

APRIL 18, 2016
ADVISORY FOR TAX PROFESSIONALS
ADV 2016-10

Filing deadline is tonight; extensions available for filing, not for paying

PROVIDENCE, R.I. – The deadline for filing Rhode Island personal income tax returns has arrived. Returns must be e-filed or postmarked on or before 11:59 p.m. tonight, April 18, 2016.

The filing deadline each year is usually April 15, but that fell on a holiday in Washington, D.C., this year, a holiday which was observed by the Internal Revenue Service. As a result, the federal filing deadline moved to the following business day, which is today – Monday, April 18. Rhode Island follows federal practice in this regard.

Thus, for Rhode Islanders, the deadline is tonight, April 18, 2016, for filing federal and Rhode Island personal income tax returns for tax year 2015, and for making associated tax payments.

Filing Deadline
<i>This filing season, the deadline is tonight, April 18, 2016, for filings and payments. The April 18 deadline applies to the following for Rhode Island tax purposes:</i>
<ul style="list-style-type: none"> ▪ Resident and nonresident personal income tax returns.
<ul style="list-style-type: none"> ▪ Calendar-year limited liability companies (LLCs) that are taxed as pass-through entities and that file their return on Form RI-1065.
<ul style="list-style-type: none"> ▪ Calendar-year limited partnerships, limited liability partnerships, general partnerships, and single-member LLCs that file their return on Form RI-1065.
<ul style="list-style-type: none"> ▪ Fiduciary returns, using a calendar year, on Form RI-1041.
<ul style="list-style-type: none"> ▪ Calendar-year composite and pass-through filings.
<ul style="list-style-type: none"> ▪ Property-tax relief claims on Form RI-1040H.
<ul style="list-style-type: none"> ▪ Residential lead abatement credit claims on Form RI-6238.
<ul style="list-style-type: none"> ▪ First quarterly estimated payment for 2016 of Rhode Island personal income tax.

Electronic filing

With the deadline at hand, the Division of Taxation urges tax preparers and taxpayers to use electronic filing, which is more efficient and effective than filing returns on paper. E-filing results in faster processing and faster issuing of refunds. Returns that are filed on paper are taking longer to process this season – and so are the refunds associated with paper returns. So it makes sense to e-file rather than file on paper. Furthermore, when a return is e-filed, a taxpayer may elect to have the refund deposited directly into a bank or credit union account. (Direct deposit is not an option for returns filed on paper.) Nearly 97 percent of all returns filed to date this filing season have been e-filed.

Electronic filing		
	Filing season 2015	Filing season 2016
Returns filed electronically:	420,974	492,701
Returns filed on paper:	45,879	16,137
Total returns:	466,853	508,838
Cumulative figures for filing season 2016 returns as of April 18, 2016, compared with corresponding period a year earlier.		

Tax refunds and tax fraud

The Internal Revenue Service and many states, including Rhode Island, have seen increases in fraudulent tax filings, fraudulent claims for refunds, and refund-related identity theft. In response, the IRS and the states launched a collaborative effort to combat fraud, with new or improved security measures – including greater scrutiny of returns.

In addition, the Division of Taxation is phasing in a new agency-wide computer system – a once-in-a-generation undertaking which involves replacing a number of different systems and retiring a 40-year-old mainframe computer. This is the first season in which the personal income tax is being run through the new system. The Division of Taxation is adapting to the new system and making required modifications – while also dealing with a spike in refund fraud and an increase in the overall number of returns filed.

Early in the season, refund processing slowed nationwide, and in Rhode Island. This was due mainly to the ramping up of anti-fraud measures and the slower processing of paper returns. As a result, the Division of Taxation has seen an increase in phone calls, e-mails, and walk-ins. In response, the agency has shifted resources internally in order to better respond to taxpayer inquiries. With the April 18 filing deadline here, the volume of returns, phone calls, emails, and walk-ins has increased. The volume is expected to decline gradually after the April 18 deadline.

The Division of Taxation urges taxpayers who have not filed to use e-filing because it typically results in faster and more efficient processing. To those who have already filed their returns, the Division appreciates their patience as the agency focuses its resources on combatting refund fraud, processing a greater number of tax returns, and phasing in its new computer system.

