

# RHODE ISLAND TAX NEWS

A NEWSLETTER FOR TAX PROFESSIONALS

APRIL/MAY/JUNE 2020

## INCOME TAX DEADLINE IS JULY 15

The Rhode Island Division of Taxation reminds tax preparers and taxpayers that the deadline for Rhode Island personal income tax returns and payments, and the filing/payment deadline for cer-

tain business entities, has been postponed to July 15, 2020.

The deadline normally would fall on April 15, 2020. But due to the coronavirus, Governor Gina M. Raimondo announced on

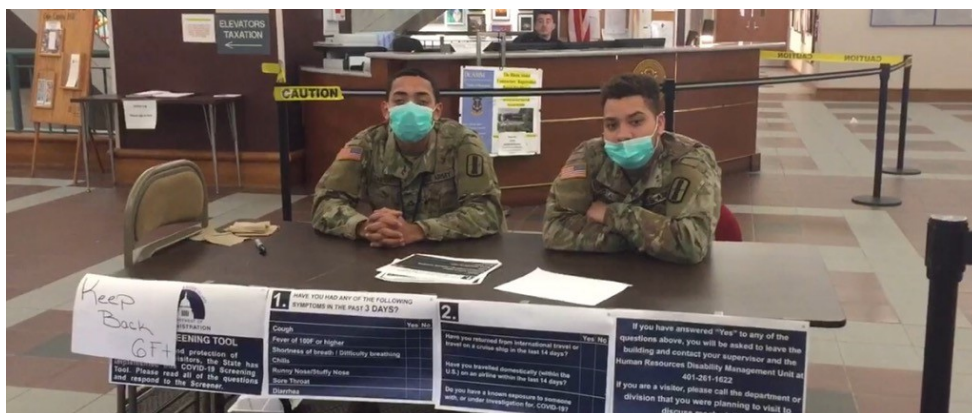
March 20, 2020, that the deadline for filing Rhode Island personal income tax returns and payments related to the 2019 tax year will be July 15, 2020.

(Please turn to page 2)

### UPDATES

As events evolve rapidly in response to the coronavirus, the Division has made changes in a number of areas, including tax deadlines. To make sure you have the most up-to-date information on State taxes, including deadlines, be sure to check the Division's COVID-19 webpage:

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



**On Guard:** Members of the Rhode Island National Guard were assigned recently to the Powers Building in Providence, Rhode Island, where the Division of Taxation is located, to oversee verbal health screenings of visitors and employees as part of the State of Rhode Island's efforts to prevent the spread of the coronavirus. (See article below)

## DIVISION URGES USE OF WEBSITE, PHONES

To help slow transmission of the coronavirus, the Rhode Island Division of Taxation is encouraging taxpayers, tax professionals, and others to use the agency's telephone system, email system, website, and portal instead of

visiting the agency's offices.

"By limiting the number of in-person contacts for the foreseeable future, we can help fight the spread of the coronavirus and protect the health and well-being of taxpayers, tax professionals, and Division of Taxation

employees, among others," said Rhode Island Department of Revenue Director Mark Furcolo in a statement issued on March 14, 2020.

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## INCOME TAX DEADLINE IS JULY 15 (CONTINUED FROM PAGE 1)

The United States Treasury and the Internal Revenue Service extended the deadline for filing federal personal income tax returns and federal personal income tax payments to July 15, 2020.

Thus, the deadline for returns and payments will be the same for Rhode Island personal income tax purposes as it is for federal personal income tax purposes, a convenience for taxpayers and tax preparers.

In addition, Rhode Island Tax Administrator Neena Savage on March 27, 2020, announced that a number of other filings and payments, normally due April 15, 2020, would be due instead on July 15, 2020.

The relief provides three additional months to file returns and pay balances due. No penalties and no interest will apply to those who file and pay on or before July 15, 2020.

“These are difficult times for everyone. That is why the United States Treasury, the Internal Revenue Service, and the Rhode Island Division of Taxation have extended the deadline, normally April 15, to July 15 this year,” she said.

Although the deadline for filing certain tax returns and making certain tax payments has been automatically postponed by three months, the Rhode Island Division of Taxation urges tax preparers and taxpayers to file their returns

before the new deadline where possible. Filing and paying sooner provides the State with essential funding during this crisis and allows the Governor, the General Assembly, and other State decision-makers to plan and protect Rhode Island’s economy.

