

RHODE ISLAND TAX NEWS

A NEWSLETTER FOR TAX PROFESSIONALS

JULY/AUGUST/SEPTEMBER 2020

FILING DEADLINE IS JULY 15

As the coronavirus (COVID-19) pandemic went into high gear earlier this year, the Rhode Island Division of Taxation announced a series of relief measures for taxpayers.

In one round, the Division postponed the normal April

15 filing deadline to July 15. (This affected personal income tax returns for the 2019 tax year and some other filings and payments.)

In another round of relief, the Division postponed the normal June 15 filing deadline to July 15. (This affect-

ed second-quarter payments of estimated tax for individuals, as well as some other filings and payments.)

Now, the July 15 deadline is near. Following is some background and other details.

April 15

The deadline normally is April 15 for filing Rhode Island personal income tax returns and paying any associated tax due. It is also the usual deadline for filing property-tax relief claims on Form RI-1040H and residential lead-abatement claims on Form RI-6238.

(Please turn to page 3)



UNEMPLOYMENT BENEFITS: TAX GUIDANCE

If you are collecting Rhode Island unemployment benefits amid the coronavirus pandemic (COVID-19), the Rhode Island Division of Taxation offers the following helpful guidance about how to meet your obligations and avoid late charges involving taxes on those benefits.

The guidance potentially affects many people: Thousands of workers have filed claims for unemployment insurance benefits related to the pandemic. Planning ahead now can help you avoid an unexpected tax bill during tax-filing season early next year.

First, 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.

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DETAILS ABOUT NEW DEADLINE

This newsletter includes, among its other features, some additional information about the July 15, 2020, deadline for filings and payments. Topics include:

- *Extensions, page 6*
- *Handy table, page 6*
- *Second table, page 7*

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STEVE COBB -- IN MEMORIAM

The Rhode Island Division of Taxation is mourning the loss of Steven A. Cobb, a longtime Division employee and a member of the agency's management team, who died on June 22, 2020, following a brief illness.

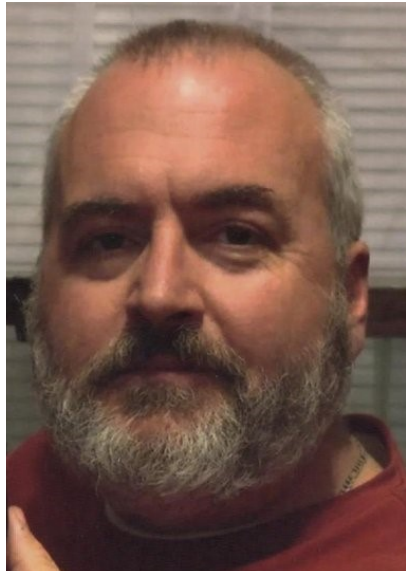
"He was the subject matter expert on data as the Division of Taxation worked to modernize its systems," said Rhode Island Tax Administrator Neena Savage, who oversees the Division.

"He was easy to work with, never complained, and always approached all of his work with a smile," she said. "We, as well as the State of Rhode Island, are the beneficiaries of his work. We will sorely miss him," she said.

URI graduate

A graduate of Classical High School in Providence, he attended the University of Rhode Island, from which he graduated with a degree in accounting. While at URI, he worked as a store manager to help pay for his education.

Shortly after graduating, he joined the Division as a revenue officer in the Compliance & Collections area and worked his way up through the ranks during a



Expert: *Steven Andrew Cobb, 50, of North Providence, part of the Rhode Island Division of Taxation's management team, passed away on June 22, 2020, following a short illness. He was the subject matter expert on data as the Division of Taxation worked to modernize its systems.*

(Family photo)

25-year career at the agency, said Assistant Tax Administrator Michael Canole.

For example, after working in Collections, he joined the Personal Income Tax area as a revenue agent, Canole said. Cobb eventually became a supervisor in the Taxpayer Assistance area. Along the way, "He proved himself by taking on extra work," according to Canole.

"Steve was nothing short of a whiz when it came to computer software. Early in his career, he was among

the first at the Division to recognize the important role that technology would eventually play in the world of tax administration," Savage said.

"With determination, he set about learning as much as he could about new hardware and software -- and how it would affect the Division, tax professionals, and taxpayers," she said.

The Division began reaping the benefits of his expertise when Cobb, in a special project, mastered the use of new software

that enabled the Division to create and update its own forms and instructions and make them visually appealing, Canole said. (Before that, the Division had to use an outside vendor for the work, he said.)

Behind the scenes

Cobb often worked behind the scenes to create formulas that allowed the Division to implement sometimes complex provisions of new tax laws, including formulas for adjusting key numbers annually for inflation, said Donna Dube, chief revenue agent in the Division's Forms, Credits & Incentives section.

In recognition of his knowledge, expertise, and work ethic, the Division promoted him to chief revenue agent, overseeing data management, data analysis through the use of a new data warehouse, and Office Audit functions.

"Steve was instrumental in harnessing the latest technology in order to increase the overall effectiveness of the Division's compliance initiatives," Savage said.

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FILING DEADLINE IS JULY 15 (CONTINUED FROM PAGE 1)

However, due to the pandemic, the filing and payment deadline for those and certain other forms related to the 2019 tax year is July 15, 2020.

“We understand the difficulties faced by so many individuals, businesses, and others during this most challenging time,” said Rhode Island Tax Administrator Neena Savage.

“To provide some relief to taxpayers and to tax professionals, we postponed the usual April 15 deadline by three months, to July 15. The Internal Revenue Service did the same thing, and so did many other states,” she said.

