td> <td>6a . . .</td> <td>b Taxable amount . . .</td> <td>6b . . .</td> </tr> </table>			4a IRA distributions . . .	4a . . .	b Taxable amount . . .	4b . . .	5a Pensions and annuities . . .	5a . . .	b Taxable amount . . .	5b . . .	6a Social security benefits . . .	6a . . .	b Taxable amount . . .	6b . . .
4a IRA distributions . . .	4a . . .	b Taxable amount . . .	4b . . .											
5a Pensions and annuities . . .	5a . . .	b Taxable amount . . .	5b . . .											
6a Social security benefits . . .	6a . . .	b Taxable amount . . .	6b . . .											

The computation of Rhode Island's personal income tax begins with federal AGI. Modifications to federal AGI for Rhode Island purposes may result in an increase or decrease in federal AGI.

For tax years beginning on or after January 1, 2017, a modification decreasing AGI is allowed for qualifying taxpayers who receive income from pensions, 401(k) plans, and/or certain other sources.

To qualify, you must clear

three main hurdles:

- ◊ Some portion of your income -- from private-sector pensions, public-sector pensions, 401(k) plans, 403(b) plans, military retirement pay, or other such sources -- must be taxed at the federal level;
 - ◊ You must have reached “full retirement age” as defined by the Social Security Administration -- generally age 66 or older (see table on next page); and
 - ◊ Your federal adjusted gross income must be below a certain amount. The threshold is adjusted each year for inflation (see table on next page).
- If you clear all three hurdles, the amount of your income that is taxed by Rhode Island will be reduced by up to \$15,000 of your pension/annuity income that's taxable at the federal level, saving you money.

(Please turn to next page)



FILING SEASON: PENSION/401(K) (CONTINUED FROM PRIOR PAGE)

The tax break was approved by the General Assembly and signed into law on June 24, 2016.

For example, suppose that Linda, 70, is single, retired, and receives a pension. Her federal AGI for 2020 was \$50,000, which included \$10,000 of taxable pension benefits as reported on the cover of her federal return.

Ordinarily, that entire \$50,000 would be subject to Rhode Island personal income tax. However, because she qualifies for the new modification, only \$40,000 of her federal AGI will be taxed by Rhode Island.

Therefore, assuming she is in the 3.75 percent Rhode Island tax bracket, she could save \$375 in Rhode Island personal income tax in this example.

(Note: The example does not take into account other factors that could affect her Rhode Island tax, such as other modifications that could decrease or increase income; the Rhode Island standard deduction; personal exemption; tax credits; and use tax. For more information, see the instructions to Form RI-1040 and Form RI-1040NR.)

What counts?

What counts for purposes of Rhode Island's modification involving income from

pensions, annuities, and other sources?

The term "income" for purposes of this modification includes, but is not limited to, income from the following that is properly included in your federal adjusted gross income:

- ◊ 401(k) plans;
- ◊ 403(b) plans;
- ◊ 457(b) plans;
- ◊ Private-sector pensions;
- ◊ Military retirement pay;
- ◊ State government pensions;
- ◊ Local government pensions;
- ◊ Annuities; and
- ◊ federal government pensions.

IRAs do not count

However, income from individual retirement accounts (IRAs) does not count for purposes of the Rhode Island pension/annuity tax break – whether that income is from a traditional IRA, Roth IRA, SEP-IRA, or other type of IRA.

Income limits

Keep in mind that the income limits have risen for tax year 2020. As a result, more taxpayers will qualify for this tax break.

Table 1. Full retirement age

If you were born in:	Your full retirement age is:
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 or later	67

Note: If you were born on January 1 of any year, refer to previous year in table. For married couple filing joint return, "full retirement age" test applies to each spouse. If only one spouse has reached full retirement age, break applies only to that spouse's taxable retirement income (such as pension, 401(k), annuity income).

Table 2. Income threshold for pension/401(k) tax break

You file your return as:	Your federal AGI is less than:
▪ single, head of household	\$84,700
▪ married filing separately	\$84,700
▪ married filing jointly, or qualifying widow, or qualifying widower	\$105,850

Note: First column refers to filing status on your Rhode Island personal income tax return for tax year 2020. For a married couple filing a joint Rhode Island return, income threshold applies to couple's combined federal adjusted gross income (AGI). Income thresholds are subject to annual adjustment for inflation. Table shows thresholds as adjusted for the 2020 tax year. Filing status on your Rhode Island return must be the same as filing status on your federal return.

The table above shows the new, higher income limits for tax year 2020.