The relief will give extra time to file and pay for everyone – especially those preparers and taxpayers who are directly affected by the coronavirus.

However, although they can wait until July 15 to file and pay, the Division urges preparers and taxpayers who are in a position to do so to file and pay before the July 15 deadline – for several reasons.

Those who are due refunds can receive them more quickly by filing as soon as possible.

In addition, those who have a balance due can do their part in helping to ensure that the State of Rhode Island continues to have the financial resources necessary to fund critical services that are so essential to the health and well-being of all Rhode Islanders, and will aid the State in planning for and protecting the State’s economy.

### Individuals

The due date for resident and nonresident Rhode Island personal income tax returns – and any associated payments, regardless of the



Screenshot of broadcast on WJAR-TV (NBC 10)

**Due Date:** Rhode Island Governor Gina M. Raimondo on March 20, 2020, announced that the deadline for filing Rhode Island resident and nonresident personal income tax returns would be postponed until July 15, 2020, due to the coronavirus.

amount due – for the 2019 tax year, which would normally be April 15, 2020, is now July 15, 2020. No late charges will apply to payments made on or before July 15, 2020.

The three-month postponement is automatic. The Division will update its computer system accordingly. Tax preparers and taxpayers need not take any extra steps to qualify for the relief and need not contact the Division.

The new deadline applies not only to resident and nonresident Rhode Island personal income tax returns and payments for the 2019 tax year, but also to Rhode Island personal income tax extensions related to the 2019 tax year that would normally be filed

by April 15, 2020.

The new deadline also applies to Rhode Island property-tax relief claims filed on Form RI-1040H and to claims for the residential lead abatement tax credit filed on Form RI-6238 that would normally be due on April 15, 2020.

### Fiduciary returns

In addition, the new deadline applies to fiduciary income tax returns and fiduciary income tax payments filed by estates and trusts related to the 2019 tax year that would normally be due on April 15, 2020.

*(Please turn to next 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 whose normal due date would be April 15, 2020. 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. **Note: Please read “deadline updates” box below.**

## INCOME TAX DEADLINE IS JULY 15 (CONTINUED FROM PREVIOUS PAGE)

The new deadline also applies to first-quarter estimated payments of Rhode Island income tax for the 2020 tax year by individuals, estates, and trusts, that would normally be due April 15, 2020.

### Business entities

A number of business entities also will automatically qualify for the relief – they will have an extra three months to file their returns and pay any balance due, regardless of the

amount due. No late charges will apply to payments made on or before July 15, 2020. The relief is automatic; the Division will update its computer system accordingly; neither preparers nor taxpayers need take any additional steps.

For convenience, a table of due dates appears at the top of this page. *(Note: The relief described in this edition of the newsletter does not apply to filings or payments of any other type of Rhode Island tax, or to the filing of any other Rhode Island return.)*

The Division of Taxation has created a special webpage to address Rhode Island state tax issues related to the coronavirus outbreak and to provide the most up-to-date information on deadlines and other topics.

For more information, click [here](http://www.tax.ri.gov/COVID/) or copy and paste the following address into your web browser: <http://www.tax.ri.gov/COVID/>.



### Division updates

The Division continues to make administrative and other changes in response to the coronavirus pandemic.

To make sure you have the latest updates about deadlines and other State tax matters, be sure to frequently check the Division's COVID-19 webpage:

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

## DIVISION URGES USE OF WEBSITE, PHONES (CONTINUED FROM PAGE 1)

The Division of Taxation is following well-established community approaches to slowing transmission of the coronavirus, including appropriate hand hygiene, cough etiquette, social distancing, and temporarily reducing face-to-face contact with potential cases.

“We appreciate the patience and cooperation of individuals, businesses, and others as we all join in on efforts to slow disease transmission and reduce the number of people who get sick – especially those people who are at increased risk for severe illness, including older adults and people with underlying health conditions,” said Rhode Island Tax Administrator Neena Savage.

Temporarily limiting in-person contact will also help the Division perform its critical function of collecting revenue to fund essential State services, she said.

In keeping with federal and State guidelines, the Division also strongly urges those who are feeling sick, or who have a sick family member in their home, to stay at home and not visit the agency.

