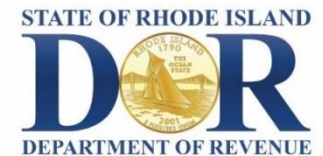


Seminar for Tax Preparers

December 9, 2020



Speakers

Neena Savage, Tax Administrator

Leo Lebeuf, Chief of Tax Processing
Assessment and Review

Carlita Annicelli, Chief Revenue Agent
Personal and Corporate Income Tax Section

Michael Canole, CPA, Assistant Tax Administrator

Theriza Salib-Iafrate, Chief Revenue Agent
Excise and Estate Tax Section

Coronavirus Relief Grant Programs

Neena Savage
Tax Administrator

Coronavirus Relief Grant Programs

- First grant program announced November 5, 2020
 - Executive Order 20-95 amid pandemic.
 - Reduced hours for restaurants, bars.
 - Grants range from \$2,000 to \$10,000.
 - Division launched webpage, online application, FAQs on November 9, 2020.
 - See <http://www.tax.ri.gov/RICares/>
 - Applications due on or before December 15, 2020.

Coronavirus Relief Grant Programs

- Second grant program announced November 25, 2020 – “Rhode Island on Pause”
 - Executive Order 20-100 amid pandemic.
 - Restrictions for various business categories.
 - Grants range from \$500 to \$50,000.
 - Division launched webpage, FAQs, and online application in English and Spanish, November 27, 2020
 - See <http://www.tax.ri.gov/RIonPause/>
 - Applications due on or before December 11, 2020.

Discussion of Individual Mandate

Leo Lebeuf

Chief of Tax Processing
Assessment and Review Section

Individual Mandate

- RI requirement for every RI resident to have health insurance
- Begins 01/01/2020
- Reported on 2020 income tax return filed in 2021
- Will be based on Federal
- Joint implementation team with HealthSource RI
- Employer Reporting requirement
- Draft forms and instructions available on website software developers link
- Open Enrollment is 11/01/20 – 12/31/20 (<https://HealthSourceRI.com>)
- <http://www.tax.ri.gov/healthcoveragemandate/index.php>
- [Individual Mandate Regulation](#)

Individual Mandate

State of Rhode Island Division of Taxation
Form IND-HEALTH
Individual Health Care Mandate Form



20106299990101

Name _____ Social security number _____

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

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.

Refer to the Individual Mandate Instructions for details and instructions on each of the coverage exemption types listed above.

If there are more than five (5) members in your tax household, please complete multiple IND-HEALTH Forms.

Name:		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Social Security Number:	Check <input type="checkbox"/> if under 18 years of age as of 01/01/2020												
Exemption Number:		Number of months for which an exemption did not apply:											
Name:		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Social Security Number:	Check <input type="checkbox"/> if under 18 years of age as of 01/01/2020												
Exemption Number:		Number of months for which an exemption did not apply:											

Individual Mandate

State of Rhode Island Division of Taxation
2020 Shared Responsibility Worksheet
 Individual Mandate Penalty Calculation



IMAGEONLY

Name	Social security number

NOTE: Use this worksheet to determine the amount of your Shared Responsibility Penalty Amount

PROPOSED INDIVIDUAL MANDATE PENALTY CALCULATION FOR RHODE ISLAND for TY2020

STEP 1: FLAT DOLLAR AMOUNT METHOD

1 Enter the number of months that members of the tax household **DID NOT HAVE** coverage or an exemption

a Total number of months for ALL ADULTS: _____ X \$57.92 Enter total here ->

c Total number of months for ALL CHILDREN UNDER 18 YEARS OF AGE: _____ X \$28.96 Enter total here ->

2 Add the amounts from lines 1b and 1d.....

3 Enter the amount from line 2 or \$2,085.00, whichever is less.....

1b	
1d	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	

STEP 2: PERCENTAGE OF INCOME METHOD

4 Enter your Modified Adjusted Gross income (see instructions).....

5 Enter your Federal Standard Deduction (see instructions).....

6 Subtract the amount on line 5 from the amount on line 4.....

7 Income Percentage Amount. Multiply the amount on line 6 by 2.5% (0.025).....

8 Enter the total number of members in your household.
 NOTE: All members should be listed on Form IND-HEALTH - Individual Health Care Mandate Form.....

