Update on Rhode Island Taxes and Current Developments

Speakers:

Neena S. Savage, Esq.  Non-Collection Retailers
Tax Administrator

Michael F. Canole  Regulation Update
Assistant Tax Administrator

Jacques L. Moreau  Tax Amnesty Program
Chief of Compliance and Collection

Marlen A. Bautista  Corporate Tax Update
Chief Revenue Agent

Leo R. Lebeuf  Personal Income Tax
Chief Revenue Agent
Update

Philip L. D’Ambra  Employer Tax Update
Chief Revenue Agent

Theriza A. Iafrate  Excise Tax Update
Chief Revenue Agent

Rahul B. Sarathy  Computer System Update
Chief of Examination “STAARS”

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Tax Administrator  

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Division of Taxation - Overview

Non-Collection Retailers
NONCOLLECTING RETAILERS, REFERRERS, AND RETAIL SALE FACILITATORS
ARTICLE 9: General Summary
Outline of Proposed Law

- Legislative Findings: 44-18.2-1
- Definitions: 44-18.2-2
  - Noncollecting Retailer: 44-18.2-2(4)
  - Referrer: 44-18.2-2 (6)
  - Retail Sale Facilitator: 44-18.2-2 (9)
- Requirements for: 44-18.2-3
  - Noncollecting Retailer
  - Referrer
  - Retail Sales Facilitator
- Exceptions: 44-18.2-4
- Penalties: 44-18.2-5
- Other Obligations: 44-18.2-6
- Rules and Regulations: 44-18.2-7
- Enforcement: 44-18.2-8
- Appeal: 44-18.2-9
- Severability: 44-18.2-10
Covered Entities: Sales Made or Facilitated By Various Functions

**Noncollecting Retailer**
- Uses in-state Software to make sales at retail or
- Sells, leases, delivers or participates in any activity relating to sale, lease, delivery or
- Uses Retail Sale Facilitator (in state, or out of state) or
- Uses sales process including branding, selling, soliciting, processing, fulfilling, exchanges or
- Offers tangible personal property, etc or
- Is Related to an entity, etc with physical presence in this state.
  - Collects payments (either directly or through RSF)

**Retail Sale Facilitator**
- Uses in-state Software to make sales at retail or
- Contracts or agree with a retailer to list and/or advertise AND
- Directly or indirectly collects payments from in-state customers and transmit payments to a retailer

**Referrer**
- Contracts with a retailer to list, etc for sale and
- Receives a fee, commission from a retailer for listing or advertisement and
- Transfers via telephone, internet or otherwise an in-state customer and
  - Does not collect payments from in-state Customer.
Threshold Requirements

Noncollecting Retailers
- Meet activity definition
- Immediately preceding calendar year has $100K gross revenue or 200 or more transactions

Retail Sale Facilitator
- Meet activity definition
- Immediately preceding calendar year has $100K gross revenue or 200 or more transactions

Referrer
- Meet activity definition
- Immediately preceding calendar year has $100K gross revenue or 200 or more transactions
Compliance Options: If thresholds met, then:

<table>
<thead>
<tr>
<th>Noncollecting Retailer</th>
<th>Retail Sale Facilitator</th>
<th>Referrer</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Beginning July 15, 2017, register, collect or remit OR</td>
<td>• Beginning January 15, 2018, annually provide list of names/addresses of the retailers for whom they collect RI Sales Tax</td>
<td>• At any time during any calendar year when more than $10K from fees, commissions compensation, provide all retailers with notice within 30 days</td>
</tr>
<tr>
<td>• Post notice on website and Notify at time of purchase Notify within 48 hours Send annual notice Annual attestation</td>
<td>• Annually provide list of names and address of retailers for whom they do not collect RI Sales and Use Tax.</td>
<td></td>
</tr>
</tbody>
</table>

This publication is an informal summary of proposed legislation and is for general information purposes only. It is not a substitute for the legislative proposal, the legislation itself, Rhode Island General Laws, or Rhode Island Division of Taxation regulations, rulings, or notices.
Pursuant to the provisions of 42-35-2(a)(1) of the General Laws of Rhode Island, and in accordance with the Administrative Procedures Act (Chapter 42-35 of the General Laws), the Division of Taxation hereby gives notice of its intent to issue regulations.

Public hearings are scheduled as follows:

**Wednesday October 18, 2017**
Starting at 9:30 a.m.

- Access to Public Records, Amendment: ERLID 6045
- Bank Excise Tax, Repeal: ERLID 448
- Compassion Center Surcharge, Repeal: ERLID 6530
- Taxpayer Rights and Responsibilities, Amendment ERLID 1244
- Sale of Real Property by Nonresidents, Repeal ERLID 611
- Sale of Real Property by Nonresidents – Limited Liability Companies, Repeal: ERLID 624
- Withholding on Sale of Real Property by Nonresidents, Repeal: ERLID 610
- Withholding Tax on the Sale of Real Property by Nonresidents, Adoption: ERLID TBA
Jacques L. Moreau
Chief Compliance and Collections Section

Telephone: (401) 574-8884
Fax: (401) 574-8915
E-mail: Jacques.Moreau@tax.ri.gov

2017 - 2018 Tax Amnesty

1) September 27, 2017 Advisory

2) Amnesty Notice

3) Amnesty Return

4) Dedicated Phone Bank

5) Dedicated Email / Webpage
Preparations under way for Rhode Island tax amnesty

Division provides highlights well in advance for tax professionals and tax preparers

PROVIDENCE, R.I. – Preparations at the Rhode Island Division of Taxation are under way for the Rhode Island tax amnesty which begins in December.

“The start of amnesty is still more than two months away, but we want to let tax professionals and taxpayers know that we are well along in our planning and in our preparations,” said Rhode Island Tax Administrator Neena S. Savage, who oversees the Division of Taxation, which is part of the Rhode Island Department of Revenue.

“With today’s Advisory, we are providing a summary of amnesty information – some highlights, at a glance – for those tax professionals and taxpayers who are eager for information well in advance. We are making steady progress in our preparations and we will be ready for the amnesty when it begins,” Savage said.

For example, the Division already has set up the official amnesty website, which will be a clearinghouse of information about the amnesty. The website address is: http://www.taxamnesty.ri.gov/.

Although the website remains under construction, the Division of Taxation wants to let tax professionals and taxpayers know that the website will serve as the central repository for official amnesty-related information: The Division plans to post information to the website in stages over time – including the amnesty application form when it is completed.