(Please turn to next page)



Free File: For those who file their Rhode Island tax returns on or before the due date of July 15, 2020, the Division of Taxation recommends electronic filing. It's fast and accurate -- and it generates refunds more quickly (for taxpayers who file a complete and accurate return and who are due a refund). Many do-it-yourself taxpayers can file their federal and Rhode Island personal income tax returns online at no charge via the Rhode Island Free File program. Click on this link to see if you qualify: <http://www.tax.ri.gov/misc/efile.php>. (For more information about Rhode Island Free File, please see page 13 of this newsletter.)

STEVE COBB -- IN MEMORIAM (CONTINUED FROM PREVIOUS PAGE)

His efforts laid the foundation for the Division's agency-wide computer system known as STAARS, and for the modernization of tax administration for the Division, she said.

In a ceremony at the State House in August 2017, Rhode Island Governor Gina M. Raimondo named the Division a recipient of the 2017 Executive Branch Employee Recognition Award for Outstanding Government Service. Savage accepted the award on behalf of a 16-member Division team, which included Cobb.

The team led the installation and implementation of the Division's computer system.

IRS liaison

Cobb also served as the Division's liaison with the Internal Revenue Service, and managed much of the audit the IRS regularly performs to ensure that federal tax information is safeguarded, Canole said.

“But it was not just that,” Dube said. Cobb had “an easy-going manner that endeared him to our staff,” she said.

“You hardly ever saw Steve upset. He was mild-mannered and even-tempered,” she said. “He got his work done with little fanfare, and he was a steady presence.”

Cobb played on a pickup basketball team in East Providence for many years, and also took part in the Division's golf league.

Family man

In addition, “He was a good family man, devoted to his wife, Colleen, children, and grandchil-

dren,” Canole said.

A North Providence resident, Cobb was a longtime and avid supporter of the URI men's basketball team and of the New England Patriots.

Visitation took place on June 29, 2020, at the Mount Pleasant Funeral Home in Providence. For more information:

<https://tinyurl.com/y7mf8n3z>

FILING DEADLINE IS JULY 15 (CONTINUED FROM PREVIOUS PAGE)

The new July 15 deadline also applies to certain other filings and payments that would normally be due April 15, including calendar-year C corporations filing on Form RI-1120C; calendar-year estates and trusts filing their income tax returns on Form RI-1041; and a number of other filings involving individuals and entities. (For example, the deadline for first-quarter estimated payments, normally April 15, is July 15 this year.)

No late charges

If a taxpayer files and pays on or before July 15, 2020, no late charges will apply, regardless of the amount of tax involved. Tax preparers and taxpayers do not need to file any additional forms or contact the Division of Taxation in any way in order to qualify for this Rhode Island filing and payment relief; the relief is automatic, and the Division has adjusted its systems accordingly.

Estimates

For calendar-year filers, the deadline this year for making second-quarter estimated payments of personal income tax, normally June 15, is July 15.

(For a complete listing of the types of taxes and forms whose deadlines are automatically postponed to July 15, 2020, see the tables on pages 6 and 7 of this newsletter.)

(Please turn to next page)

Making Payments: *There are many options for making Rhode Island tax payments. One of the most convenient options is the Rhode Island Division of Taxation's portal (see screenshot above). The portal is available for use by individuals, businesses, and tax professionals. First-time users must register. For details, click on the "Create a New User" link on the home page: <https://taxportal.ri.gov/>. For some other payment options, please see article below.*

MAKING TAX PAYMENTS

Software: If you use tax-preparation software, or your tax preparer does, the software probably gives you the option to authorize the Division to withdraw the required amount directly from your bank or credit union account. If so, schedule the withdrawal, or "direct debit", several business days in advance of the deadline, to avoid any possible delays.

Portal: Individuals, businesses, tax professionals, and others may use the Division of Taxation's portal to make online payments. It's easy, convenient, and quick. There is no charge for this service. Just go to the portal, log in, and make your payment. (Please note: If you are a first-time user, you will have to register first. Click on the "Create a New User" link on the portal homepage to create a new user account.) Payments for nearly all tax types – including individual and business taxes – can be made via the portal. Use the following link: <https://taxportal.ri.gov>

Bill Pay: Your bank or credit union may let you use its online "bill pay" feature, which generates a check that your bank or credit union mails to the Division of Taxation.

If you use "bill pay", include as much information as possible – and complete the transaction several business days in advance of the deadline -- so that the amount can be promptly and properly credited to your account. That way, you can avoid incurring late charges. Also make sure that the payment goes to the following address, not to a post office box: Rhode Island Division of Taxation, One Capitol Hill, Providence, R.I. 02908.

Debit Card: You can pay your balance due by using a debit card or credit card. A third-party provider charges a fee for the service. For more information, use the following link: <http://www.tax.ri.gov/misc/creditcard.php>

Pay By Check: You still have the option to pay by check. If you do, be sure that your check is accompanied by a payment voucher. That way, your payment will be properly and promptly credited to your account. If you use tax preparation software, or your preparer does, you may use the voucher provided by the software program. Or use the Division's voucher. Vouchers, forms, instructions, and other documents are available via the following link:

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

EFT Account: If your business has a balance due, you can use your Rhode Island business tax EFT filing account:

<https://www.ri.gov/taxation/business/index.php>

FILING DEADLINE IS JULY 15 (CONTINUED FROM PREVIOUS PAGE)

Paper returns

The Division recommends filing electronically. E-filing is faster and results in fewer errors. Paper returns take the longest to process, partly because they generate the most errors. When you prepare your return, make sure your math is correct. Following are some other tips.