■ **DEADLINE AND PAPER RETURNS:** Paper returns are date-stamped when they arrive at the Division of Taxation. That way, if the arrival date becomes an issue later on, the Division will have evidence (in addition to the envelope) as to when the return arrived. This is an important point to keep in mind this season for paper returns, particularly those involving the property-tax relief credit on Form RI-1040H and the lead abatement credit on Form RI-6238, and those showing a balance due.

EXAMPLE # 1: Taxpayer A is due a property-tax relief credit for 2015. Taxpayer A claims the credit on Form RI-1040H and files the form on paper with the Division of Taxation in early February 2016. The Division of Taxation stamps on the form the arrival date: February 17, 2016. For various reasons, the Division is unable to process the return until early May 2016. Taxpayer A will still be issued the credit (assuming that all eligibility and other rules are met) even though the definitive deadline for filing Form 1040H is April 18, 2016. The same principle applies for Form RI-6238.

EXAMPLE # 2: Taxpayer B files a paper return showing a balance due. The taxpayer attaches to the return a check for the full amount, and mails the return and the check in an envelope to the Division of Taxation in late March 2016. The Division of Taxation stamps the arrival date: March 28, 2016. For various reasons, the Division is unable to process the return and the check until early May 2016. The Division will treat the return and the check as having arrived on April 18, 2016. No penalty or interest will be levied (assuming that the return filed was accurate and all tax has been paid).

The Division of Taxation has issued \$159.3 million in Rhode Island personal income tax refunds so far this season to more than 300,000 taxpayers. The average refund is \$521.86.

Refund totals		
	Filing season 2015	Filing season 2016
Number of refunds issued:	359,784	305,262
Total refund dollars issued:	\$187,333,107.02	\$159,305,427.82
Average refund:	\$520.68	\$521.86
Refunds issued in filing season 2016 as of April 18, 2016, compared with corresponding period a year earlier.		

How to contact the Division of Taxation

■ **BY PHONE:** To contact the Division of Taxation, call (401) 574-8829, and choose Option # 3, from 8:30 a.m. to 3:30 p.m. business days. Call volume is extremely high during and shortly after filing season – and on Mondays, call volume is typically the heaviest. (When call volume is high, calls are automatically placed in queue and are answered in the order they arrive. However, only so many calls can be on hold at any one time. To ensure that callers are not placed on hold for an inordinate amount of time, the system automatically will end a call when the queue is too long and the system is overburdened.)

■ **BY EMAIL:** To email the Division of Taxation’s Personal Income Tax section – for information about refunds or related matters, use the following email address: Tax.Assist@tax.ri.gov. Email volume is extremely high during and shortly after filing season. There can be hundreds of emails in queue at any given time. It could take a number of days to respond to an email, particularly during the peak filing season and particularly if the email requires detailed research. (For email addresses of other sections at the Division of Taxation, please use the “Contact Us” section of the website: <http://www.tax.ri.gov/contact/>)

■ **WALK-INS:** The Division of Taxation is located at One Capitol Hill in Providence, diagonally across from the State House on Smith Street. (The Division is on the first floor of the Powers Building, also known as the Administration Building.) Walk-ins are served from 8:30 a.m. to 3:30 p.m. business days. Walk-ins take a number and are seen in the order in which they arrive and claim their number. During filing season, and

shortly afterward, the number of walk-ins increases. Therefore, at the busiest time of the week (typically early in the week), visitors may face wait times.

■ **ONLINE TOOL:** The Division of Taxation maintains an online “Where’s My Refund?” tool, which is accessible 24 hours a day, seven days a week, at this address: <https://www.ri.gov/taxation/refund/> The site can tell you if the Division of Taxation received your return and whether your refund has been processed. The online tool is typically updated once a week, by the close of business each Friday. Thus, fresh information is typically available each Saturday. The tool reports the current status of your refund. If you check back over time and the tool continues to say that your refund is under review, it means that – due to staff limitations and the heavy volume of calls, emails, and walk-ins, especially during filing season – your refund is still awaiting staff review.