Account statements to be mailed

The Division plans to mail account statements to approximately 90,000 taxpayers, beginning in early November, letting them know of their account balance. The account statements also will let the taxpayers know how much it will cost them to pay off their balance. In addition, the mailing will include the official amnesty application form and a payment voucher.

Plans also call for a phone bank to answer calls about amnesty. The Division will announce the phone number and the hours of operation when the phone bank opens, closer to the start of amnesty. In addition, the Division has already begun planning an extensive advertising and marketing campaign for amnesty.
Other points to keep in mind

Following are a few additional points to keep in mind regarding amnesty:

- By law, amnesty begins on December 2, 2017. But that's a Saturday. So, to avoid confusion and for convenience, the Division plans to begin accepting amnesty applications on Friday, December 1, 2017.

- Amnesty shall apply to all Rhode Island state taxes and fees administered by the Rhode Island Division of Taxation/Tax Administrator. Thus, no federal or local taxes or fees are eligible.

- The amnesty is for any taxable periods which ended on or before December 31, 2016. Thus, the amnesty will not apply to tax periods ended or ending in 2017 or later.

- If you pay the tax you owe, the Division will waive penalties and reduce the interest by 25 percent. For example, during 2016, a rate of 18 percent applied to underpayments. However, if you qualify for amnesty under this example, your interest rate for that period would be reduced by 4.5 percentage points, to 13.5 percent. In addition, the Division will not seek civil or criminal prosecution for the taxable period for which amnesty has been granted, nor will the Division block the renewal of your driver’s license, professional license, or motor vehicle registration for that period. “In addition, by taking advantage of amnesty, you will get a clean slate, a fresh start, and rest easy,” Savage said.

- Although the Division plans to mail notices to about 90,000 taxpayers who have a balance due, the Division will also extend amnesty to those whose Rhode Island tax delinquencies are not known to the agency. For example, someone who has never filed a Rhode Island return, but who should have filed, may be eligible for the amnesty. That person should contact the agency either shortly before amnesty begins or during the amnesty period. That person should also keep in mind that amnesty applies only for any taxable periods which ended on or before December 31, 2016.

- The 75-day amnesty period runs through Thursday, February 15, 2018. All amnesty applications and payments must be made or postmarked on or before 11:59 p.m. on February 15, 2018.

- Remember: Additional information about amnesty will be posted to the amnesty website.
STATEMENT OF ACCOUNTS ELIGIBLE FOR AMNESTY 2017

Taxpayer ID: [TAXPAYER ID]
Notice ID: [NOTICE ID]
Total Amount Due: $[TOTAL_BAL_DUE]
Amnesty Amount Due By 12/15/2017: $[AMOUNT1]

Dear Taxpayer:

Division of Taxation records show you owe the above amount. A “Summary of Taxes Due” listing each known tax liability is on the back of this notice. These tax liabilities may be eligible for the Amnesty 2017 Program whereby taxpayers receive a penalty waiver and partial interest reduction upon submitting an amnesty return, and full payment of the amnesty amount due between December 1, 2017 and February 15, 2018. The Amnesty 2017 Program does not apply to anyone who is in bankruptcy or receivership, currently under audit, in hearing or in court on a tax matter or is under criminal investigation for taxes.

To claim amnesty, you must send a bank check or money order payable to the RI Division of Taxation for the full amount of the amnesty payment(s) along with the amnesty bill coupon below and the enclosed amnesty return. The amnesty payment has already been computed and is shown for each tax liability in the Summary of Taxes Due. Amnesty returns are also available online at the Tax Division’s website at www.TaxAmnesty.ri.gov. Information is also available by calling (401) 574-8650 or e-mailing Tax.Amnesty@tax.ri.gov. Payments and amnesty returns should be mailed after December 1, 2017. Payments or returns received after February 15, 2018 do not qualify for amnesty but the monies will be applied to your outstanding tax liabilities.

The Summary of Taxes Due does not include any payroll taxes that you may owe to the Division of Taxation, Employer Tax Section. To receive amnesty on these tax liabilities, you must contact the Employer Tax Section at (401) 574-8700 and file a separate check and return. The Summary of Taxes Due does not include any unknown or established tax liabilities for which a return was not filed or you were not previously billed.

__________________________ [STATE]
[DIVISIONCAP]
Amnesty Bill Coupon

Make check(s) payable to: Rhode Island [DIVISION] Date:[MAIL DATE]
Include Notice ID [NOTICE ID] on the check
Rhode Island [DIVISION]
[AGENCYLINE1]
[AGENCYLINE2]
[NAME]

Case ID: [CASE ID]
Invoice Number: [INVOICE NUMBER]
Amount Due if Paid by 12/15/17 $[AMOUNT1]
Amount Due if Paid by 01/15/18 $[AMOUNT2]
Amount Due if Paid by 02/15/18 $[AMOUNT3]
Amount Enclosed $
STATEMENT OF ACCOUNTS ELIGIBLE FOR AMNESTY 2017

<table>
<thead>
<tr>
<th>Account Period</th>
<th>Tax</th>
<th>Interest</th>
<th>Penalty</th>
<th>Amnesty Savings</th>
<th>Amnesty Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td>Total</td>
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</tr>
</tbody>
</table>

The above interest is calculated to December 15, 2017 and will continue to accrue on any tax amount due. A bill less than thirty (30) days old may not be included in the above total. The above figures do not include any taxes that are being contested in court or hearing. The above figures do not include any taxes that were billed for a tax period after December 31, 2016.
Rhode Island has established a Tax Amnesty Program beginning on December 1, 2017 and ending February 15, 2018. Civil and criminal penalties will be waived for a taxpayer who applies for amnesty during the amnesty period and pays the full amount of tax and seventy-five (75%) percent of interest computed from the original due date to the actual date of payment.

### Section I: Type or Print Name, Mailing Address and Tax Identification Number

<table>
<thead>
<tr>
<th>Taxpayer name</th>
<th>Social security # or federal identification #</th>
<th>Sales tax permit #</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spouse's name (if joint income tax application)</td>
<td>Spouse's social security #</td>
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</tr>
<tr>
<td>Business name (if different from above)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mailing address (include apt., office or unit #, if any)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City, town, or post office</td>
<td>State</td>
<td>ZIP Code</td>
</tr>
</tbody>
</table>

In case additional information is needed, provide a name (if different from the taxpayer listed above) and telephone number where we may reach you weekdays between the hours of 8:30 a.m. and 3:30 p.m.