“During this trying time, taxpayers and others can obtain nearly every service they require from us via our website, our portal, or by phoning or emailing us,” Savage said. Members of the Rhode Island National Guard were assigned recently to the Pow-

Rhode Island Division of Taxation – some key contact information		
UNIT	PHONE NUMBER	EMAIL ADDRESS
Personal income tax	(401) 574-8829 (option #3)	Tax.Assist@tax.ri.gov
Forms and instructions	(401) 574-8970	Tax.Forms@tax.ri.gov
Sales/use tax, cigarette tax	(401) 574-8955	Tax.Excise@tax.ri.gov
Collections	(401) 574-8941	Tax.Collections@tax.ri.gov
Portal	(401) 574-8484	TaxPortal@tax.ri.gov
Corporate and business taxes	(401) 574-8935	Tax.Corporate@tax.ri.gov
Estate tax	(401) 574-8829 (option #8)	Tax.Estate@tax.ri.gov
Sale of real estate by nonresident	(401) 574-8829 (option #4)	Tax.Assist@tax.ri.gov
Employer taxes (including UI, TDI)	(401) 574-8700	
Registering a business	(401) 574-8938	
Main phone number	(401) 574-8829	

Note: Phones are typically staffed from 8:30 a.m. to 3:30 p.m. business days.

- ◆ Detailed list of Division phone numbers, email addresses: <http://www.tax.ri.gov/contact/>
- ◆ The Division of Taxation website: <http://www.tax.ri.gov/>
- ◆ Division’s coronavirus webpage: <http://www.tax.ri.gov/COVID/>
- ◆ Forms and instructions: <http://www.tax.ri.gov/taxforms/>
- ◆ Rhode Island Free File program: <http://www.tax.ri.gov/misc/efile.php>
- ◆ Division of Taxation’s portal: <https://taxportal.ri.gov/>
- ◆ Business tax EFT filing accounts: <https://www.ri.gov/taxation/business/index.php>
- ◆ Payments via credit card, debit card: <http://www.tax.ri.gov/misc/creditcard.php>
- ◆ Division of Taxation blog, for latest news: <http://rhodeislandtax.blogspot.com/>
- ◆ Division of Taxation on Twitter: @RhodelslandTax (<https://twitter.com/RhodelslandTax>)

ers Building in Providence, Rhode Island, where the Division of Taxation is located, to oversee verbal health screenings of visitors and employees as part of the

State of Rhode Island’s efforts to prevent the spread of the coronavirus.

The Division is also increasing the number of staff handling phone calls and emails.

*As a convenience for taxpayers and tax preparers, this page of Rhode Island Tax News provides key Division contact information, including email addresses, phone numbers, and websites.*

## FIRST TAX BILLS OF GENERAL ASSEMBLY SESSION ARE ENACTED

The first tax bills of the Rhode Island General Assembly's 2020 session have been enacted:

[House Bill 7247 Substitute A](#) and [Senate Bill 2326 Substitute A](#).

Both bills, involving the motion picture production tax credits (also known as film tax credits), were approved by the Assembly and signed into law by Governor Gina M. Raimondo on March 17, 2020.

Under Rhode Island General Laws § 44-31.2-5(a), a film tax credit is generally allowed to be claimed against the corporate income tax (business corporation tax), the bank excise tax, the insurance gross premiums tax, and the personal income tax.

In general, the credit is allowed provided that the primary locations of the production are within the state of Rhode Island and the total production budget is a minimum of \$100,000.

The new law keeps the language above, involving primary locations, but inserts a second option: The credit generally is allowed if the production incurs and pays a minimum of \$10 million in state-certified production costs within a 12-month period.

In other words, the new law allows a credit for a production that does not have its primary locations within the state -- provided that a minimum of \$10 million in state-certified production costs are incurred and paid within a 12-month period. Thus, the new law provides some flexibility that was not contained in the old law.



Photo courtesy of U.S. Small Business Administration

**Summit:** Rhode Island Tax Administrator Neena Savage (left), who heads the Rhode Island Department of Revenue's Division of Taxation, took part in the Rhode Island Small Business Economic Summit, held at Rhode Island College on January 10, 2020. Participants discussed health care, regulations, economic development, taxes, and other topics.

## WHERE'S MY REFUND?

If you are owed a Rhode Island personal income tax refund, you can check the status of your refund by using the ["Where's my tax refund?" interactive tool](#) on the Rhode Island Division of Taxation's website.