9 Multiply the number of household members from line 8 by 12.0.....

10 Total number of months subject to the penalty. Add lines 1a and 1c.....

11 Divide line 10 by line 9. Carry apportionment to four decimal places (0.0000).....

12 Multiply line 11 by line 7.....

13 Enter the amount from line 3 or line 12, whichever is greater.....

STEP 3: BRONZE PLAN METHOD

14 a Enter the number of months subject to the penalty from line 10.....

b Multiply the number of months from line 14a X \$280 and enter the total here.....

c Enter the amount listed to the right for your tax household size
 1 member: \$3,360 2 members: \$6,720 3 members: \$10,080
 4 members: \$13,440 5 or more members: \$16,800

d Enter the amount from line 14b or line 14c, whichever is less.....

15 **Individual Mandate Penalty.** Enter the amount from line 13 or line 14d, whichever is less. Enter this amount on Form RI-1040, page 1, line 12b or Form RI-1040NR, page 1, line 15b.....

14a	
14b	
14c	
14d	
15	

Additional Discussion points

○ Exemptions

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

○ Calculation

- Taxpayer subject to the mandate without health insurance
 - Single taxpayers would pay \$695-\$3,360
 - Family of five (2 adults, 3 children) below 200K \$2,085-\$5,000
 - Family of five (2 adults, 3 children) 200K to 400K \$2,085-\$10,000
 - Family of five (2 adults, 3 children) above 400K \$2,085-\$16,800
- Number of months without insurance could change amounts

Actual Calculation

Scenario-Family with 2 adults and 2 children. Father had coverage for October – December 2020. Mother had coverage in June-December 2020. One child was covered throughout 2020 and one was born in July with full coverage.

Father has 9 months without coverage. Form IND-Health would have “X” in Oct-Dec.

Mother has 6 months without coverage. Form IND-Health would have “X” in July-Dec.

Child 1 has 12 months coverage. Form IND-Health would have “X” in Jan-Dec.

Child 2 has 6 months coverage. Form IND-Health would have “X” in August-Dec and “H1” in Jan-July.

Individual Mandate

Actual Calculation

Step 1: Flat Dollar Amount Method				Example 1	Example 2
Months for Adults	15	X	\$ 57.92	\$ 868.80	\$ 868.80
Months for Children	0	X	\$ 28.96	\$ -	\$ -
Line 2				\$ 868.80	\$ 868.80
Line 3	Greater of line 2 or \$2,085			\$ 868.80	\$ 868.80
Step 2: Percentage of Income Method					
Mod AGI				\$ 250,000.00	\$ 100,000.00
Fed Stand Deduction				\$ 24,500.00	\$ 24,500.00
Line 6				\$ 225,500.00	\$ 75,500.00
2.5% of income				\$ 5,637.50	\$ 1,887.50
household members					4
Members X 12					48
Penalty months					15
Percentage				0.3125	0.3125
Income Method Penalty				\$ 1,761.72	\$ 589.84
Greater of Flat vs Income				\$ 1,761.72	\$ 868.80
Step 3: Bronze Plan Method					
Months subject to Penalty				15	15
Months X \$280				\$ 4,200.00	\$ 4,200.00
Max Amount for household				\$ 13,440.00	\$ 13,440.00
Lesser of Calc vs Max				\$ 4,200.00	\$ 4,200.00
Individual Mandate Penalty (lesser)				\$ 1,761.72	\$ 868.80