### Section II: Indicate Tax Period, and Amounts Due for Each Period

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax type</td>
<td>Period of return</td>
<td>Enter tax amount</td>
<td>Enter interest amount</td>
<td>Enter Total Add Columns C + D</td>
</tr>
<tr>
<td></td>
<td>Beginning</td>
<td>Ending</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
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<td>2.</td>
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<td>5.</td>
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<tr>
<td>6.</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

7. Totals. For each column, add amounts from lines 1 through 6 . . . . . . . . . .

8. Totals from continuation sheet. Check □ if additional sheets attached . . . .

9. Original Amount Due. For each column, add lines 7 and 8 . . . . . . . . . .

10. Interest at 75%. Multiply interest from Column D, line 9 by 75% (0.75) . . . . .

11. Total Due from periods not reported on Amnesty SOA. For Column C, enter amount from line 9. For Column D, enter amount from line 10 . . . . . . . .

12. Amount Due from Amnesty Statement of Account (SOA) . . . . . . . . . . . . . .

13. Total Amnesty Amount Due. For each column, add lines 11 and 12 . . . . . . . . .

### Section III: Sign this application

Under penalties of perjury, I declare that I have examined this form, including any accompanying returns and schedules, and to the best of my knowledge they are correct and complete. I also declare that to the best of my knowledge I am not under criminal investigation, or a party to any civil or criminal litigation pending in any court of the United States or the State of Rhode Island for fraud relative to any state tax collected by the Tax Administrator.

I apply for the amnesty on the items listed above, and enclose a payment of: $ __________________________

Signature of taxpayer or authorized agent Date

Spouse's signature (if joint income tax application) Date

Title of authorized agent

If corporation, signature of authorized officer Date

Title
TAX AMNESTY - GENERAL INFORMATION

What is Tax Amnesty?
Tax Amnesty is an opportunity for taxpayers to pay back taxes without penalty or criminal prosecution.

Who is eligible for Tax Amnesty?
Individual taxpayers, corporations, or other entities which owe any tax imposed by law and collected by the Tax Administrator.

Who is not eligible for Tax Amnesty?
Amnesty will not be granted to taxpayers who are a party to any criminal investigations or to any civil or criminal litigation which is pending in any court of the United States or the State of Rhode Island for fraud in relation to any state tax imposed by any law of the State of Rhode Island and collected by the Tax Administrator.

What taxes are eligible for Tax Amnesty?
All state taxes imposed by the State of Rhode Island and collected by the Tax Administrator.

What is the applicable interest rate?
Interest is to be computed at the rate of twelve percent (12%) annually from the due date to 9/30/2006 and at a rate of eighteen percent (18%) from 10/1/2006 to the payment date.

Where to obtain forms and assistance?
To obtain additional amnesty applications, tax forms or general information, contact the Tax Amnesty Section by calling (401) 574-8650 by visiting the Tax Amnesty website: www.TaxAmnesty.ri.gov or by sending an email to Tax.Amnesty@tax.ri.gov.

NOTE: A separate Amnesty Application must be completed for any Employer Taxes owed. Send in with a bank check or money order payable to RIET.

INSTRUCTIONS ON HOW TO APPLY FOR TAX AMNESTY

INSTRUCTIONS ON HOW TO APPLY FOR TAX AMNESTY

Section I
Use current information. For personal income tax, enter name and social security number. For joint personal income tax applications also enter information on spouse.

For all other taxes enter taxpayer name and applicable tax identification number (social security/employer identification/sales tax permit). For taxes owed by a business, enter the business name and federal identification number.

Enter present mailing address. Include name of individual authorized to receive mail if different than the taxpayer name.

Section II
Complete as follows:

Column A Lines 1 through 6: Enter type of eligible tax (e.g. cigarette, corporate, employer tax, motor fuel, personal income, sales and use, withholding).

Remember to complete a separate application for any Employer Taxes owed, and send in a separate payment payable to RIET.

Column B Lines 1 through 6: Enter the tax period, tax year or date the tax liability was incurred.

Column C Lines 1 through 6: Enter the amount of tax due from your tax return(s).

Line 7: Enter the total tax due from lines 1 through 6.

Line 8: Enter the tax due from any additional sheets you are attaching and check the box on this line.

Enter here and on line 11.

Line 9: Add the tax amounts from lines 7 and 8.

Enter here and on line 11.

Line 11: Enter the amount from line 9.

Line 12: Enter the amount of tax from your 2017 Amnesty Statement of Account that is being included with your Amnesty Application.

Line 13: Add the tax amounts from line 11 and 12.

Column D Lines 1 through 6: Enter the amount of interest due. Compute interest at the rate of: 12 percent (12%) annually (1% per month) from the due date through September 30, 2006 and 18 percent (18%) annually (1.5% per month) from October 1, 2006 through time of payment.

Line 7: Enter the total interest due from lines 1 through 6.

Line 8: Enter the interest due from any additional sheets.

Line 9: Add the interest amounts from lines 7 and 8 together.

Line 10: Multiply the interest amount on line 9 by 75% (0.75) to get the amount of interest due.

Enter here and on line 11.

Line 11: Enter the amount from line 10.

Line 12: Enter the amount of interest from your 2017 Amnesty Statement of Account that is being included with your Amnesty Application.

The interest on the 2017 Amnesty Statement of Account has been calculated at 75% for your convenience.

Line 13: Add the tax amounts from line 11 and 12.

Column E For lines 1 through 9 and lines 11 through 13: Add the tax amounts from Column C to the interest amounts from Column D.

Section III Sign this application and all attached tax forms. Make bank check or money order payable to "Rhode Island Division of Taxation." Include your social security number or other tax identification number on all payments. Include the coupon from your 2017 Amnesty Statement of Account, if including amounts on your Amnesty Application.

If you are making payment for Employer Taxes, please send a separate bank check or money order payable to "RIET."

Mail Tax Amnesty application, tax forms and payment to:
Tax Amnesty
RI Division of Taxation
One Capitol Hill
Providence, RI 02908-5800

Your amnesty application(s), along with all delinquent tax returns and payments that are being submitted for Amnesty, must be postmarked by February 15, 2018 in order to be considered.