- ◆ Be sure to sign and date the return.
- ◆ If Rhode Island personal income tax was withheld from your paycheck, pension, or other source of income last year, make sure you include a complete and accurate Schedule W with your return.
- ◆ Attach all Form W-2 wage statements and other required documentation as outlined in the instructions.
- ◆ Don't use staples or sticky tape, which slow down processing. Remember: Paper returns must be run through the Division of Taxation's high-speed scanning and imaging equipment. Staples and sticky tape clog up the works. So, for any required attachments to your return, use paper clips, binder clips, or even rubber bands.
- ◆ Include your Social Security number (or ITIN). If you're married, include the Social Security number (or ITIN) of your spouse, too. Remember to fill out and file Schedule E along with your return.
- ◆ Include all pages of the re-

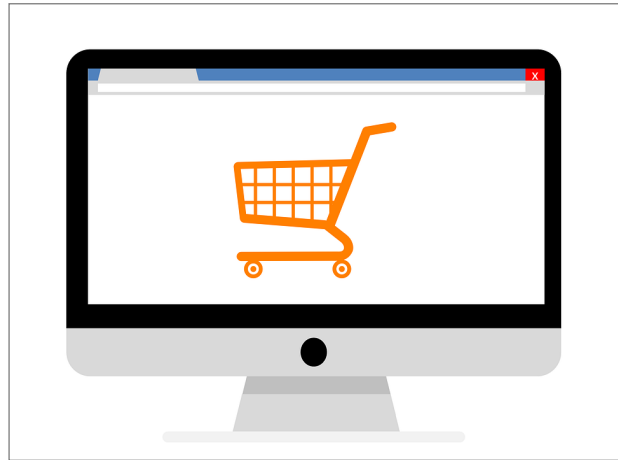
turn. Use a standard-size envelope, and keep folding of the return to a minimum, to ease in processing.

- ◆ Include with the return only the required documents as shown in the instructions. (For example, do not include birth certificates.)

Remember: Forms, instructions, schedules, and other items are available online around the clock at [the Division's website](#).

Other points

- ◆ Although the Division does not prepare current-year tax returns on a walk-in basis, many certified public accountants, enrolled agents, public accountants, and other preparers are available throughout the state.
- ◆ The Internal Revenue Service website includes information on choosing a tax professional, as well as a public directory of certain tax professionals to help taxpayers determine return preparer credentials and qualifications. The directory is a searchable, sortable database with the name, city, state, and ZIP code of credentialed return preparers. Click [here](#).
- ◆ Although many volunteer tax-preparation sites closed amid the pandemic, some remain open. For information, click [here](#) and [here](#) and insert the applicable location information.
- ◆ Many do-it-yourself taxpay-



ers are eligible to prepare and file their federal and Rhode Island personal income tax returns online at no charge via the Rhode Island Free File program. To learn more, use this link:

<http://www.tax.ri.gov/misc/efile.php>

- ◆ To check on the status of your Rhode Island personal income tax refund, use the following link:

<https://www.ri.gov/taxation/refund/>

- ◆ Don't forget that the Division now allows Form RI-1041 to be e-filed. (Whether you can e-file yours will depend on whether your tax-preparation software program allows it. Check with your software provider.)

- ◆ The Division of Taxation has created a special webpage to address Rhode Island state tax issues related to the coronavirus pandemic. For more information, use the following link:

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

The Division urges taxpayers and others to use its website, portal, email system, and phone system -- and to avoid visiting the Division of Taxation office -- in order to limit the spread of the coronavirus. For more information, including a list of frequently used phone numbers, email addresses, and web addresses, use the following link:

http://www.tax.ri.gov/Advisory/ADV_2020_09.pdf

Handy tables

For an at-a-glance look at the normal due date and the new due date for various taxes and other levies, including the forms involved, please see the handy tables included on the following two pages.

FILING DEADLINE IS JULY 15 (CONTINUED FROM PREVIOUS PAGE)

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

FILING	FORM	NORMAL DUE DATE	NEW DUE DATE
Surplus lines brokers/licensees	Form T-71A	April 1, 2020	July 15, 2020
Personal income tax annual return	Form RI-1040, RI-1040NR	April 15, 2020	July 15, 2020
Personal income tax - extension	Form RI-4868	April 15, 2020	July 15, 2020
Personal income tax - estimated	Form RI-1040ES	April 15, 2020	July 15, 2020
Property tax relief	Form RI-1040H	April 15, 2020	July 15, 2020
Residential lead abatement credit	Form RI-6238	April 15, 2020	July 15, 2020
Estate and trust income tax return	Form RI-1041	April 15, 2020	July 15, 2020
Estate and trust income tax - estimated	Form RI-1041ES	April 15, 2020	July 15, 2020
C corporation*	Form RI-1120C	April 15, 2020	July 15, 2020
First-quarter business estimates	Form RI-1120ES/BUS-EST	April 15, 2020	July 15, 2020
1120C business extension	Form RI-7004	April 15, 2020	July 15, 2020
Public service corporation tax	Form T-72	April 15, 2020	July 15, 2020
Business extension*	Form BUS-EXT	April 15, 2020	July 15, 2020
Bank excise tax	Form T-74	April 15, 2020	July 15, 2020
Insurance gross premiums tax	Form T-71	April 15, 2020	July 15, 2020
Single-member LLC*	Form RI-1065	April 15, 2020	July 15, 2020
Pass-through withholding*	Form RI-1096PT	April 15, 2020	July 15, 2020
Pass-through withholding – estimate*	Form RI-1096PT-ES	April 15, 2020	July 15, 2020
Pass-through withholding – extension*	Form RI-4868PT	April 15, 2020	July 15, 2020
Composite income tax – estimated	Form RI-1040C-ES	April 15, 2020	July 15, 2020

* New deadline of July 15, 2020, applies not only to calendar-year individuals and entities with normal due date of April 15, 2020 (April 1, 2020, for surplus lines brokers/licensees), but also to fiscal-year filers whose original or extended due date would normally fall on April 15, 2020. (Although fiscal-year filers who are on extension have a new due date of July 15, 2020, they still must, by statute, be fully paid by September 15, 2020.) New 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. New deadline for pass-through withholding (Form RI-1096PT) applies only to trusts and single-member LLCs with a normal due date of April 15. New deadline for pass-through withholding estimates (Form RI-1096PT-ES), normally due April 15, 2020, applies to all entity types. New deadline for business extension applies only to public service corporation filers and bank excise tax filers.