If the Division needs further information to process your return, the tool will advise you which documents to provide – and how to supply them. However, due to staff limitations, and the heavy volume of calls, emails, and walk-ins, especially during the filing season, it could take several weeks to process your refund even after receipt of the necessary documents. Additionally, because a submitted document has to be reviewed, your status in the online tool may not change upon submission.

A few last-minute filing tips

1.) RETURNS THAT SAY “DO NOT FILE”.

If you use software to prepare a return, but print out the return to file it on paper, the return may have the words “Do Not File” on it. (This may occur if the software has not been updated recently.) The problem is that some large tax preparation businesses have been directing clients to file such returns anyway – even though the returns include the words “Do Not File.” And some individual taxpayers, using their own software, file such returns – even though the returns include the words “Do Not File”. Such returns cause problems with the Division of Taxation’s automated systems, triggering error messages internally. That requires staff intervention and special handling – which shows down the overall processing of returns. The Division of Taxation strongly advises preparers and taxpayers not to file returns that say “Do Not File” on them – and to update software regularly before printing out paper returns.



2.) INCOMPLETE RETURNS.

If you are filing a Rhode Island resident return on Form RI-1040, or a Rhode Island nonresident return on Form RI-1040NR, on paper, remember to include the entire return. For example, if most of the second page of the return is blank, you still must include it in your filing. Otherwise, error messages are triggered, slowing the processing of the return.

3.) PAYMENTS.

The Division of Taxation in recent weeks has received a number of envelopes that include checks or even cash – but are not accompanied by a return, a voucher, a note, or even a return address. The Division of Taxation cannot properly credit your account if you do not provide required information, including your name, address, Social Security number, tax type, and tax year.

4.) SOFTWARE PROVIDERS.

Tax-preparation software companies must follow Division of Taxation formats, as agreed upon at the start of the filing season, so that paper returns are properly processed. For example, if a taxpayer uses software to prepare a return, then prints out the return to mail it in, the return should include dollars and cents on the appropriate lines – not just dollars. If the paper return comes in with just dollars listed, the Division’s scanning equipment will automatically shift the number to create cents. As a result, the dollar amount of \$10,000 listed on the return, for example, will be automatically converted by the machine to read \$100.00. This will also trigger error messages internally, requiring staff intervention and special handling – which shows down the overall processing of returns.

Other resources available for taxpayers

- **FORMS:** Forms, instructions, booklets, and additional information are available for download from the Division of Taxation’s website: <http://www.tax.ri.gov/taxforms/> Forms, instructions, and booklets can be picked up by visiting the agency’s first-floor lobby, One Capitol Hill, Providence, between 8:30 a.m. and 4:00 p.m. business days.
- **PAID PREPARERS:** There are many certified public accountants, enrolled agents, public accountants, registered tax return preparers, and other paid preparers in the Rhode Island area who are available to prepare and file your federal and state returns. The IRS has more information on its website: <https://www.irs.gov/Tax-Professionals/Choosing-a-Tax-Professional> The IRS also has a searchable list of preparers in your area who currently hold professional credentials recognized by the IRS or who hold an Annual Filing Season Program Record of Completion: <http://irs.treasury.gov/rpo/rpo.jsf>
- **VOLUNTEER PREPARERS:** For information about locations and times of volunteer tax preparers, call the United Way of Rhode Island’s helpline by dialing its three-digit number, 211. For information on the Volunteer Income Tax Assistance (VITA) program, call toll-free at 1-800-906-9887, or use this IRS website: <http://irs.treasury.gov/freetaxprep/> For information on the AARP Tax-Aide program, call toll-free at 1-888-227-7669, or use its website: http://www.aarp.org/money/taxes/aarp_taxaide/
- **FREE FILE:** The Division of Taxation’s website includes links to a number of online tax preparation programs that allow low-income and other eligible taxpayers to prepare and e-file their federal and Rhode Island personal income tax returns at no charge. The website lists which Free File programs are available and the requirements of each program, so that you can quickly see whether you may be eligible. For details, please use the following website: <http://www.tax.ri.gov/misc/efile.php>

Filing on extension

If you can’t file your Rhode Island personal income tax return by tonight’s deadline, you can file for an automatic six-month extension. It’ll push your filing deadline out to October 17, 2016. The extension is for resident and nonresident returns. For information about how to make a proper estimate when filing for an extension, please use the following link: <http://1.usa.gov/1VE9vBW>

- If you are not required to make a payment by April 18 – because your calculations show that you paid in a sufficient amount last year, for example – don’t file the Rhode Island extension form, but when you file your Rhode Island return by the October 17 extended due date, attach a copy of your federal extension application.