A taxpayer who applies for tax amnesty forfeits all future appeal rights for liabilities paid through the Tax Amnesty program.
1) Combined reporting
2) Change in due dates – filings
3) Corporate minimum tax:
   - Tax Year 2016 - $450
   - Tax Year 2017 - $400
4) Change in estimated tax payment schedule
   - Includes combined return filers
5) Letters of good standing for the sale or transfer of a major portion of RI assets now applies to the following:
   - C corps
   - S corps
   - Limited liability companies
   - General partnerships
   - Limited partnerships
   - Limited liability partnerships
General Information

- For tax years beginning on or after January 1, 2015, a business which is treated as a C corporation for federal income tax purposes, and which is part of a combined group engaged in a single or common business enterprise – a “unitary” business – must file a combined return with Rhode Island.

- An entity treated as a C corporation for federal income tax purposes must report on its Rhode Island return not only its own income, but also the combined income of the other corporations, or affiliates, that are part of a combined group under common ownership and part of a unitary business.
Excluded Corporations

- Any C corporation which is or will be taxed under RIGL Chapter 44-11 is subject to combined reporting, except for the following:
  - public service corporations RIGL 44-13
  - banking Institutions RIGL 44-14
  - credit unions RIGL 44-15
  - insurance companies RIGL 44-17
  - partnerships treated as pass-through entities for federal tax purposes
  - limited liability companies treated as pass-through entities for federal tax purposes
  - sole proprietorships and disregarded entities
  - any corporation incorporated in a foreign jurisdiction if its sales factor for total receipts outside the United States is 80% or more
Apportionment

- **single sales factor**: sales (gross receipts)

- **finnigan method**: all sales of members of the combined group attributable to Rhode Island are included in the sales factor numerator – regardless of whether or not an individual member of the combined group has nexus with Rhode Island

- **market-based sourcing**: receipts from transactions (other than sales of tangible personal property) are sourced to the market state – that is, the state where the recipient of the service and/or intangible personal property receives benefit
Corporate Minimum Tax

- to compute the minimum tax: # of members that have nexus times the minimum tax or the actual tax due for the entire combined group, whichever is higher
Net Operating Loss Deductions

- **pre-2015**: may be carried forward and applied only against the income of the corporation that created the NOL; the NOL cannot be shared with other members of the combined group; no deduction is allowable for a net operating loss sustained during any taxable year in which the corporation was not taxed under the Rhode Island corporate income tax.

- **post-2015**: can be offset among members of the group.
Tax Credits

- **pre-2015**: shall be allowed to offset only the tax liability of the corporation that earned the credits; the Rhode Island tax credits cannot be shared with other members of the combined group

- **post-2015**: may be applied to other members of the group
- **Estimated Tax**
  - the installments must equal one hundred percent (100%) of the current year tax liability

- **Designated Agent**
  - the combined group may select any member of the combined group as the designated agent, subject to a limitation that the designated agent itself has a Rhode Island filing requirement under RIGL Chapter 44-11
### Combined Reporting Schedule

#### Deductions to Federal Taxable Income

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Federal taxable income</td>
</tr>
<tr>
<td>2</td>
<td>2016 NOL deduction</td>
</tr>
<tr>
<td>3</td>
<td>NOL carryforward</td>
</tr>
<tr>
<td>4</td>
<td>Special deductions</td>
</tr>
<tr>
<td>5</td>
<td>Exempt dividends and interest</td>
</tr>
<tr>
<td>6</td>
<td>Foreign dividend gross-up (578) US 1120, Schedule C, line 15</td>
</tr>
<tr>
<td>7</td>
<td>Bonus depreciation and Sec. 179 expense adjustment</td>
</tr>
<tr>
<td>8</td>
<td>Discharge of business indebtedness claimed as income or federal return and state return and/or federal return and state return of another employer</td>
</tr>
<tr>
<td>9</td>
<td>Modification for Tax Incentives for Employers - RIGL §4465:4.1</td>
</tr>
<tr>
<td>10</td>
<td>TOTAL DEDUCTIONS, ADD LINES 2 AND 4 THROUGH 9</td>
</tr>
</tbody>
</table>

#### Additions to Federal Taxable Income

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Interest</td>
</tr>
<tr>
<td>12</td>
<td>Rhode Island corporate taxes</td>
</tr>
<tr>
<td>13</td>
<td>Bonus depreciation</td>
</tr>
<tr>
<td>14</td>
<td>Domestic Production Activity addback</td>
</tr>
<tr>
<td>15</td>
<td>TOTAL ADDITIONS, ADD LINES 11 THROUGH 14</td>
</tr>
</tbody>
</table>

### Rhode Island Adjusted Taxable Income

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>16</td>
<td>Adjusted taxable income, line 1 less line 10 plus line 15</td>
</tr>
<tr>
<td>17</td>
<td>Total Rhode Island Receipts</td>
</tr>
<tr>
<td>18</td>
<td>Total Everywhere Receipts</td>
</tr>
<tr>
<td>19</td>
<td>Receipts apportionment ratio, divide line 17 by line 18</td>
</tr>
<tr>
<td>20</td>
<td>Apportioned RI taxable income, multiply line 16 by 19</td>
</tr>
<tr>
<td>21</td>
<td>R &amp; D adjustments</td>
</tr>
<tr>
<td>22</td>
<td>Pollution control/hazard waste adjustment</td>
</tr>
<tr>
<td>23</td>
<td>Capital investment deduction</td>
</tr>
<tr>
<td>24</td>
<td>TOTAL ADJUSTMENTS, ADD LINES 21, 22 and 23</td>
</tr>
<tr>
<td>25</td>
<td>Rhode Island adjusted taxable income, subtract line 24 from line 20</td>
</tr>
</tbody>
</table>

### Tax Calculation

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>26</td>
<td>Rhode Island tax - 7%, line 25 x 0.07</td>
</tr>
<tr>
<td>27</td>
<td>If nexus, check this box</td>
</tr>
<tr>
<td>28</td>
<td>If nexus, enter the minimum tax of $450. Otherwise, enter 0</td>
</tr>
<tr>
<td>29</td>
<td>Greater of line 26 or line 25</td>
</tr>
<tr>
<td>30</td>
<td>RI Credis used from carryforward of credit generated prior to 1/1/2015</td>
</tr>
<tr>
<td>31</td>
<td>RI Credits being used from credit generated on or after 1/1/2015</td>
</tr>
<tr>
<td>32</td>
<td>Reserved</td>
</tr>
<tr>
<td>33</td>
<td>Recoupment credits</td>
</tr>
<tr>
<td>34</td>
<td>Jobs Growth Tax</td>
</tr>
<tr>
<td>35</td>
<td>TOTAL TAX</td>
</tr>
<tr>
<td>36</td>
<td>Total Rhode Island Average Net Book Value</td>
</tr>
<tr>
<td>37</td>
<td>Total Everywhere Average Net Book Value</td>
</tr>
<tr>
<td>38</td>
<td>Total Rhode Island Salaries/wages</td>
</tr>
<tr>
<td>39</td>
<td>Total Everywhere Salaries/wages</td>
</tr>
</tbody>
</table>