PERSONAL INCOME TAX -- FILING ON EXTENSION

You may file for an automatic extension, which this year will give you three more months to file your return; the extended due date this year for personal income tax returns is October 15, 2020.

If you use tax-preparation software, or your preparer does, you may use the extension request form provided by

the software program. You may also use the Division's extension form, which includes instructions (click [here](#)).

Note: If you are not required to make a payment by July 15, 2020 – 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 extended due date, attach a copy of your federal extension application.

Also, note that if you have a balance due, you still must pay what you owe by July 15, 2020, 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 can't pay what you owe by July 15, 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 Division of Taxation'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.)

FILING DEADLINE IS JULY 15 (CONTINUED FROM PREVIOUS PAGE)

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

FILING	FORM	NORMAL DUE DATE (SEE FOOTNOTE)	NEW DUE DATE
Personal income tax - estimate	Form RI-1040ES	June 15, 2020	July 15, 2020
Corporate income tax - estimate	Form BUS-EST	June 15, 2020	July 15, 2020
Political organization tax - estimate	Form BUS-EST	June 15, 2020	July 15, 2020
Insurance gross premiums tax - estimate	Form BUS-EST	June 15, 2020	July 15, 2020
Surplus lines broker/licensee tax - estimate	Form BUS-EST	June 15, 2020	July 15, 2020
Public service corporation tax - estimate	Form BUS-EST	June 15, 2020	July 15, 2020
Bank excise tax - estimate	Form BUS-EST	June 15, 2020	July 15, 2020
Bank deposits tax - return	T-86	June 15, 2020	July 15, 2020
Bank deposits tax - estimate	Form BUS-EST	June 15, 2020	July 15, 2020
Pass-through entity tax - estimate	Form BUS-EST	June 15, 2020	July 15, 2020
Pass-through withholding - estimate	RI-1096PT-ES	June 15, 2020	July 15, 2020
Composite tax - estimate	RI-1040C-ES	June 15, 2020	July 15, 2020
Estate and trust income tax – estimate	RI-1041ES	June 15, 2020	July 15, 2020
Estate tax return and payment	Form 100	various	July 15, 2020
Estate tax return and payment	Form 100A	various	July 15, 2020
Extension request	Form RI-7004	June 15, 2020	July 15, 2020
Business tax automatic extension request	Form BUS-EXT	June 15, 2020	July 15, 2020
Composite income tax – extension payment	Form RI-4868C	June 15, 2020	July 15, 2020
Pass-through withholding – extension payment	Form RI-4868PT	June 15, 2020	July 15, 2020
Fiduciary income tax – extension payment	Form RI-8736	June 15, 2020	July 15, 2020

* New deadline of July 15, 2020, applies for filings and payments. It applies not only to calendar-year individuals and entities with normal due date of June 15, 2020, as shown above, but also to calendar-year and fiscal-year filers whose original or extended due date for returns and payments, or due date for estimated payments, would normally fall between April 15, 2020, and July 15, 2020. For example, if a C corporation has a fiscal year-end of January 31, 2020, an original due date of May 15, 2020, and an estimated payment date of May 15, 2020, that corporation's due date for those filings and those payments is July 15, 2020. (Fiscal-year filers that are on extension, whose original due date fell before April 15, 2020, should keep in mind that their extension is an extension of the time to file, not of the time to pay: Payment was due, by statute, by the original due date of their return.)

* Listing for corporate income tax (also known as business corporations tax) also applies to filing under mandatory unitary combined reporting.

* New deadline for pass-through withholding (Form RI-1096PT) applies only to trusts and single-member LLCs with a normal due date of June 15, 2020. New deadline for pass-through withholding estimates (Form RI-1096PT-ES), normally due June 15, 2020, applies to all entity types.

* New deadline for business extension applies only to public service corporation filers and bank excise tax filers.

* Listing in table of Form BUS-EST also applies to Form RI-1120ES.

* New due date of July 15, 2020, applies to estate tax returns on Form RI-100 and Form RI-100A and any associated payments that would normally be due between April 15, 2020, and July 15, 2020, and to estate income tax returns and payments (and estimates) and trust income tax returns and payments (and estimates) normally due between April 15, 2020, and July 15, 2020.

* New due date does not apply to filings or payments of any other type of Rhode Island tax, or to filing of any other Rhode Island return, not mentioned above.

RECENTLY ENACTED RHODE ISLAND TAX LEGISLATION

The Rhode Island General Assembly recently approved several tax-related bills, which were signed into law by Rhode Island Governor Gina M. Raimondo. Following is a summary.

Supplemental budget

The supplemental budget bill for the fiscal year that ended June 30, 2020, included an extension involving the historic preservation tax credit program of 2013.

The program, originally scheduled to sunset June 30, 2020, is now extended by one year, to June 30, 2021.

(Technically, the bill as enacted amended Rhode Island General Laws § 44-33.6-11 to say that no credits can be authorized to be reserved on or after June 30, 2021, or upon the exhaustion of the maximum aggregate credits, whichever comes first.) The bill also reduced funding under the Rebuild Rhode Island tax credit program.

- [H 7170Aaa](#)

Streamlined

The Assembly approved two identical bills, which were both signed into law, clarifying language regarding the Streamlined Sales and Use Tax Agreement.

[Legislation enacted last year](#), effective October 1, 2019, made the sale, storage, use, or other consumption of “specified digital products”

subject to Rhode Island’s 7% sales and use tax.