These are the limits that will apply this filing sea-

son, as you complete your Rhode Island personal income tax return covering the 2020 tax year.



FILING SEASON: TAX BREAK ON SOCIAL SECURITY

The Rhode Island Division of Taxation reminds taxpayers and tax preparers about a Rhode Island personal income tax break involving income from Social Security.

For tax years beginning on or after January 1, 2016, a 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:

- ◊ Some portion of your Social Security income must be taxed at the federal level;
- ◊ You must have reached "full retirement age" as defined by the Social Security Administration -- generally age 66 or older (see table on previous page); and
- ◊ Your federal adjusted gross income must be below a

certain amount. The threshold is adjusted each year for inflation. (For the 2020 tax year, see table on this page.)

If you clear all three hurdles, the amount of your income that is taxed by Rhode Island will be reduced by the amount of your Social Security benefits that are taxed at the federal level, saving you money.

For example, suppose that William, 69, is single, retired, and collecting Social Security benefits. His federal adjusted gross income for 2020 was \$50,000, which included \$10,000 of taxable Social Security benefits.

Ordinarily, that entire \$50,000 would be subject to Rhode Island personal income tax. However, because he qualifies for the modification, only \$40,000 of his federal adjusted gross income will be taxed by Rhode Island. Therefore, assuming he is in the 3.75 percent Rhode Island tax bracket, he could save \$375

Income threshold for Social Security tax break

You file your return as:	Your federal AGI is less than:
▪ single or head of household	\$86,350
▪ married filing separately	\$86,375
▪ married filing jointly, or qualifying widow, or qualifying widower	\$107,950

Note: First column refers to filing status on your Rhode Island personal income tax return for tax year 2020. For a married couple filing a joint Rhode Island return, income threshold applies to couple's combined federal adjusted gross income (AGI). Income thresholds are subject to annual adjustment for inflation. Table shows thresholds as adjusted for the 2020 tax year. Filing status on your Rhode Island return must be the same as filing status on your federal return.

in Rhode Island personal income tax in this example. (*The example does not take into account other factors that could affect his Rhode Island tax, such as other modifications that could decrease or increase income; the Rhode Island standard deduction; personal exemption; tax credits; and use tax.*)

To take advantage of this tax break, remember to use the Social Security Modifi-

cation worksheet in your Rhode Island personal income tax booklet to determine the amount of taxable Social Security income allowed as a decreasing modification. Also be sure to fill out Schedule M of your Rhode Island personal income tax return, taking care to include where indicated your date of birth, and if applicable, your spouse's date of birth.

DIVISION THIS SEASON WILL ACCEPT E-FILED FORM RI-1041

The Rhode Island Division of Taxation this season is accepting electronically filed Form RI-1041 ("Fiduciary Income Tax Return") covering the 2020 tax year. Form RI-1041 is the annual income tax return for certain estates and trusts.

Although the Division has

taken numerous steps to update its computer systems to allow for the receipt and processing of the e-filed Form RI-1041, that does not necessarily mean that a given taxpayer or tax preparer will be able to file the form electronically.

In the end, whether a given

taxpayer or tax preparer can e-file Form RI-1041 this season will depend on whether the taxpayer's or tax preparer's commercial software provider has taken steps to update its programs to allow for it.

Thus, whether a taxpayer or preparer can e-file Form

RI-1041 is up to the software provider. Taxpayers and tax preparers who wish to e-file Form RI-1041 are urged to contact their software providers for information. Also see the Division's list: <http://www.tax.ri.gov/help/Approved%20E-file%20Software.php>.



FILING SEASON: FILING TIPS FOR ALL FILERS

The Rhode Island Division of Taxation urges taxpayers to gather and organize their financial records for the 2021 tax season to assist in the preparation of complete and accurate returns.

- ◊ Because the earned income credit is intended for those who have earned income (and who meet certain other requirements), those claiming the credit need to have *bona fide* documentation showing the source(s) of their earned income, such as Form W-2 wage statements.
- ◊ Because the statewide property-tax relief credit (Form RI-1040H) is generally intended for those who own or rent local property (and who meet certain other requirements), those claiming the credit need to have *bona fide* documentation showing that they paid local property tax, or paid rent to a landlord that paid local property tax.
- ◊ According to the Tax Preparers Act of 2013, preparers must exercise due diligence when preparing Rhode Island personal income tax returns involving the earned income credit and property-tax relief credit.
- ◊ To facilitate accurate processing of the return (and any related refund), be consistent from year to year with the names on the return. For example, if the taxpayer's first name is Michael, don't use "Michael" one year on the return, and "Mike" on the next year's return –use "Michael" both years.