**Note:** Line 40 should only be used if utilizing a special apportionment calculation on line 18.
New filing deadlines will apply starting this month
Partnerships and calendar-year C corporations swap places in filing calendar

PROVIDENCE, R.I. – The Rhode Island Division of Taxation today issued a reminder to tax professionals, business entities, and others that filing deadlines have changed for a number of different entities. For example, calendar-year C corporations and partnerships have swapped places in the filing calendar:

- Calendar-year partnerships, which formerly filed in April, now must file in March.
- Calendar-year C corporations, which formerly filed in March, now must file in April.

<table>
<thead>
<tr>
<th>Due date of March 15, 2017, for calendar-year filers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entity/tax type</strong></td>
</tr>
<tr>
<td>General partnerships</td>
</tr>
<tr>
<td>Limited partnerships</td>
</tr>
<tr>
<td>Limited liability companies</td>
</tr>
<tr>
<td>Single-member LLC*</td>
</tr>
<tr>
<td>Subchapter S corporations</td>
</tr>
<tr>
<td>Withholding of pass-through entity</td>
</tr>
<tr>
<td>Composite income tax return**</td>
</tr>
<tr>
<td>Political organization tax</td>
</tr>
</tbody>
</table>

**APRIL 18 DEADLINE**

The due date for calendar-year C corporations this filing season is April 18, 2017, for both federal and Rhode Island purposes, and the extended due date is October 16, 2017. Thus, calendar-year C corporations will have the same deadlines for federal and Rhode Island tax purposes. In other words, their returns will be due at the same time.

<table>
<thead>
<tr>
<th>Due date of April 18, 2017, for calendar-year filers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entity/tax type</strong></td>
</tr>
<tr>
<td>Corporate income tax</td>
</tr>
<tr>
<td>Public service gross earnings tax</td>
</tr>
<tr>
<td>Bank excise tax</td>
</tr>
<tr>
<td>Insurance gross premiums tax</td>
</tr>
<tr>
<td>Single-member LLC*</td>
</tr>
<tr>
<td>Income tax of trust, estate</td>
</tr>
</tbody>
</table>
Six-month extension for calendar-year C corporations

Extended due date will be October 16, 2017, for calendar-year C corporation’s TY 2016 return

PROVIDENCE, R.I. – The Rhode Island Division of Taxation announced today that calendar-year C corporations are eligible for an automatic six-month extension for tax years beginning on or after January 1, 2016.

For example, a calendar-year C corporation preparing its Rhode Island return for tax year 2016, with an original due date of April 18, 2017, will have an extended due date of October 16, 2017.

The Division decided to establish the six-month extension so that entities filing their federal and Rhode Island returns will have the same deadlines – a convenience for businesses and for tax professionals.

- June 30th year end taxpayers for the following entities are allowed a 7 month extension:
  - C corps
  - Public service companies
  - Bank excise tax
New corporate estimated tax system – who is affected

For every corporation having a taxable year after December 31, 2017, payment of estimated tax shall be made in four installments of 25 percent each. This requirement shall apply to the following:

<table>
<thead>
<tr>
<th>TAX/ENTITY</th>
<th>NORMALLY FILES ANNUAL RETURN ON:</th>
<th>SUBJECT TO TAX UNDER RHODE ISLAND GENERAL LAWS:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business corporation tax</td>
<td>Form RI-1120C</td>
<td>Chapter 44-11</td>
</tr>
<tr>
<td>(also known as corporate income tax)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political organization tax</td>
<td>Form RI-1120POL</td>
<td>Chapter 44-11.1</td>
</tr>
<tr>
<td>Public service corporation tax</td>
<td>Form T-72</td>
<td>Chapter 44-13</td>
</tr>
<tr>
<td>(also known as public service gross earnings tax)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation of banks</td>
<td>Form T-74</td>
<td>Chapter 44-14</td>
</tr>
<tr>
<td>(also known as bank excise tax)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank deposits tax</td>
<td>Form T-86</td>
<td>Chapter 44-15</td>
</tr>
<tr>
<td>Taxation of insurance companies</td>
<td>Form T-71</td>
<td>Chapter 44-17</td>
</tr>
<tr>
<td>(also known as insurance gross premiums tax)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surplus lines</td>
<td>Form T-71A</td>
<td>Chapter 27-3</td>
</tr>
</tbody>
</table>

First payment due on 15th day of fourth month of tax year, second payment on 15th day of sixth month of tax year, third payment on 15th day of ninth month of tax year, fourth payment on 15th day of twelfth month of tax year. New estimated payment system also applies to entities subject to mandatory unitary combined reporting. Forms in table are listed solely for convenience; filers of estimated tax will use estimated tax form (unless filing electronically).

Sale or transfer of assets

The new law makes clear that domestic or foreign limited liability companies, limited partnerships, or any other domestic or foreign business entities are subject to the same notice requirements as are domestic and foreign corporations when it comes to the sale or transfer of a major part in value of the entity’s assets:

Under the new law, any entity listed above must notify the Tax Administrator at least five business days before the sale or transfer, providing details of the sale or transfer. The notification must be made by requesting a letter of good standing from the Division of Taxation.

All required tax returns must be filed and all Rhode Island state taxes paid when the Tax Administrator is notified of the sale or transfer.
1) General Information
   1) 2017 Filing Season Update - Stats
   2) Regulation Updates

2) Legislation Changes
   1) RI Earned Income Tax Credit 2017
   2) Property Tax Relief $350
   3) Social Security Benefits
   4) Retirement/Pension Income

3) Form Changes
   1) Inflationary Changes-SD, exemptions, phaseout
   2) Schedule M
   3) Social Security Worksheet
   4) RI-1041V
   5) Removal of RI-1040X–Refund Previously issued

4) Common Preparation Errors
   1) Schedule W
      o Missing Schedule
      o Incorrect ID#'s
   2) Check Boxes for RI-1040NR and schedules

5) New Partnership Audit Rules
   1) Federal Changes
      2) Review Year vs Adjusted Year
      3) Composite vs Pass through
      4) Underpayment vs Overpayment
### INCOME, TAX AND CREDITS

Using a paper clip, please attach Forms W-2 and 1099 here.