Filing Season Update

Carlita Annicelli
Chief Revenue Agent
Personal and Corporate Income Tax Section

2020 Filing Season

- 514.5K Refunds issued as of 11/23/2020
- 492K at this point last year
- \$359M which is \$42M more than last year (PTE Implementation)
- 49,393 calls, 2,949 walk-ins, 10,179 emails as of 11/23/2020

- Inflationary changes
 - Personal Exemptions \$4,150

 - Standard Deduction
 - Single \$8,900
 - Joint \$17,800
 - HOH \$13,350

 - Phaseout \$207,700 - \$231,500

 - Social Security Amounts
 - Single \$86,350 Joint \$107,950
 - Pension and Annuity
 - Single \$84,700 Joint \$105,850

- Property Tax Relief Increase from \$385 to \$400

- Pass-through entity tax impact-Discussed later

- Individual Mandate

- Removal of Business Indebtness

- Key factors:
 - Modification is based on full retirement age (born before 01/01/1953)
 - All Filing statuses (single, separate, head of household, married joint or widow(er))
 - Fed adjusted gross income thresholds (less than \$80,000 and \$100,000) indexed for inflation
 - Pension decreasing modification = taxable amount from federal 1040 line 4d (on latest draft) up to maximum of \$15,000 per person
 - **Once AGI limitations are passed, no modification**
 - Does not include IRAs
 - \$15,000 limitation applies per individual for pension/Annuity. Unlimited for SSI
 - For example, Wife has taxable pension of \$17,000 and husband had \$8,000. Modification amount would be \$15,000 + \$8,000= \$23,000. Not \$25,000.
 - [Pension and Annuity Guidance document](#)

- The Rhode Island EITC is in addition to the Federal EITC. Rhode Island EITC rate is a percentage of the Federal EITC amount. 2015 = 10.0%; 2016 = 12.5%; 2017 = 15.00%; 2018-2020=15%;
- RI EITC is a refundable credit, which means the credit will be refunded to the taxpayer to the extent it exceeds the taxpayer's tax liability.
- RI conforms to federal eligibility and income thresholds.
- RI tax preparer's regulation includes guidance on due diligence requirements and records retention for EITC and RI-1040H property tax credit.
- [Tax Preparer's Regulation 280-RICR-20-55-4](#)
- If credit ineligibility is suspected, we may need to take extra steps to validate the EITC claim. (Example: requesting documentation of income and expenses)
- License vs income reporting
- Returns without expenses
- Documentation for income reporting

Form RI-1040H

Property Tax Relief Update

- Maximum Credit for 2020 = \$400.00
- Household income (taxable and nontaxable) = \$30,000 or less
- One credit per household
- Home or dwelling unit must be subject to property tax
- Municipal owned public housing is not subject to property tax, therefore credit is disallowed
- Nonresidents do not qualify, full-year Rhode Island residents only
- Must be age 65 or older or disabled (receiving social security disability, SSI or SSDI qualifies)
- Responses to previous questions [RI-1040H FAQ](#)

Form RI-1040H

Property Tax Relief Update

○ What is household income?

- 14 Wages, salaries, tips, etc. from Federal Form 1040, line 1
- 15 Interest and dividends (taxable and nontaxable) from Federal Form 1040, lines 2a, 2b and 3b
- 16 Taxable refunds, credits or offsets of state and local income taxes from Federal Form 1040, Sch 1, line 1
- 17 Alimony received from Federal Form 1040, Schedule 1, line 11.....
- 18 Business income (or loss) from Federal Form 1040, Schedule 1, line 12.....
- 19 Sale or exchange of property from Federal Form 1040, Schedule 1, lines 13 and 14.....
- 20 IRA distributions, and pensions and annuities from Federal Form 1040, line 4a.....
- 21 Rental real estate, royalties, S corps, trusts, etc. from Federal Form 1040, Schedule 1, line 17.....
- 22 Farm income or loss from Federal Form 1040, Schedule 1, line 18.....
- 23 Unemployment compensation from Federal Form 1040, Schedule 1, line 19.....
- 24 Social security benefits (including Medicare premiums) taxable and nontaxable, and Railroad Retirement Benefits from Federal Form 1040, line 5a.....
- 25 Other income from Federal Form 1040, Schedule 1, line 21.....