Enter the required information as shown on the screen -- including your Social Security number, filing status (whether you file your return as "married" or "single", for example), and the amount of your

expected refund. Assuming that all data has been correctly entered, the tool should offer a prompt response to your query.

The Division updates the online tool almost every business day during filing season.

What if your refund is not available? The tool has a

number of separate messages to give taxpayers and tax preparers a better idea of any issue that may be delaying the processing of the return and any associated refund. The "Where's my tax refund?" tool can be accessed directly through this link:

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



## FILING FOR REFUND OF RHODE ISLAND TDI TAX

If you worked for a single employer last year, chances are that the employer withheld the proper amount in Rhode Island temporary disability insurance (TDI) tax.

But if you worked for two or more employers last year – at the same time, or in succession – you may have overpaid in TDI tax.

That's because there's no way for one employer to know how much in TDI tax the other employer withheld.

So check for yourself: If you paid more than the maximum of \$781.00 in TDI tax last year, you paid too much and should therefore file for a refund.

Although the TDI program is generally overseen by the Rhode Island Department of Labor and Training, TDI taxes – and refunds – are handled by the Rhode Island Division of Taxation.

To claim your refund, use [Form TX-16, "Claim for Refund of Temporary Disability Insurance Tax"](#) (see screenshot nearby). Instructions are on the form.

Following are some points to keep in mind as you complete the form:

- ◆ TDI applies to each person, individually. So if you're married and trying to figure out if you're owed a TDI tax refund, count only the TDI tax that you yourself paid. Your spouse will have to do a separate calculation.

TX-16 (Rev. 1/29/2019)

**STATE OF RHODE ISLAND**  
**DIVISION OF TAXATION - EMPLOYER TAX SECTION**  
 1 Capitol Hill - Suite 36  
 Providence, Rhode Island 02908  
 (401) 574-8700 (Option 2) or [WWW.UITAX.RI.GOV](http://WWW.UITAX.RI.GOV)

**CLAIM FOR REFUND OF TEMPORARY DISABILITY INSURANCE TAX**

**IMPORTANT - Please read instructions before completing**

**1. Enter your Name, Social Security Number, and Address.**

<small>YOUR NAME (First, Middle Initial and Last)</small>	<small>SOCIAL SECURITY NUMBER</small>
<small>NO. AND STREET</small>	
<small>CITY</small>	<small>STATE</small> <small>ZIP CODE</small>

**2. Enter the calendar year for which a refund is being claimed, filing date, your signature, and telephone number.**

I hereby apply for a refund of taxes paid in excess during the calendar year \_\_\_\_\_ to the R.I. Temporary Disability Insurance Fund. I certify that the facts presented including the attached

- ◆ If you're married, each spouse must file a separate form for a TDI tax refund. (Remember: TDI applies to each person, individually.)

- ◆ Claims for TDI tax refunds can be filed only on paper, not electronically. The mailing address is in the instructions. (TDI tax refunds are issued only by check, not electronically.)

- ◆ For each employer you list on the claim form, you must attach a copy of the Form W-2 wage statement you received from that employer.

- ◆ You may request TDI refunds only for 2017, 2018, and 2019. You must use a separate Form TX-16 for each year for which you claim a refund.

- ◆ For more information on TDI refunds, call (401) 574-8700 (choose option # 2) from 8:30 a.m. to 3:30 p.m. business days. (The "Where's My Refund?" online tool is only for personal income tax refunds, not for TDI refunds.)

- ◆ The TDI refund will be based on the amount of wages in excess of the taxable wage base. Those wage bases are as follows:  
 \$68,100 for 2017, \$69,300 for 2018, and \$71,000 for 2019.

Don't expect to receive your TDI refund immediately after you file for it. There are reasons it could be delayed.

For example, TDI refunds for 2019 can't be processed until the Division has received and processed employers' tax and wage reports for late 2019.

It can take until sometime in April, depending on the year, to start processing all those employer reports. Depending on when you file your claim for a refund, it could take up to 12 weeks until you receive your refund check.

For more information, see <http://www.uitax.ri.gov/> or call (401) 574-8700 and choose option 2.



### 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. Or [leave your tip online](#).

## 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.*

### Income tax

At issue is whether the taxpayer is owed a Rhode Island personal income tax refund.