The term “specified digital products” (sometimes called “digital downloads”) generally refers to digital movies, TV shows, books, music, and related items -- including subscriptions to streaming audio and visual products (such as films, shows, and music), streamed or downloaded to computers, phones, and other devices.

That does not change as a result of the bills that were approved by the Assembly and signed into law this year.

Rather, the bills as enacted clarify existing law so that Rhode Island statutes fully conform with the Streamlined Sales and Use Tax Agreement in this regard.

The bills as enacted ensure Rhode Island’s continued compliance with the terms and conditions of the Streamlined Sales and Use Tax Agreement.

- [H 7532A](#) and [S 2650A](#)

Live Web Channel 3



Presentation: Due to the pandemic, Rhode Island Tax Administrator Neena Savage was asked to make her semiannual presentation to the state’s Revenue Estimating Conference remotely in May 2020. The meeting was broadcast live on Capitol Television (see screenshot above).



Tax tip line

If you have information about wrongdoing involving state taxes, call the tax fraud tip line at (401) 574-TIPS or (401) 574-8477 and leave a message. The line is staffed by the Rhode

Island Division of Taxation’s Special Investigation Unit, which follows up on all tips. Callers can leave their names and contact information or remain anonymous. You may also [leave your tip online](#).

UNEMPLOYMENT BENEFITS: TAX GUIDANCE (CONTINUED FROM PREVIOUS PAGE)

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

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

But due to the pandemic, the Division has postponed the deadline for the first two payments of estimated tax this calendar year, as a convenience for taxpayers.

The deadlines for both the April 15, 2020, and the June 15, 2020, payments have been postponed to July 15, 2020. The relief is automatic; taxpayers need not contact the Division in any way in order to qualify; the Division has updated its records and its systems accordingly. No late charges will apply to those who file and pay on or before the new deadline of July 15, 2020.

More information

For more information about Rhode Island unemployment insurance benefits, use the following link: <http://www.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>

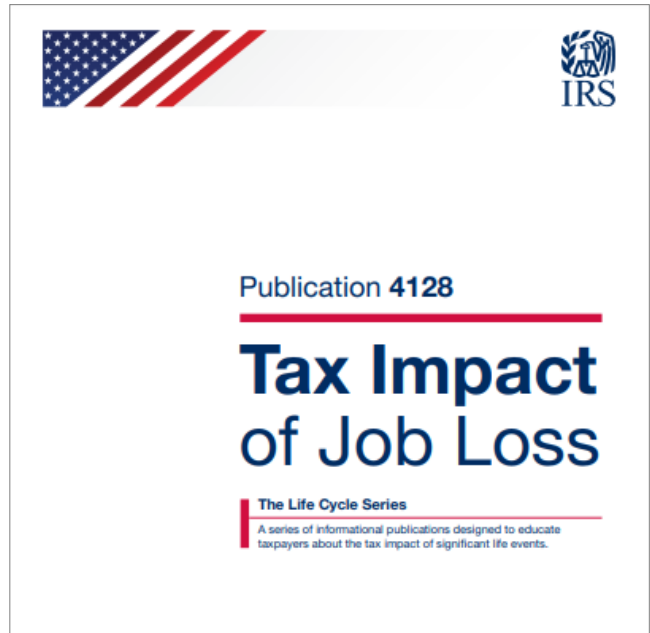
The Department of Labor and Training makes available a Form 1099 early each calendar year for those who collected unemployment benefits the prior year. It provides details on benefits collected and taxes withheld, if any, the prior year.

Informal summary

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 Advisory 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 -- including Rhode Island residents and nonresidents -- are encouraged to consult tax and other professionals to determine how the information published here may affect them.



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>

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 the "Coronavirus Aid, Relief, and Economic Security Act", also known as the CARES Act, which was approved by Congress and signed into law by President Donald J. Trump on March 27, 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.

Legal Corner

RECENT STATE TAX CASES IN SUMMARY

Following is a summary of tax-related cases in which final decisions were made after administrative hearings. By law, decisions are public information, but taxpayer information cannot be disclosed.

Streaming TV service

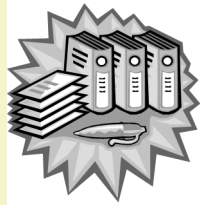
At issue is whether the taxpayer's television services were taxable under Rhode Island sales and use tax law, and whether the taxpayer had nexus with Rhode Island for sales tax purposes in the years in question.

The taxpayer, an out-of-state limited liability company, did business in Rhode Island, registered with the Division as a retailer in July 2012, and obtained a Rhode Island sales permit in August 2012.

The company regularly remitted sales tax to the Division. It did not own or lease any buildings or equipment in Rhode Island and did not hire or retain any employees in Rhode Island.

In 2015, the company began providing live television service to Rhode Island customers through online streaming.

The company said it refunded, to its Rhode Island customers in 2017, the Rhode Island sales tax that the company had charged its customers from January 2015 through December 2016. In December 2017, the company filed a sales and use tax



Rhode Island Tax News provides only summaries of some recent tax-case decisions, which are based on specific facts and circumstances.

The summaries are merely informative and provide general information. To determine how state tax laws and regulations apply to your particular circumstances, please consult your tax professional.

refund claim with the Division for the taxes it said it had returned to its Rhode Island customers. The Division issued a letter denying the company's refund claim. The company then filed a written request for a hearing on its refund denial.

For its part, the Division asserted that the company's subscription TV service was taxable based on a regulation which defines subscription TV as TV programming services provided to consumers for a fee via satellite transmission or any other means.

The Division further asserted that, based on another regulation, the company was not

providing "digital products" -- because digital products are specified to be, for example, digital books, movie downloads, and ringtones.