Non-resident Real Estate Withholding Update

- Referred to as “71.3 Withholding”
- Please make every attempt to adhere to the 20 day rule, regarding submissions
 - Especially if mailing, most mail is received 3 to 5 days after mailed
 - Do not submit forms with a past date
 - New Email Criteria – Steps to Expedite Service
 - Email: tax.nonres713@tax.ri.gov
 - Always include the name of the seller and the property address
 - Remittances that require payment cannot be emailed
 - Complete forms entirely
- Recent Update Links
 - <http://www.tax.ri.gov/taxforms/nrrewh.php>
 - http://www.tax.ri.gov/Advisory/ADV_2020_40.pdf
 - Advisory regarding electronic signature submission

Entity Types

○ C Corporations

- RI-1120C
- Tax Rate at 7% starting with 2016, 9% prior years
- Minimum Tax of \$500 for 2004 – 2015, \$450 for 2016, \$400 for 2017 forward
- 15th day of the 4th month after close of taxable year

○ S-Corps

- RI-1120S
- Tax equal minimum tax of C-Corps
- Franchise tax repealed as of 1/1/2015 (RIGL 44-12-1)
- 15th day of 3rd month after close of taxable year

Corporate Tax Specifics

Entity Types Continued

- Limited Liability Companies (LLC)
 - RI-1065
 - Tax equal to minimum tax of C-Corps
 - Includes Single Member LLC's
 - 15th day of the 3rd month after close of taxable year

- Limited Partnerships (LP) & Limited Liability Partnerships (LLP)
 - RI-1065
 - Tax equal to minimum tax of C-Corps
 - Legislation as 01/01/12
 - 15th day of the 3rd month after close of taxable year

- [Extension of Time to File \(280-RICR-20-55-2\)](#)
- Extension of time to file; Not time to pay
- Definition of a Proper Estimate
 - “Proper estimate” means a Rhode Island extension form filed by the regular due date which declares at least eighty percent (80%) of the tax due for the taxable year.
- Extension must be filed on time and have “proper estimate” to be considered valid
- Federal extension is acceptable if no payment is due on 04/15
- Regulation covers “Reasonable Cause” for Waiver of Late Filing Addition to the Tax

Discussion of Pass-Through Entity Tax

Michael Canole
Assistant Tax Administrator

Pass Through Entity Taxation Election (44-11-2.3)

- Effective 07/01/19
- Tax payments on behalf of residents and non-residents
- Income tax calculated at 5.99% of RI source income
- BUS-EST used to make estimated payments
- Definition of an pass-through entity:
 - "Pass-through entity" means a corporation that for the applicable tax year is treated as an S Corporation under I.R.C. 1362(a) (26 U.S.C. § 1362(a)), or a general partnership, limited partnership, limited liability partnership, trust, limited liability company or unincorporated sole proprietorship that for the applicable tax year is not taxed as a corporation for federal tax purposes under the state's regulations.
- Modification required on Schedule M of RI-1040 to add back tax

Pass Through Entity Taxation Election (44-11-2.3)

2020 Updates

- IRS Notice 2020-75—Deductibility of Payments by Partnerships and S-Corps
 - <https://www.irs.gov/pub/irs-drop/n-20-75.pdf>
 - Sole Proprietor discussion
- Allowance of refunds and carryforwards
- Underestimated interest assessments
- Modification amounts and 1099E's
- Clarification only
 - Tax paid by the entity for benefit of Individuals (natural person)
 - "Owner" means an **individual** who is a shareholder of an S Corporation; a partner in a general partnership, a limited partnership, or a limited-liability partnership; a member of a limited-liability company, a beneficiary of a trust; or a sole proprietor.

Pass Through Entity Taxation Election (44-11-2.3)

Part 1: Declaration of estimated tax

Check the box next to the form for which you are making an estimated payment. Check only one box.