The taxpayer was obligated to file a Rhode Island personal income tax return for the 2015 tax year. The return was due in April 2016, but the taxpayer did not file it then.

Instead, the taxpayer filed the return in January 2019 -- and requested a refund.

Shortly thereafter, the Division issued a letter to the taxpayer denying his request for a refund.

Citing Rhode Island General Laws § 44-30-87 ("Limitations on credit or refund"), the Division determined that the taxpayer was not entitled to the refund he claimed on his 2015 return because he had not filed the refund claim/return on time.

The taxpayer requested a hearing. A hearing was held January 7, 2020, at which the Division was represented by counsel and the taxpayer did not appear.

Under the law, a claim for credit or refund of an overpayment of tax must be filed



*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.*

within three years from the time the return was filed, or two years from the time the tax was paid, whichever of the periods expires the later. *(For an at-a-glance look at how the rules work, please see the table on page 10.)*

◆ **Two-year rule:** Under the two-year rule, the amount of the credit or refund cannot exceed the amount of the tax paid during the two years immediately preceding the filing of the claim. Under the law, the taxpayer's 2015 tax was deemed paid on the date it was due: April 18, 2016. The taxpayer was able to request a refund two years from that date. However, the taxpayer filed the return in January 25, 2019, which is be-

yond the two-year limit.

◆ **Three-year rule:** If a claim for refund is filed within the three-year period, the amount of the credit or refund cannot exceed the amount of the tax paid within the three-year period. In this case, the taxpayer was within the three-year limit. However, from January 25, 2019, to the present, the taxpayer had not paid any tax attributable to the 2015 tax year.

On January 22, 2020, Hearing Officer Catherine R. Warren determined that the taxpayer was not entitled to the refund claimed for 2015 and that the Division of Taxation had properly denied the couple's claim for the refund.

On January 23, 2020, Tax Administrator Neena S. Savage adopted Warren's decision and recommendation.

-- [Final Decision and Order No. 2020-01](#)

### Sales tax refund

A taxpayer filed a sales and use tax refund claim with the Division of Taxation, claiming an overpayment of its 2017 sales and use tax.

The Division requested from the taxpayer information to substantiate the refund claim. No response was received. The Division then denied the refund request.

*(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.).

**Practitioners' Corner****RECENT STATE TAX CASES IN SUMMARY** (CONTINUED FROM PREVIOUS PAGE)

In a letter to the Division, the taxpayer asked for a hearing. The hearing was scheduled for February 20, 2020. The taxpayer received a hearing notice but did not appear at the hearing.

In her decision and recommendation of March 16, 2020, the hearing officer concluded that there were no statutory grounds to allow the refund request. In her recommendation, she said that the taxpayer is not entitled to the claimed refund and that the Division properly denied the taxpayer's claim for a refund.

On March 19, 2020, the tax administrator adopted the hearing officer's decision and recommendation.

-- [Final Decision and Order No. 2020-02](#)

**Medical cannabis**

On their 2017 Rhode Island income tax return, the taxpayers claimed a modification reducing their federal adjusted gross income for Rhode Island tax purposes.

The modification -- included as a Section 179 deduction -- was attributed to the annual licensing fee issued by the State of Rhode Is-

land to medical cannabis cultivators.

The Division denied the modification. The Division did not dispute that the taxpayers paid a licensing fee for cannabis cultivation and that this activity is allowed by State law.

However, the Division argued that because cannabis cultivation is illegal under federal law, such expenses cannot be deducted for federal income tax purposes. And because Rhode Island's income tax computation is based on a taxpayer's federal adjusted gross income, such a deduction is not allowed for Rhode Island income tax purposes.

The Division also asserted that there is no Rhode Island statute that allows for this type of deduction for Rhode Island income tax purposes.

The Division asserted that this kind of deduction cannot be created out of equity and that the remedy is legislative, not administrative.

The taxpayers argued that while there is no specific Rhode Island law that allows for the deduction, and that their ultimate remedy is legislative, they should be granted an equitable adjustment on their Rhode Island return.

The hearing officer, citing numerous Rhode Island statutes, concluded that the tax-

payers are unable to modify their 2017 federal adjusted gross income for Rhode Island tax purposes with what would be, in effect, a deduction for the cannabis cultivation licensing fee.