The Division also asserted that the company has substantial business nexus with Rhode Island in the form of business registration; collection of sales and use tax; advertising; use of telecommunications infrastructure in Rhode Island; and engaging in business in the state.

For its part, the company agreed that it provides subscription TV services, but argued that streaming TV fell under the regulatory definition of a specified digital product, so the company was exempt from sales and use tax.

(Note: This case arose before the U.S. Supreme Court's landmark ruling in the *Wayfair* case, before Rhode Island changed its law to conform with the provisions of *Wayfair*, and before Rhode Island changed its law to extend the sales and use tax to e-books, streaming video, music downloads, and certain other items.)

The company also asserted that it could not be subject to sales tax because it maintained no physical presence in Rhode Island (based on a U.S. Supreme Court case, known as *Quill*, that prevailed at the time).

(Please turn to next page)



Tax hearings

Any taxpayer aggrieved by the action of the Tax Division in determining the amount of tax, surcharge, or penalty, may make written request for a formal hearing.

The taxpayer is first afforded an opportunity to have a preliminary review. Should the matter not be resolved, it may then proceed to formal hearing under the terms of the state Administrative Procedures Act (Rhode Island General Laws § 42-35-1 et seq.) and Tax Division regulation 280-RICR-20-00-2.

If not satisfied with the outcome, the taxpayer may appeal to Sixth Division District Court (Rhode Island General Laws § 8-8-24 et seq.).

Legal Corner

RECENT STATE TAX CASES IN SUMMARY (CONTINUED FROM PREVIOUS PAGE)

Hearing Officer Catherine R. Warren wrote that, "In a post-*Quill* world, the outcome of this matter would most likely be different." But before *Wayfair*, the fact that the company had no physical presence in Rhode Island determines that the State could not impose sales tax on the company, she wrote.

On February 27, 2020, the hearing officer found that, based on the *Quill* case, which prevailed at the time (and based on certain other cases), the company lacked physical presence in Rhode Island -- and did not have a substantial nexus with Rhode Island under the physical presence nexus requirement. Based on that, she recommended a finding that the taxpayer's request for refund be allowed.

On March 30, 2020, Tax Administrator Neena Savage adopted the hearing officer's decision and recommendation.

- [Final Decision and Order No. 2020-04](#)

Sales, meals, other taxes

At issue is whether the taxpayer owed sales and use tax, meals and beverage tax, prepaid wireless charges,

and withholding tax (and any associated interest and penalties).



The Division had conducted an audit of the taxpayer for the period July 1, 2015, to July 31, 2018, and issued a Notice of Deficiency to the taxpayer for the

various taxes owed.

A hearing was scheduled at the taxpayer's request, but the taxpayer did not attend. The Division was represented by counsel and rested on the record.

At the hearing, it was undisputed that the taxpayer owed sales and use tax, meals and beverage tax, prepaid wireless charges, and withholding tax that were assessed after audit.

However, the hearing officer determined that the basis was not clear for the Division assessing penalty on the prepaid wireless charged owed.

On April 20, 2020, the hearing officer concluded that the taxpayer owes the sales and use tax, meals and beverage tax, and the withholding tax as assessed, and assessed penalties and interest.

She also concluded that, while the taxpayer owes the assessed prepaid wireless charges and the assessed interest, the taxpayer does not

owe the assessed penalty. She recommended a finding accordingly.

On April 27, 2020, the tax administrator adopted the hearing officer's decision and recommendation.

- [Final Decision and Order No. 2020-05](#)

Personal income tax

At issue is whether a married couple owed Rhode Island personal income tax for the 2018 tax year.

The taxpayers filed a Rhode Island personal income tax return in 2019, covering the 2018 tax year, based on the couple's federal adjusted gross income.

The Division asserted that the taxpayers prepaid some of the tax, but did not pay the remaining tax owed, so a Notice of Assessment was issued. The taxpayers responded that they did not recognize the Division's jurisdiction.

Following a series of notices, the taxpayers filed amended Rhode Island resident personal income tax returns on which they changed their filing status from "married filing jointly" to "married filing separately" -- and they also changed their respective adjusted gross incomes.

(Please turn to next page)



E-file reminder

The Rhode Island Division of Taxation this year accepts 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

RHODE ISLAND FREE FILE PROGRAM STILL AVAILABLE

Still haven't filed your Rhode Island personal income tax return for the 2020 tax year?

One option is to use the [Rhode Island Free File program](#), which lets you prepare your own federal and Rhode Island returns online, and e-file them, at no charge.

The Rhode Island Free File program is available only through the Rhode Island Division of Taxation website.

Many, but not all, taxpayers



qualify for the free programs. Review terms and conditions of the Rhode Island Free File program by clicking [here](#).

The free service is made possible from Free File, which is a partnership be-

tween the Internal Revenue Service, the Rhode Island Division of Taxation, a number of other states, and the Free File Alliance.

The Free File Alliance is a group of industry-leading

private-sector tax preparation companies that have agreed to provide free commercial online tax preparation and electronic filing to those taxpayers who qualify.

RECENT STATE TAX CASES IN SUMMARY (CONTINUED FROM PREVIOUS PAGE)

In separate letters to the Division, the taxpayers each requested a discharge of all assessed Rhode Island personal income tax. They both claimed that they did not receive any taxable income in Rhode Island for 2018 and relied on federal and Constitutional grounds to request a discharge.

The Division forwarded the matter to administrative hearing based on the taxpayers' legal and Constitutional claims. A hearing was scheduled, but the taxpayers did not attend. The Division was represented by counsel and rested on the record.

It was undisputed at the hearing that the taxpayers were Rhode Island residents in

2018, received income in 2018, and owed Rhode Island personal income tax for that year.

Under Rhode Island General Laws § 44-30-51, a taxpayer is required to file a Rhode Island personal income tax return if the taxpayer was required to file a federal income tax return or had Rhode Island income.