ZOOM

Division of Taxation "Seminar for Tax Preparers" - Shared screen with speaker view

Form RI-1040H
Property Tax Relief Update

STATE OF RHODE ISLAND
DOR
DEPARTMENT OF REVENUE

Carlita A. Annicelli

2020-12-09 09:57:46

Talking Taxes: The Division of Taxation's "Seminar for Tax Preparers", normally held in person, was offered online in December 2020 due to the coronavirus (COVID-19) pandemic. For part of the webinar, Carlita A. Annicelli (in screenshot above), chief of the Rhode Island Division of Taxation's Personal and Corporate Income Tax unit, made a presentation and fielded preparer questions on a variety of topics to help tax professionals gear up for the 2021 filing season.

Schedule W

The Division urges taxpayers and preparers to make sure that a Rhode Island personal income tax return includes a properly and accurately completed Schedule W—if the taxpayer had Rhode Island personal income tax withheld last year from a paycheck, a pension, or other such source of income.

The Division also urges filers to remember to include their Social Security number (or ITIN). If a filer is married, the filer should include the Social Security number (or ITIN) of the spouse, too.

Also, don't forget to complete and include the Schedule E with your return. Schedule E is required whether you are single or married, resident or nonresident. Also, Schedule E is required even if you have no dependents.

When making a payment, taxpayers should be sure to include a payment voucher. For those using tax software, vouchers can be printed out along with a copy of the re-

turn. Vouchers are also on the Division website:

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

FORM 1099-G

The Rhode Island Division of Taxation typically mails a Form 1099-G early in the calendar year to each Rhode Island taxpayer who received a Rhode Island personal income tax refund in the previous calendar year and who itemized deductions at the federal level.

However, as a result of federal tax reform enacted in December 2017, which generally increased the amount of the federal standard deduction, more taxpayers chose to claim the standard deduction instead of itemizing their deductions for federal tax purposes in last year's filing season. As a result, fewer taxpayers received a Form 1099-G this season from the Division of Taxation.

Questions? Contact the Division's Personal & Corporate Income Tax unit by calling (401) 574-8829 (option # 3) or by emailing:
Tax.Assist@tax.ri.gov



FILING SEASON: FILING TIPS FOR PAPER RETURNS

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

State of Rhode Island Division of Taxation 2020 Form RI-1040 Resident Individual Income Tax Return			
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

20100199990101

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 instructions. By paying close attention to the instructions, and appropriately preparing tax documents, taxpayers can expect faster service.

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 and date your return.
- ◊ Include with your return any Form W-2 wage statements and Forms 1099.
- ◊ 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.
- ◊ Remember to enter the number of exemptions in the boxes provided on your return. Also fill out and include Schedule E with your return.
- ◊ Include your Social Security number (or ITIN). 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.
- ◊ 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.)
- ◊ Check the correct box for your "filing status" (such as "single" or "married filing jointly").

Health insurance: E-file or paper file

No matter if you e-file or paper file, if you (and your dependents, if applicable) had sufficient health insurance coverage (also known as "minimum essential coverage") for all of 2020 – through employer-sponsored health insurance, the federal Medicare health insurance program, or some other means – do not fill out Form IND-HEALTH, but please remember to check the box on your return indicating that you had such coverage for all of 2020. Failure to check the box may delay processing of your return and any associated refund.

If you (or your dependents, if applicable) did not have sufficient health insurance coverage ("minimum essential coverage") for all of 2020, complete and file Form IND-HEALTH and attach it to your return. (If you e-file, your software program will include it automatically.)



FILING SEASON: HOW TO FIND TAX REGULATIONS

Looking for Rhode Island tax regulations? An easy way to find them is from the home page of the Division of Taxation's website:

www.tax.ri.gov.

Once there, look at the list of links on the left side of the page. Click on the one labeled "Regulations". (*See the arrow in the screenshot on this page.*)

By clicking on the link, you'll be taken directly to a Division of Taxation page dealing with regulations. (*See the screenshot at the bottom of this page.*) Or simply go directly to the Division's regulation page via the following link:

www.tax.ri.gov/regulations

Note: The "Regulations" link on the Division's home page formerly went directly to the Secretary of State (Department of State) website, which serves as a repository for all regulations, including those involving Rhode Island state taxes.

However, the "Regulations" link on the Division's home page now takes you to the Division's own regulations page. There, you can view regulations by category. For example, for final regulations, there's a link for the Secretary of State website. (*See circled area on screenshot at right.*) For "direct final" regulations - in other words, those for which no hearing is required - the Division's webpage provides a list. And for proposed regulations, there's a separate listing.