<table>
<thead>
<tr>
<th>ELECTORAL CONTRIBUTION</th>
<th>FILING STATUS</th>
<th>INCOME, TAX AND CREDITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>If you want $5.00 ($10.00 if a joint return) to go to this fund, check here. (See instructions. This will not increase your tax or reduce your refund.)</td>
<td>Single ☐ Married filing jointly ☐ Married filing separately ☐ Head of household ☐ Qualifying widow(er) ☐</td>
<td>1. Federal AGI from Federal Form 1040, line 37; 1040A, line 21 or 1040EZ, line 4.</td>
</tr>
</tbody>
</table>

- **Rhode Island Standard Deduction**
  - Single: $8,375
  - Married filing jointly or Qualifying widow(er): $16,750
  - Married filing separately or Head of household: $12,550

- **RETURN MUST BE SIGNED - SIGNATURE IS LOCATED ON PAGE 2**
- Mailing address: RI Division of Taxation, One Capitol Hill, Providence, RI 02908-5806
### PAYMENTS AND PROPERTY TAX RELIEF CREDIT

<table>
<thead>
<tr>
<th>Description</th>
<th>Line</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL RI TAX AND CHECKOFF CONTRIBUTIONS from line 13a</td>
<td>13b</td>
</tr>
<tr>
<td>RI 2017 income tax withheld from RI Schedule W, line 16. You must attach Sch W AND all W-2 and 1099 forms with RI withholding.</td>
<td>14a</td>
</tr>
<tr>
<td>2017 estimated tax payments and amount applied from 2016 return</td>
<td>14b</td>
</tr>
<tr>
<td>Property tax relief credit from RI-1040H, line 13. Attach RI-1040H</td>
<td>14c</td>
</tr>
<tr>
<td>RI earned income credit from page 3, RI Schedule EIC, line 40</td>
<td>14d</td>
</tr>
<tr>
<td>RI Residential Lead Paint Credit from RI-6238, line 7. Attach RI-6238</td>
<td>14e</td>
</tr>
<tr>
<td>Other payments</td>
<td>14f</td>
</tr>
<tr>
<td>TOTAL PAYMENTS AND CREDITS. Add lines 14a, 14b, 14c, 14d, 14e and 14f</td>
<td>14g</td>
</tr>
<tr>
<td>Previously issued overpayments (if filing an amended return)</td>
<td>14h</td>
</tr>
<tr>
<td>NET PAYMENTS. Subtract line 14f from line 14g</td>
<td>14i</td>
</tr>
<tr>
<td>AMOUNT DUE. If line 13b is LARGER than line 14i, subtract line 14i from line 13b</td>
<td>15a</td>
</tr>
<tr>
<td>Enter the amount of underestimating interest due from Form RI-2210 or RI-2210A; attach form. This amount should be added to line 15a or subtracted from line 16, whichever applies.</td>
<td>15b</td>
</tr>
<tr>
<td>TOTAL AMOUNT DUE. Add lines 15a and 15b. Complete RI-1040V and send in with your payment</td>
<td>15c</td>
</tr>
<tr>
<td>AMOUNT OVERPAID. If line 14i is LARGER than line 13b, subtract line 13b from line 14i. If there is an amount due for underestimating interest on line 15b, subtract line 15b from line 16</td>
<td>16</td>
</tr>
<tr>
<td>Amount of overpayment to be refunded</td>
<td>17</td>
</tr>
<tr>
<td>Amount of overpayment to be applied to 2018 estimated tax</td>
<td>18</td>
</tr>
</tbody>
</table>

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, it is true, accurate and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

<table>
<thead>
<tr>
<th>Your signature</th>
<th>Your driver's license number and state</th>
<th>Date</th>
<th>Telephone number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spouse's signature</td>
<td>Spouse's driver's license number and state</td>
<td>Date</td>
<td>Telephone number</td>
</tr>
<tr>
<td>Paid preparer signature</td>
<td>Print name</td>
<td>Date</td>
<td>Telephone number</td>
</tr>
<tr>
<td>Paid preparer address</td>
<td>City, town or post office</td>
<td>State</td>
<td>ZIP code</td>
</tr>
</tbody>
</table>
### RI SCHEDULE I - ALLOWABLE FEDERAL CREDIT

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>RI income tax from page 1, line 8</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Credit for child and dependent care expenses from Federal Form 1040, line 49 or Form 1040A, line 31</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Tentative allowable federal credit. Multiply line 20 by 25% (0.2500)</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>MAXIMUM CREDIT. Line 19 or 21, whichever is SMALLER. Enter here and on page 1, line 9a</td>
<td></td>
</tr>
</tbody>
</table>

### RI SCHEDULE II - CREDIT FOR INCOME TAX PAID TO ANOTHER STATE

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>RI income tax from RI-1040, page 1, line 8 less allowable federal credit from RI-1040, page 3, line 22</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Income derived from other state. If more than one state, see instructions</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Modified federal AGI from page 1, line 3</td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Divide line 24 by line 25</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>Tentative credit. Multiply line 23 by line 26</td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Tax due and paid to other state (see specific instructions). Insert abbreviation for state paid</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>MAXIMUM TAX CREDIT. Line 23, 27 or 28, whichever is the SMALLEST. Enter here and on pg 1, line 9b</td>
<td></td>
</tr>
</tbody>
</table>

### RI CHECKOFF CONTRIBUTIONS SCHEDULE

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>Drug program account RIGL §44-30-2.4</td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>Olympic Contribution RIGL §44-30-2.1</td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>RI Organ Transplant Fund RIGL §44-30-2.5</td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>RI Council on the Arts RIGL §42-75.1-1</td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>Nongame Wildlife Fund RIGL §44-30-2.2</td>
<td></td>
</tr>
<tr>
<td>35</td>
<td>Childhood Disease Victim's Fund RIGL §44-30-2.3</td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>RI Military Family Relief Fund RIGL §44-30-2.9</td>
<td></td>
</tr>
<tr>
<td>37</td>
<td>TOTAL CONTRIBUTIONS. Add lines 30 through 36. Enter here and on RI-1040, page 1, line 11</td>
<td></td>
</tr>
</tbody>
</table>