On March 16, 2020, the hearing officer recommended a finding that the Division properly disallowed the taxpayers' request to modify their federal adjusted gross income for Rhode Island tax purposes for the 2017 tax year.

On March 19, 2020, the tax administrator adopted the hearing officer's decision and recommendation.

- [Final Decision and Order No. 2020-03](#)

**Tax year 2020**

The Rhode Island Division of Taxation recently issued a newsletter that focuses on what's new for the 2020 tax year.

To view, click [here](#).

**Editor's Note**

In general, Section 179 of the Internal Revenue Code allows business taxpayers to deduct the cost of certain property as a current-year expense when the property is first placed in service.

A taxpayer may benefit by claiming a Section 179 deduction as a current-year expense, rather than claiming normal depreciation in stages over a period of years.

Although Section 179 was not the focus of the hearing summarized on this page (No. 2020-03), it is helpful to note the following:

Rhode Island decoupled from federal law involving Section 179 in 2003. However, as a result of legislation enacted in Rhode Island in 2013, Rhode Island once again follows federal law for Section 179.

Thus, a taxpayer is generally able to follow federal law when electing to treat the cost of any Section 179 property as a current-year expense. That Rhode Island legislation took effect on January 1, 2014, and it remains the law today.

The provisions of Section 179 were expanded by the federal Tax Cuts and Jobs Act. Rhode Island follows suit. (See [Rhode Island General Laws § 44-61-1.1](#), "Expensing in lieu of depreciation of assets").





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

**Q: The Rhode Island Division of Taxation recently postponed its normal April 15, 2020, filing deadline to July 15, 2020, due to the coronavirus pandemic. What effect does that deferred deadline have on someone who has not filed a Rhode Island personal income tax return for the 2017 tax year, and is claiming a refund for that year?**

None. As a general rule, if someone has not filed a Rhode Island personal income tax return for the 2017 tax year, and is claiming a refund, the latest that person could file the return and still receive the refund is April 15, 2020. That has not changed.

We postponed the normal April 15, 2020, filing deadline for Rhode Island resident and nonresident personal income tax returns covering the 2019 tax year, not for other tax years.

Note: For purposes of determining how long one has to claim a refund -- the "statute of limitations" -- Rhode Island actually has a two-year rule and a three-year rule. For a summary of how both rules



work, please see the table on the following page.

**Q: I usually file my Rhode Island personal income tax return on extension, so that my deadline is October 15. In other words, filing on extension**

**gives me an additional six months to file my return. But the Division recently extended the normal filing deadline to July 15, 2020. As a result, if I file on extension this year, will my return for the 2019 tax year be due in January 2021? Or is it still due on October 15, 2020?**

It's due on October 15, 2020.

As you know, Rhode Island allows resident and nonresident personal income tax returns to be filed on extension. That gives you an extra six months to file. It is an extension of the time to file, not of the time to pay. Normally, you still must pay what you owe by the April 15 deadline.

This season, there's a twist: Because of the coronavirus, we moved the normal dead-

line of April 15, 2020, to July 15, 2020, for filings and for payments. No late charges will apply if you pay what you owe on or before July 15, 2020. The relief is automatic.

How does this apply to people like you, who normally file on extension, which gives them six extra months to file? The deadline for you and other extension filers is still October 15, 2020.

So, for you, only one thing has changed: Instead of filing for an extension and paying what you owe by April 15, 2020, you can wait until July 15, 2020, to pay what you owe and file for an extension. But you still must file the return on or before October 15, 2020.

**Q: We are going to e-file a Rhode Island personal income tax return that includes a claim for a property-tax relief credit on Form RI-1040H. To provide supporting documentation for the property-tax relief claim, are we going to have to attach a statement to the return — and include rent receipts, a copy of the lease, or other such information?**

*(Please turn to next page)*

**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.*

**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

**Practitioners' Corner**

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

When you electronically file your property-tax relief claim (Form RI-1040H), you need not attach rent receipts or other such supporting documentation.



However, please keep in mind that the tax preparer is obligated — by statute and by regulation — to perform due diligence.

The preparer must follow a series of steps, as detailed in the regulation. There are also record-retention requirements.

Before you prepare and file a return on which the property-tax relief credit is claimed, it is a good idea for you, as the preparer, to read the regulation and understand the requirements that apply to you, as well as the civil and criminal penalties that may apply. To view the statute, click [here](#). To view the regulation, click [here](#).