- Form RI-1120 - Rhode Island Corporate Income Tax - Key #54
-
- Form RI-1120POL - Rhode Island Political Organization Tax - Key #78
-
- Form T-71 - Rhode Island Gross Premium Insurance Tax - Key #13
-
- Form T-71A - Surplus Lines - Key #13
-
- Form T-72 - Rhode Island Public Service Corporation Gross Earnings Tax - Key #22
-
- Form T-74 - Rhode Island Banking Institution Excise - Key #11
-
- Form T-86 - Rhode Island Bank Deposits - Key #10
-
- Form RI-PTE - Pass-Through Entity Election - Key #82

The amounts and due dates of the installments for a **calendar year filer** are as follows:
25% of the taxable year tax by April 15th
50% of the taxable year tax by June 15th
75% of the taxable year tax by Sept 15th
100% of the taxable year tax by Dec 15th

Mail voucher and payment to:
RI Division of Taxation
One Capitol Hill
Providence, RI 02908

NOTE: If payment is made online, you do not need to send voucher in.

Pass Through Entity Taxation Election (44-11-2.3)

	Entity Return Paying RI Entity Tax					
Income for Entity		1,000,000				
RI Entity Tax @6%		60,000				
Reportable Income		940,000				
Federal K-1 to each partner		470,000	RI K-1 to each partner			470,000
			RI Modification increasing			30,000
						500,000
			Credit for RI Entity Tax			30,000
Federal AGI		470,000	RI AGI		470,000	
Tax @ 35%		164,500	Modification Increasing		30,000	
			RI Modified AGI		500,000	
			RI Tax @ 6%		30,000	
			Less Credit for Entity Tax		30,000	
			Balance due to RI		-0-	

Excise and Estate Tax Update

Theriza Salib-Iafrate
Chief Revenue Agent
Excise and Estate Tax Section

Sales Tax Reconciliation Form

- T-204A: Class A alcohol ONLY (commonly held by liquor stores)
- T-204W: Writers, Artists, Composers ONLY
- T-204R: ALL other filers. New fields / categories will be added to the 2020 annual reconciliation form to itemize amounts corresponding to the new tax changes.
- Electronic filing options:
 - Taxation portal at www.taxportal.ri.gov
 - ri.gov portal
- Due Date is 02/01/2021

DO NOT use prior years forms to file for 2020

- Credit has increased for decedents dying on or after January 1, 2020
 - Old credit = \$69,515
 - **New credit = \$70,490**
- Thus, threshold has increased for 2021. In general, a net taxable estate whose value is below the threshold amount will escape Rhode Island estate tax.
- Estate threshold amount for 2021 will be **\$1,595,156**.
- [Recent Advisory](#)

Governor Raimondo has chosen Division of Taxation to administer two grant programs
[Coronavirus Relief Grant Programs](#)

Executive Order 20-95 Reduced Hours

- For Restaurants and Bars impacted by Executive Order 20-95
 - Eligibility
 - Registered with the RI Division of Taxation
 - Maintain an active Liquor License
 - Filed and paid Sales Tax for the months of July, August and September
 - Filed and paid Meals and beverage tax for the months of July, August and September
 - Application period from November 9, 2020 to December 15, 2020
 - Minimum grant of \$2,000. Maximum grant of \$10,000.
 - Calculation based on 75% of the average sales and meals and beverage tax paid for months of July-Sept 2020.
 - [FAQ](#)

Rhode Island on Pause

- Rhode Island on Pause
 - Impacted by the 2 week pause restrictions effective 11/30/2020
 - Eligibility
 - Registered with the RI Division of Taxation
 - Filing taxes with the RI Division of Taxation
 - Be a viable business - either currently open or temporarily closed
 - Application period from November 27, 2020 to December 11, 2020
 - Minimum grant of \$500. Maximum grant of \$50,000.
 - Two separate calculations based on business classification
 - [FAQ](#)