### RI SCHEDULE EIC - RHODE ISLAND EARNED INCOME CREDIT

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td>Federal earned income credit from Federal Form 1040, line 66a; 1040A, line 42a, or 1040EZ, line 8a</td>
<td></td>
</tr>
<tr>
<td>39</td>
<td>Rhode Island percentage</td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>RI EARNED INCOME CREDIT. Multiply line 38 by line 39. Enter here and on RI-1040, page 2, line 14d</td>
<td></td>
</tr>
</tbody>
</table>
Complete this Schedule listing all of your and, if applicable, your spouse’s W-2s and 1099s showing Rhode Island Income Tax withheld. **W-2s or 1099s showing Rhode Island Income Tax withheld must still be attached to the front of your return. Failure to do so may delay the processing of your return.**

<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
<th>Column C</th>
<th>Column D</th>
<th>Column E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enter “S” if Spouse’s W-2 or 1099</td>
<td>Enter 1099 letter code from chart</td>
<td>Employer’s Name from Box C of your W-2 or Payer’s Name from your Form 1099</td>
<td>Employer’s state ID # from box 15 of your W-2 or Payer’s Federal ID # from Form 1099</td>
<td>Rhode Island Income Tax Withheld (SEE BELOW FOR BOX REFERENCES)</td>
</tr>
</tbody>
</table>

**Schedule W Reference Chart**

<table>
<thead>
<tr>
<th>Form Type</th>
<th>Letter Code for Column B</th>
<th>Withholding Box</th>
<th>Form Type</th>
<th>Letter Code for Column B</th>
<th>Withholding Box</th>
<th>Form Type</th>
<th>Letter Code for Column B</th>
<th>Withholding Box</th>
</tr>
</thead>
<tbody>
<tr>
<td>W-2</td>
<td>–</td>
<td>17</td>
<td>1099-DIV</td>
<td>D</td>
<td>14</td>
<td>1099-MISC</td>
<td>M</td>
<td>16</td>
</tr>
<tr>
<td>W-2G</td>
<td>–</td>
<td>15</td>
<td>1099-G</td>
<td>G</td>
<td>11</td>
<td>1099-OID</td>
<td>O</td>
<td>14</td>
</tr>
<tr>
<td>1042-S</td>
<td>S</td>
<td>17a</td>
<td>1099-INT</td>
<td>I</td>
<td>17</td>
<td>1099-R</td>
<td>R</td>
<td>12</td>
</tr>
<tr>
<td>1099-B</td>
<td>B</td>
<td>16</td>
<td>1099-K</td>
<td>K</td>
<td>8</td>
<td>RI-1099PT</td>
<td>P</td>
<td>9</td>
</tr>
</tbody>
</table>
### Part 1: Eligibility

**STOP HERE. DO NOT COMPLETE THE REST OF THIS FORM.**

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Were you domiciled in Rhode Island for all of 2017?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>In 2017 did you live in a household or rent a dwelling that was subject to property tax?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are you current for property taxes or rent due on the homestead for 2017 and all prior years?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Were you or your spouse 65 years of age or older and/or disabled as of December 31, 2017?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Was your 2017 total household income from page 2, line 32 $30,000 or less?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Part 2: Additional Information

- **1a**: Enter the total amount of public assistance received by all members of your household.
- **1b**: Enter your total household income from page 2, line 32.
- **1d**: Enter spouse's date of birth.
- **1e**: Were you or your spouse disabled and receiving Social Security Disability payments during 2017?
- **1f**: Indicate the number of persons in your household.
- **1g**: Enter the number of persons from 1f who are dependents under the age of 18.

### Part 3: To be completed by homeowners only

- **2**: Enter the amount of property taxes you paid or will pay for 2017.
- **3**: Using your household income from line 1b enter percentage from the computation table located on pg 3.
- **4**: Multiply amount on line 1b by percentage on line 3.
- **5**: Tentative credit. Subtract line 4 from line 2. If line 4 is greater than line 2, enter zero.
- **6**: PROPERTY TAX RELIEF. Line 5 or $350.00, whichever is LESS.

### Part 4: To be completed by renters only

- **7**: Enter the amount of rent you paid in 2017.
- **8**: Multiply the amount on line 7 by twenty (20) percent (0.2000).
- **9**: Using your household income from line 1b enter percentage from the computation table located on pg 3.
- **10**: Multiply amount on line 1b by percentage on line 9.
- **11**: Tentative credit. Subtract line 10 from line 8. If line 10 is greater than line 8, enter zero.
- **12**: PROPERTY TAX RELIEF. Line 11 or $350.00, whichever is LESS.

### Credit

**PROPERTY TAX RELIEF**: Line 6 or line 12, whichever applies. Enter here and on Form RI-1040, line 14c.
### HOUSEHOLD INCOME WORKSHEET

**PART 5  ENTER ALL INCOME RECEIVED BY YOU AND ALL OTHER PERSONS LIVING IN YOUR HOUSEHOLD**

Enter the income amounts from your 2017 federal 1040 on the appropriate lines below. If you did not file a federal 1040, enter your income amounts on the appropriate lines below.

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>Wages, salaries, tips, etc. from Federal Form 1040, line 7</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Interest and dividends (taxable and nontaxable) from Federal Form 1040, lines 8a, 8b and 9a</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Taxable refunds, credits or offsets of state and local income taxes from Federal Form 1040, line 10</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Alimony received from Federal Form 1040, line 11</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Business income (or loss) from Federal Form 1040 line 12</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Sale or exchange of property from Federal Form 1040, lines 13 and 14</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>IRA distributions, and pensions and annuities from Federal Form 1040, lines 15a and 16a</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Rental real estate, royalties, S corps, trusts, etc. from Federal Form 1040, line 17</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Farm income or loss from Federal Form 1040, line 18</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Unemployment compensation from Federal Form 1040, line 19</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Social security benefits (including Medicare premiums) taxable and nontaxable, and Railroad Retirement Benefits from Federal Form 1040, lines 20a</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Other income from Federal Form 1040, line 21</td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Total income from Federal 1040 - taxable and nontaxable. Add lines 14 through 25</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>Deductions from Federal Form 1040, line 36</td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Adjusted income. Subtract line 27 from line 26</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Cash public assistance received. Enter here and on page 1, Part 2, line 1a</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>Other non-taxable income including child support, worker's compensation and cash assistance from friends and family</td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>Addback of rental losses, etc. from lines 18, 19, 21, 22 or 25 above</td>
<td></td>
</tr>
<tr>
<td>32</td>
<td><strong>TOTAL 2017 HOUSEHOLD INCOME.</strong> Add lines 28, 29, 30 and 31. Enter here and on page 1, line 1b</td>
<td></td>
</tr>
</tbody>
</table>