Under Rhode Island General Laws § 44-30-6, the term "income" as used in federal income tax law is deemed to be the same for Rhode Island tax purposes.

The hearing officer determined that the taxpayers provided no evidence that they

did not earn any Rhode Island income; that they do not owe Rhode Island personal income tax; or that they are somehow exempt from paying Rhode Island personal income tax.

On April 22, 2020, she concluded that the taxpayers owe the assessed income tax, as well as interest and penalty, for 2018, and recommended a finding accordingly.

On May 1, 2020, the tax administrator adopted the hearing officer's decision and recommendation.

- [Final Decision and Order No. 2020-06](#)



VITA sites

The Internal Revenue Service has updated its website to show which Volunteer Income Tax Assistance (VITA) sites in Rhode Island are still open and offering free tax preparation for federal and Rhode Island personal income tax returns. To view, click [here](#).

Practitioners' Corner**QUESTIONS AND ANSWERS ABOUT STATE TAXES**

Q: I'm confused. The first estimated payment of Rhode Island personal income tax, normally due April 15, is due on July 15, 2020? And the second estimated payment of Rhode Island estimated tax, normally due June 15, is also now due July 15? Have I got that right?



Yes. With regard to the first and second estimated payments of Rhode Island personal income tax, Rhode Island this year is providing the same filing and payment relief as the Internal Revenue Service.

Thus, filings and payments involving the first-quarter and second-quarter estimates of Rhode Island personal income tax are due July 15, 2020.

No penalty and no interest will apply if those filings and payments are made on or before July 15, 2020. No extra steps need be taken by preparers or taxpayers, and you need not contact us to qualify: The relief is automatic; we have updated our computer systems accordingly.

Like the IRS, we are providing the relief amid the coro-

navirus (COVID-19) pandemic.

To view the first round of relief we offered, click [here](#).

To view the second round of relief, click [here](#). Please check our special coronavirus webpage to make sure you have the most current information. Click [here](#) to view that page.

Also, click [here](#) to view the Division's Advisory detailing relief for those who cannot pay.

Q: The deadline for my first-quarter estimated payment of personal income tax, and the deadline for my second-quarter payment, have been postponed to July 15, 2020. Should I include, with payment, the Form RI-1040ES ("Rhode Island Resident and Nonresident Estimated Payment Coupons") for April, for June, or both?

We record the payment when we receive it. As long as we receive the total amount due for both quarters by July 15, 2020, it will be considered timely.

Please use a 2020 coupon (no matter if it's one coupon or two), make sure that the payment and coupon amounts match, and make sure that both individual payments, or the sum of the two payments, are paid in by July 15th, 2020.

Q: I have a client wanting to file an amended 2016 tax return. He would be claiming a refund. Normally, under the three-year rule, the deadline for filing that amended return for the 2016 tax year was April 15, 2020. But has that deadline been extended to July 15, 2020?

No. On March 27, 2020, we postponed the usual April 15, 2020, filing deadline to July 15, 2020, due to the coronavirus pandemic (COVID-19).

That postponed deadline, of July 15, 2020, applies to current-year returns (i.e., returns covering the 2019 tax year, which would normally be due on April 15, 2020). It does not apply to prior-year returns.

So the deadline for filing an amended return in order to claim a refund for the 2016 tax year was April 15, 2020. That has not changed.

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About 'Practitioners' Corner'

The "Practitioners' Corner" feature provides general answers to some of the questions that the Tax Division encounters through the normal course of business.

The answers are intended solely to provide general information. They do not represent formal guidance, and are not substitutes for Rhode Island General Laws, Tax Division regulations, or Tax Division rulings.

Practitioners' Corner**QUESTIONS AND ANSWERS ABOUT STATE TAXES** (CONTINUED FROM PREVIOUS PAGE)

Also please keep in mind that there are two rules that apply to the claiming of refunds: a two-year rule and a three-year rule.

In your inquiry, you referred to the three-year rule, which does exist but is seldom used. The most often-used rule is the two-year rule. Please see the "Practitioners' Corner" feature in the April 2020 issue of our newsletter for further details on how the two-year rule and the three-year rule apply. Click [here](#) to view.



Q: We have a client who is a Massachusetts resident, works for a Massachusetts employer, and has a summer home in Rhode Island. She is looking to spend the summer at her summer home and continue to telecommute for her employer. Will the relief that the Division recently issued apply in her case? What if the state of emergency ends?

We recently issued tax guidance related to employers and telecommuting.

Please see [Advisory 2020-22](#), [Advisory 2020-24](#), and Regulation [280-RICR-20-55-14](#)

("Withholding for Employees Working Remotely During the COVID-19 State of Emergency").

The above-mentioned documents continue to apply during the state of emergency. Once the state of emergency ends, then the client would be deemed to be performing his or her services in Rhode Island and the usual rules regarding withholding would apply.

In other words, after the state of emergency is over, the employer would be accountable for purposes of Rhode Island withholding, and the employee would be accountable for purposes of Rhode Island personal income tax filings and payments.

Q: What if someone has a pension and moves from Massachusetts to Rhode Island, or from Rhode Island to another state? How is that pension treated for personal income tax purposes?

We can't speak for other states, and we don't know all of the facts and circumstances in your case, so let's stick with the general rule: Pension income follows the state of residence.

If a filer lived and worked in one state, where the person earned the pension, then retired and moved to another state, the pension would be taxable in the new state of residency. This is in accordance with federal law.

Suppose, for example, that Jane lived in Massachusetts, where she worked as a schoolteacher in the public schools and earned a pension. Upon retirement, she moved to Rhode Island, where she now resides full-time. The pension is taxable in Rhode Island.