The screenshot shows the Rhode Island Division of Taxation homepage. The sidebar on the left contains a list of links, including "Regulations", which is highlighted with a red arrow pointing to the main content area. The main content area features sections for "Coronavirus Update", "Office Hours", "Free File - Rhode Island", "Remote Sellers", "Latest tax news", "Subscribe for tax news", and "Online Services".

The screenshot shows the "Regulations" page of the Rhode Island Division of Taxation. The sidebar on the left lists various categories. The main content area starts with a "Regulations" section, followed by "Tax Regulations", "Direct Final Tax Regulations", and "Emergency Tax Regulations". Each section has a brief description and a table with columns for "Regulation Number" and "Description".

Regulation Number	Description	Additional Info
There are no Direct Final Tax regulations at this time.		

Regulation Number	Description	Additional Info



FILING SEASON: CORPORATE MINIMUM TAX

The Rhode Island Division of Taxation reminds taxpayers and tax preparers about the annual corporate minimum tax.

The tax, under Rhode Island General Laws § 44-11-2(e), had long been set at \$500, but dropped by 10 percent, to \$450, for the 2016 tax year.

For tax years beginning on or after January 1, 2017, the tax dropped again, by another \$50, to \$400.

This filing season, the new lower amount of \$400 will again appear on returns.

Pass-through entities

Pass-through entities pay an annual filing fee, or annual filing charge, to the Division. It is equivalent to the annual corporate minimum tax, and it, too, had long been set at \$500.

But it dropped by \$50, to \$450, for 2016. And it fell again, by another \$50, to \$400 for tax years beginning on or after January 1, 2017.

Thus, the annual corporate minimum tax, and the annual filing charge for pass-through entities, have each been reduced by a total of \$100 per entity, or 20 percent overall, in recent years.

The latest reduction in the annual corporate minimum tax, and in the annual filing charge for pass-through entities, are appearing on tax

- [Common Reporting and related topics](#)
- [Declaratory Rulings](#)
- [Electronic Funds Transfer \(EFT\)](#)
- [Employer Tax \(UI Tax\)](#)
- [Forms](#)
- [Health Coverage Mandate](#)
- [Historic Tax Credits 2013](#)
- [Information and FAQs](#)
- [Letters of Good Standing](#)
- [Miscellaneous Tax Notices](#)
- [Newsletters](#)

Current Forms:

Business:

- [Corporate Tax Forms - 2020 Tax Year](#) »
- [2019](#) [2018](#) [2017](#) [2016](#) [2015](#) [2014](#)
- [Bank Deposits, Bank Excise, Insurance, Public Service & Surplus Lines Forms](#) »
- [Employment Tax Forms](#) »
- [Health Care Provider Tax Forms](#) »
- [Sales and Excise Tax Forms](#) »
- [Withholding Tax Forms](#) »
- [Pass-through Entities & Composite Return Forms](#) »
- [Pass-through Entity Election Forms](#) »

Individual:

- [Personal Income Tax Forms - 2020 Tax Year](#) »
- [2019](#) [2018](#) [2017](#) [2016](#) [2015](#) [2014](#)

Forms: Forms and instructions are available online at any time at the Rhode Island Division of Taxation's website (see screenshot above). To view or download forms and instructions, use this link:

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

forms during this filing season (covering the 2020 tax year).

The latest reduction is the result of legislation approved by the General Assembly and signed into law in June 2016.

The overall reduction applies not only to C corporations, but also to subchapter S corporations, limited liability companies, limited partnerships, limited liability partnerships, and other such entities that are treated as pass-through entities for federal income tax purposes.

Because the annual filing charge also applies to single-member LLCs, the reductions apply to them, as well. Taxpayers are urged to stay current with their annual filing and payment requirement.

At a glance:

Minimum annual tax for 2020 tax year

C corporations	\$400
S corporations	\$400
Limited liability companies	\$400
Limited partnerships	\$400
Limited liability partnerships	\$400

Pass-through entities, including single-member LLCs, pay an annual charge, or annual filing fee, equivalent to annual corporate minimum tax.



FILING SEASON: FREE FILE PROGRAMS NOW ONLINE

Many taxpayers this season can file their federal and Rhode Island returns online, at no charge, by using the Free File program available on the Rhode Island Division of Taxation website:

<http://www.tax.ri.gov/miscefile.php>

To use the Free File program, go to the Rhode Island Division of Taxation's Free File webpage (*see screenshot on this page; use link above*) and review the free offers displayed on that page from brand-name online tax providers to see the ones for which you may be eligible.