Also keep in mind that we always reserve the right to request supporting documentation.

**Q: How are capital gains treated for Rhode Island personal income tax purposes?**

Income from short-term capital gains and long-term capital gains is treated the same as ordinary income for purposes

of Rhode Island's personal income tax, whether you're a resident or nonresident filer.

In 2009, Rhode Island legislation was enacted to treat capital gains as

ordinary income, effective with the 2010 tax year.

Thus, like many other states, Rhode Island treats capital gains the same as ordinary income for state personal income tax purposes.

*(Please turn to next page)*

**Latest updates**

The Division continues to make administrative and other changes in response to the coronavirus pandemic.

To make sure you have the latest updates about deadlines and other State tax matters, be sure to frequently check the Division's COVID-19 webpage:

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

**Statute of limitations for Rhode Island personal income tax refunds** [Rhode Island General Laws § 44-30-87]

A claim for credit or refund of an overpayment of tax must be filed within three years from the time the return was filed or two years from the time the tax was paid, whichever of the periods expires the later.

<p>▪ Three-year rule</p>	<p>If the claim is filed within the three-year period, the amount of the credit or refund cannot exceed the amount of the tax paid within the three-year period.</p>
<p>▪ Two-year rule</p>	<p>If the claim is not filed within the three-year period, but is filed within the two-year period, the amount of the credit or refund cannot exceed the amount of the tax paid during the two years immediately preceding the filing of the claim.</p>

Note: Any income tax withheld from the taxpayer during any calendar year, and any amount paid as estimated income tax for a taxable year, is deemed to have been paid on the fifteenth day of the fourth month following the close of the taxable year for which the payments were being made.

**Example of how the rules apply**

Maria's 2012 return was due on April 15, 2013. She actually filed the return on July 1, 2015. As a result, July 1, 2015, becomes the starting date for the three-year rule. The three-year period thus runs from July 1, 2015, to July 1, 2018. Were there any Rhode Island income tax payments attributable to 2012 during this three-year period? No. Thus, Maria does not pass the test under the three-year rule.

When Maria worked in 2012, Rhode Island personal income tax was withheld from her wages each week for 52 weeks. By statute, the wage withholding was deemed paid on April 15, 2013. Maria then had two years from the April 15, 2013, payment date to file a 2012 return. Was the return filed within the two-year period? No. Maria does not pass either the three-year rule or the two-year rule. Her refund claim is therefore denied.

⇒ When it comes to taxation, federal and state laws are often different – no matter which state is involved. For example, Rhode Island laws and federal laws are not the same when it comes to personal income tax refunds.

## RHODE ISLAND FREE FILE PROGRAM STILL AVAILABLE

Many volunteer tax-preparation sites closed in March to limit the spread of the coronavirus.

However, many taxpayers are eligible to prepare and electronically file their federal and Rhode Island personal income tax returns at no charge by using the Rhode Island Free File program, available on the [Rhode Island Division of Taxation website](#).

Check the website's listing of offers from brand-name online tax software providers to see the ones for which you may be eligible. Choose the one that best suits your needs and click on it.

"Many taxpayers are eligible to prepare and e-file their federal and Rhode Island personal income tax

returns at no charge through the Division of Taxation's website," said Rhode Island Tax Administrator Neena Savage.

"Free File online products offer free federal and Rhode Island tax return preparation, free e-filing, and free direct deposit of refunds to ensure that you get your money faster," she said.

"We encourage do-it-yourself taxpayers to visit our website and check to see if they're eligible for any of the Free File offers," she said.

The Free File offers will be available through October 2020 for returns that cover the 2019 tax year.



**Tax Update:** Assistant Tax Administrator Michael F. Canole (shown in screenshot above) talked about the filing season during an interview on January 28, 2020, with WJAR-TV (NBC 10).

### FILING SEASON TIPS

Now that the deadline has been moved to July 15, 2020, for filing and paying Rhode Island personal income tax related to the 2019 tax year, there may be more time available to read up on

Rhode Island tax breaks and other topics.

In February of this year, the Division of Taxation posted a special "filing season" newsletter, containing tax tips

that still apply. To view the newsletter, click [here](#). (As you read it, please keep in mind that the deadline has changed to July 15, 2020.)