Another example: Suppose that Pierre lived in Rhode Island, where he worked as a local truck driver and earned a private-sector pension. Upon retirement, he moved to Massachusetts, where he now resides full-time. The pension is taxable in Massachusetts.

(Note: The examples used here are solely for illustration purposes and are not a substitute for a given state's laws, regulations, and official guidance.)

(Please turn to next page)



Change of address change of name

Have you changed your name or address? Don't forget to let the Rhode Island Division of Taxation know. That way, you'll be sure to receive any refunds, notices, or other mailings in your correct name and at your correct address. Whether you're an individual, a married couple, a business, or other entity, let the Division know if you've changed your name or address (or both) by using Form RI-COI, "Change of Name or Address Form", available on the Division's website:

§ [One version of the form](#) can be printed out and then filled in.

§ [The other version](#) is known as a "fillable" form and can be filled in on your computer, then printed out.

QUESTIONS AND ANSWERS ABOUT STATE TAXES (CONTINUED FROM PREVIOUS PAGE)

Q: I have a situation with a married couple living in Massachusetts and filing a joint nonresident Rhode Island personal income tax. One spouse works only in Rhode Island; the other spouse works only in Massachusetts. For their Rhode Island nonresident personal income tax return only, can they use the “married filing separately” filing status?

A married couple can always file separately. However, their Rhode Island filing status must follow their federal filing status.

If they wish to file using the “married filing separately” status for Rhode Island tax purposes, they can only do that if they also file separately for federal income tax purposes.

The only exception to this rule is found in our regulation 280-RICR-20-55-5 (“Filing Status of Spouses – Nonresident Military Personnel and Partial-Year Residents”), which states the following:

“If either husband or wife is a resident and the other is a nonresident, separate Rhode Island taxes shall be determined on their separate Rhode Island source income, unless both elect to determine their joint Rhode Island

taxes on their joint income as if both were residents.”

In your case, both spouses are Massachusetts residents, so their filing status for Rhode Island income tax purposes must be the same as it is on their federal personal income tax return.

Q: I’m trying to get some information on the new Rhode Island tax break involving income from pensions, 401(k) plans, 403(b) plans, military retirement pay, annuities, and the like. I’ve looked online to see what the qualifications are, but can’t find anything. Can you point me in the right direction?

We’ve updated our publication to include the latest information about what income qualifies and who qualifies. To view a copy, please click [here](#).

Q: I have a taxpayer who files in three states but is also a partner in a partnership where he is included in about seven different state composite income tax returns. He can take a credit for all of these states in Rhode Island using Form RI-1040MU (“Credit for Income Taxes Paid to Mul-

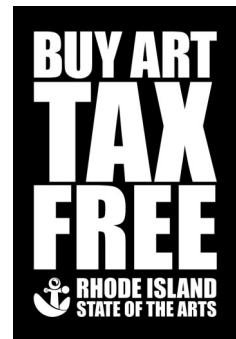
iple States”). We always paper-filed the return. Is it viable to e-file the return? We can attach all details that include the various state schedules from the composite returns, or is that only going to create processing headaches or delays?

Go ahead and e-file the return. We should have no problem processing it, assuming it is a complete and accurate return with all required attachments.

Q: How does the postponement of certain filing deadlines to July 15, 2020, affect a fiscal-year business filer that is on extension?

Fiscal-year filers that are on extension should keep in mind that it is an extension of the time to file, not of the time to pay: Payment is still due, by statute, by the original due date of the return.

For example, suppose that a business with an original due date of December 15, 2019, had a six-month extension, with a new due date of June 15, 2020. Because of the coronavirus pandemic, the filer now gets an additional one month, for a filing deadline of July 15, 2020. In that case, the payment still had to have been made back in December 2019, when the original return was due.



The Rhode Island State Council on the Arts is spreading the word (see above) about Rhode Island’s statewide sales tax exemption on the sale of original and limited edition works of art.

☞ A MESSAGE FOR TAX PROFESSIONALS ☞



HEALTH INSURANCE MANDATE

Special
Notice

*A message for tax professionals from the
Rhode Island Division of Taxation*



Rhode Island's new mandate involving health-care coverage was part of the [fiscal year 2020 budget bill](#) proposed by Rhode Island Governor Gina M. Raimondo, approved by the Rhode Island General Assembly, and enacted on July 5, 2019.

- ◆ The mandate to have sufficient health-care coverage (known as “minimum essential coverage”) took effect January 1, 2020.
- ◆ If you fail to have sufficient health-care coverage or qualify for an exemption, you will have to pay a penalty on your Rhode Island personal income tax return, starting in early 2021 (for the 2020 tax year).
- ◆ Most people have minimum essential coverage (through employer-sponsored health insurance, Medicaid, Medicare, TRICARE, or some other means) and will not have to pay the penalty.



Effective January 1, 2020, Rhode Island now requires its residents to maintain health-care coverage.

The new Rhode Island law requires you and your family to have minimum essential health-care coverage throughout 2020 and beyond, unless you qualify for an exemption.

Failure to have health coverage or qualify for an exemption will result in a “shared responsibility payment” (in other words, a penalty) when you file your 2020 Rhode Island personal income tax return.

[HealthSource RI](#), the [Rhode Island Division of Taxation](#), and the [Office of the Health Insurance Commissioner](#) will be providing further details about the mandate in the months ahead.

Note: If you are not required to file a 2020 Rhode Island personal income tax return, you will be exempt from the mandate for that year. The new Rhode Island law is similar to the federal health insurance mandate in effect on December 15, 2017, prior to enactment of the federal Tax Cuts and Jobs Act.



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

Unless otherwise indicated, all articles and photos in this issue are by the newsletter's editor, Neil Downing. If you have comments or suggestions for *Rhode Island Tax News*, please email: 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.)

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