Choose the one that best suits your needs and click on it.

The federal tax-filing season is also now open. Therefore, if you are eligible for Free File – and many taxpayers are, you can now prepare and electronically file your federal and Rhode Island personal income tax returns at no charge through the Division of Taxation's website.

"Free File online products offer free federal and Rhode Island tax return preparation, free e-filing, and free direct deposit of refunds to ensure that you get your money faster," said Rhode Island Tax Administrator Neena Savage. "We encourage do-it-yourself taxpayers to visit our website and check to see if they're eligi-

ble for any of the Free File offers," she said.

Free File may be especially appealing to the following groups:

- ◆ College students
- ◆ Young adults
- ◆ First-time filers
- ◆ Seniors and retirees
- ◆ People in the military
- ◆ Some young families

But those are not the only taxpayers who may benefit. To see if you may qualify, read each Free File offer for full details.

The Rhode Island Division of Taxation's Free File webpage lists the Free File offers in alphabetical order and provides a brief description of each and a direct weblink to each.

Remember: Each of the offers on the Division of Taxation's Free File webpage is for free online tax-preparation and filing of your federal and Rhode

Island personal income tax returns. The Division encourages do-it-yourself taxpayers to read the information on each offer carefully before beginning the filing process.

The Division also urges do-it-yourself taxpayers to keep the following points in mind:

- ♦ You must be eligible for Free File and you must file both your federal and state returns via the same Free File program in order to avoid charges/fees.

- ♦ If you have already filed your federal return using another electronic filing service, you will not be able to file your state return electronically.

- ♦ There may be a charge to file your taxes electronically if you do not meet the qualifications under the Free File program.

- ♦ Before you begin the online tax-preparation and e-filing process, gather up all the records that you would normally

need to file a complete and accurate return, including Form W-2 wage statements, Form 1099 statements, Social Security numbers, and bank account information.

- ♦ E-filing is the only method available for having your Rhode Island personal income tax refund deposited directly into your bank or credit union account. Direct deposit is not available for paper returns.

- ♦ The Free File offers will be available through October 2021 for returns that cover the 2020 tax year.

The Free File offers are not produced or endorsed by the Rhode Island Division of Taxation. Rather, they are produced by private-sector companies that have agreed to provide free online tax-preparation and e-filing services to those who qualify (based on income and/or other criteria). Do-it-yourself taxpayers who want to take advantage of the program should carefully read details of each offer before starting the tax-filing process.

Rhode Island is one of many states nationwide offering the Free File program to taxpayers. The free service is made possible from Free File, which is a partnership between the Internal Revenue Service, the Rhode Island Division of Taxation, a number of other states, and the Free File Alliance.

OTHER OPTIONS

Not comfortable preparing and e-filing your own return? The Rhode Island Division of Taxation recently posted an Advisory with information about how to find a paid tax preparer and how to find a volunteer tax preparer in your area. Please use the following link:

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



FILING SEASON: PROPERTY-TAX RELIEF CREDIT HIKE

The maximum credit available for qualifying taxpayers under the statewide property-tax relief program has increased approximately 3.9%.

For the current filing season (covering tax year 2020 returns), the maximum credit claimed on Form RI-1040H is \$400, up from \$385 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.)

Established in 1977

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.

As a result of a 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, 2021. 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. To view this year's form and instructions:

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

Statewide property-tax relief credit

(Form RI-1040H)

Effective date:	Maximum:
January 2020	\$400.00
January 2019	\$385.00
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. The credit increased again, for the 2015 and later tax years, due to the formula.

WHERE'S MY REFUND?

The Rhode Island Division of Taxation is regularly updating its online “Where’s My Refund?” tool: <https://www.ri.gov/taxation/refund>. The tool (see screenshot below) is a handy way to find out the status of your Rhode Island personal income tax refund.

 **State of Rhode Island
Refund Status**
DIVISION OF TAXATION

Tax Refund Status

Check the status of your state tax refund

You filed your tax return, now - "Where's My Refund?"

Access this secure Web site to find out if the Division of Taxation received your return and whether your refund was processed.

To get to your refund status, you'll need the following information as shown on your return:

- Your social security number
- Your filing type
- The refund amount



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

If you have comments or suggestions for *Rhode Island Tax News*, please e-mail its editor, Neil Downing: 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.)

Mailing address

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

Telephone

Phone: (401) 574-8829
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Note: The cover illustration and certain other illustrations in this issue of the newsletter are used under [Creative Commons license](#).

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