- If you have a balance due, you still must pay what you owe by April 18 or face penalty and interest charges. Remember: It's an extension of the time to file, not of the time to pay. If you'll have a balance due, file Form RI-4868 on paper. If you e-file, you may – before you e-file – elect to have your bank or credit union account directly debited for the amount you owe. The direct debit option is available only for e-filers. (The Division of Taxation is working on a program that will eventually allow for the use of payment of personal income tax by credit card.)
- If you can't pay what you owe by April 18, file anyway to avoid the failure-to-file penalty – and enter into an agreement to pay over time, in installments. To learn more about such payment plans, call the Tax Division's Compliance & Collections section, at (401) 574-8941 from 8:30 a.m. to 3:30 p.m. business days. (Have a copy of your return handy when you call.)

Interactions with business

The Division of Taxation is resuming its practice of interacting with businesses in person to facilitate tax audits and collections. The Division had temporarily suspended such “road calls” while the agency investigated a potential scam. However, the agency has since learned that the information provided to the Division of Taxation regarding the alleged scam was inaccurate.

Although the Division of Taxation has resumed its practice regarding in-person interactions with businesses, the Division of Taxation does not:

- Call to demand immediate payment over the phone;
- Call about taxes owed without first having mailed you a bill;
- Threaten to immediately bring in local police or other law-enforcement groups to have you arrested for not paying;
- Demand that you pay taxes without giving you the opportunity to question or appeal the amount they say you owe;
- Require you to use a specific payment method for your taxes, such as a prepaid debit card;
- Ask for credit or debit card numbers over the phone.

If you get a phone call from someone claiming to be from the IRS and asking for money and you don't owe taxes, here's what you should do:

- Do not give out any information. Hang up immediately.
- Contact the Division of Taxation at (401) 574-8829 to report the call.
- Report the call to the Federal Trade Commission. Use the “FTC Complaint Assistant” on FTC.gov.

AVOID EMAIL PHISHING ATTEMPTS

There has been a surge in email scams this year that appear to be from a tax agency or a tax software company. Never reply to emails, texts or pop-up messages asking for your personal, tax or financial information. One common trick by criminals is to impersonate a business such as your financial institution, tax software provider or the IRS, asking you to update your account and providing a link. For small business, these schemes may try impersonating a company leader and request payroll and human resource information for employees in your company. Never click on links even if they seem to be from organizations you trust. Go directly to the organization's website.

And if it sounds too good to be true, it probably is. If you see an email that says “You won a free cruise” or “The Rhode Island Division of Taxation has a refund waiting for you,” or “The Rhode Island Department of Revenue has a refund waiting for you,” odds are high that it is a phishing attempt looking to get your personal information.

If you get a phishing email, remember this important advice:

- Don’t reply to the message.
- Forward the email to: phishing@irs.gov, then delete the email.
- Don’t open any attachments or click on any links; they could infect your computer.

WATCH OUT FOR THREATENING PHONE CALLS

Beware of scammers making unsolicited calls claiming to be officials from the IRS, the Rhode Island Division of Taxation, or the Rhode Island Department of Revenue. The scammers demand that the victim pay a bogus tax bill. They con the victim into sending cash, usually through a prepaid debit card or wire transfer. They may also leave “urgent” callback requests through phone “robo-calls,” or via a phishing email.

Scammers often alter caller ID numbers to make it look like the IRS or another agency is calling. The callers use IRS titles and fake badge numbers to appear legitimate. They may use the victim’s name, address and other personal information to make the call sound official.