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

Capital gains in Rhode Island are taxed at 3.75%, 4.75%, or 5.99% (the same as ordinary income).

Keep in mind that the highest rate is 5.99% -- whether the gain is short-term or long-term.

From a tax-preparation standpoint, no distinction is made between ordinary and capital for Rhode Island purposes. Remember that federal ad-



justed gross income on the U.S. Form 1040 includes capital gain/loss. The starting point for Rhode Island is federal adjusted gross income.

**Q: I have a question regarding disability payments. Are disability payments paid by the employer subject to Rhode Island personal**

**income tax withholding? Are disability payments paid by a third party subject to Rhode Island personal income tax withholding?**

We follow the federal tax treatment. So if they are taxable for federal purposes and subject to withholding for federal purposes, we would expect the same for Rhode Island tax purposes.

**Q: Is there information on your website about the Rhode Island tax credits for contributions to scholarship organizations?**

Yes. For information about the program, under Rhode Island General Laws Chapter 44-62, click [here](#). To view a summary of each scholarship organization's scholarship information, click [here](#).

# REMINDER: LINK TO DIVISION OF TAXATION REGULATIONS

Searching for the latest tax regulations from the Rhode Island Division of Taxation?

Simply click on the “Regulations” link on the Division of Taxation’s home page (see *highlighted portion of screenshot on right side of this page*).

That takes you to the Division’s landing page involving regulations. You will then have the option to click on a link that will take you directly to the section of the Rhode Island Department of State website that hosts Division of Taxation regulations (see *screenshot on bottom of this page*).

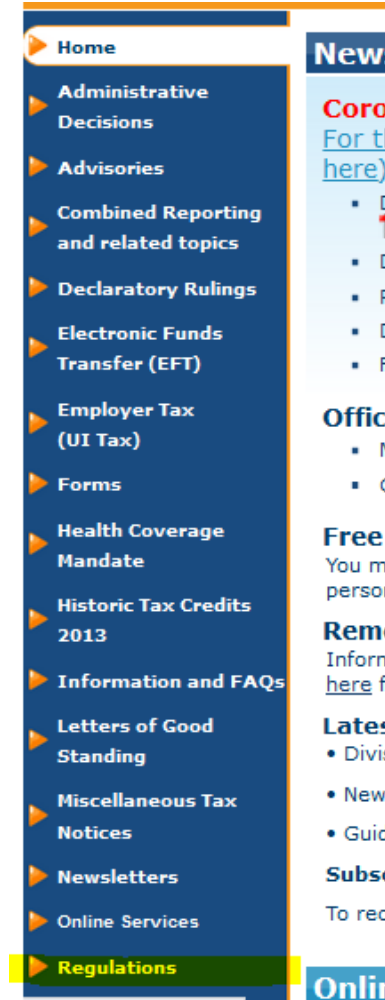
The Division of Taxation has completed a months-long

effort to streamline and re-codify its regulations.

The effort included modifying the format of many regulations in accordance with the new Rhode Island Code of Regulations (a uniform state code).

All Division of Taxation regulations are available for viewing on the user-friendly Department of State (Secretary of State) website.

The “Regulations” link on the Division of Taxation website provides quick access to those regulations. The home page of the Division of Taxation website is at [www.tax.ri.gov](http://www.tax.ri.gov).



~ A MESSAGE FOR TAXPAYERS ~



# HEALTH INSURANCE MANDATE

Special  
Notice

*A message for taxpayers 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 (also 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.



As of January 1, 2020, Rhode Island 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 in early 2021.

◆ **Need Health Coverage?** If you just learned about Rhode Island's mandate during the tax season in 2020, you may be eligible to sign up via a special enrollment period (SEP). Go to [www.healthsourceri.com/mandate](http://www.healthsourceri.com/mandate) for more information or call 1-855-840-HSRI. Eligible low-income families can enroll in Medicaid at any time.

◆ **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](http://www.tax.ri.gov).

### HOW TO SUBSCRIBE

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

### COMMENTS AND SUGGESTIONS

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](mailto:Neil.Downing@tax.ri.gov)

### BACK ISSUES

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

#### How to contact us

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

##### Website

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

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

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The Division also thanks Hearing Officer Catherine Warren for her assistance. Photo on page 1 courtesy of Neena Savage.