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, it is true, accurate and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature  Spouse’s signature  Date  Telephone number

Paid preparer signature  Print name  Date  Telephone number

Paid preparer address  City, town or post office  State  ZIP code  PTIN

May the Division of Taxation contact your preparer?  YES
2017 Tax Rate Schedule - FOR ALL FILING STATUS TYPES

<table>
<thead>
<tr>
<th>Taxable Income (from RI-1040 or RI-1040NR, line 7)</th>
<th>% of the amount over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over</td>
<td>But not over</td>
</tr>
<tr>
<td>$0</td>
<td>$61,300</td>
</tr>
<tr>
<td>61,300</td>
<td>139,400</td>
</tr>
<tr>
<td>139,400</td>
<td>........................</td>
</tr>
</tbody>
</table>

STANDARD DEDUCTION WORKSHEET for RI-1040 or RI-1040NR, Page 1, line 4

1. Enter applicable standard deduction amount from the chart below: ___________________________ 1. ____________
   
<table>
<thead>
<tr>
<th>Filing Status</th>
<th>Standard Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>$8,375</td>
</tr>
<tr>
<td>Married filing jointly</td>
<td>$16,750</td>
</tr>
<tr>
<td>Qualifying widow(er)</td>
<td>$16,750</td>
</tr>
<tr>
<td>Married filing separately</td>
<td>$8,375</td>
</tr>
<tr>
<td>Head of household</td>
<td>$12,850</td>
</tr>
</tbody>
</table>

2. Enter your modified federal AGI from RI-1040 or RI-1040NR, page 1, line 3: __________________________ 2. ____________

3. Is the amount on line 2 more than $195,150?  
   - Yes. Continue to line 4.  
   - No. STOP HERE! Enter the amount from line 1 on form RI-1040 or RI-1040NR, Page 1, line 4.  

4. Standard deduction phaseout amount: __________________________ 4. ____________

5. Subtract line 4 from line 2.  
   - If the result is more than $22,200, STOP HERE.  
   - Your standard deduction amount is zero ($0). Enter $0 on form RI-1040 or RI-1040NR, Page 1, line 4.  

6. Divide line 5 by $5,550. If the result is not a whole number, increase it to the next higher whole number (for example, increase 0.0004 to 1).  

7. Enter the applicable percentage from the chart below.  
   - If the number on line 6 is:  
     - then enter on line 7  
     - 1 0.8000  
     - 2 0.6000  
     - 3 0.4000  
     - 4 0.2000  

8. Deduction amount. Multiply line 1 by line 7. Enter here and on form RI-1040 or RI-1040NR, Page 1, line 4: __________________________ 8. ____________

EXEMPTION WORKSHEET for RI-1040 or RI-1040NR, Page 1, line 6

1. Multiply $3,900 by the total number of exemptions: __________________________ 1. ____________

2. Enter your modified federal AGI from RI-1040 or RI-1040NR, page 1, line 3: __________________________ 2. ____________

3. Is the amount on line 2 more than $195,150?  
   - Yes. Continue to line 4.  
   - No. STOP HERE! Enter the amount from line 1 on form RI-1040 or RI-1040NR, Page 1, line 6.  

4. Exemption phaseout amount: __________________________ 4. ____________

5. Subtract line 4 from line 2.  
   - If the result is more than $22,200, STOP HERE.  
   - Your exemption amount is zero ($0). Enter $0 on form RI-1040 or RI-1040NR, Page 1, line 6.  

6. Divide line 5 by $5,550. If the result is not a whole number, increase it to the next higher whole number (for example, increase 0.0004 to 1).  

7. Enter the applicable percentage from the chart below.  
   - If the number on line 6 is:  
     - then enter on line 7  
     - 1 0.8000  
     - 2 0.6000  
     - 3 0.4000  
     - 4 0.2000  

8. Exemption amount. Multiply line 1 by line 7. Enter here and on form RI-1040 or RI-1040NR, Page 1, line 6: __________________________ 8. ____________
NOTE: For each modification being claimed you must enter the modification amount on the corresponding modification line and attach documentation supporting your modification. Otherwise, the processing of your return may be delayed. Refer to the instructions for more information on each modification. If a modification is not listed below, it is not valid and, therefore, not allowable.

### MODIFICATIONS DECREASING FEDERAL AGI

<table>
<thead>
<tr>
<th>Modification</th>
<th>Line</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Income from obligations of the US government included in Federal AGI but exempt from state income taxes reduced by investment interest on the obligations taken as a federal itemized deduction.</td>
<td>1a</td>
</tr>
<tr>
<td>b. Rhode Island fiduciary adjustment as beneficiary of an estate or trust under RIGL §44-30-17.</td>
<td>1b</td>
</tr>
<tr>
<td>c. Elective deduction for new research and development facilities under RIGL §44-32-1.</td>
<td>1c</td>
</tr>
<tr>
<td>d. Railroad Retirement benefits paid by the Railroad Retirement Board.</td>
<td>1d</td>
</tr>
<tr>
<td>e. Qualifying investment in a certified venture capital partnership under RIGL §44-43-2.</td>
<td>1e</td>
</tr>
<tr>
<td>f. Family Education Accounts under RIGL §44-30-25.</td>
<td>1f</td>
</tr>
<tr>
<td>g. Tuition Saving Program contributions (section 529 accounts) under RIGL §44-30-12. Not to exceed $500 ($1,000 if joint return).</td>
<td>1g</td>
</tr>
<tr>
<td>h. Exemptions from tax on profit or gain for writers, composers and artists under RIGL §44-30-1-1.</td>
<td>1h</td>
</tr>
<tr>
<td>i. Bonus depreciation taken on the Federal return that has not yet been subtracted from Rhode Island income under RIGL §44-61-1.</td>
<td>1i</td>
</tr>
<tr>
<td>j. Section 179 depreciation taken on the Federal return that has not yet been subtracted from Rhode Island income under RIGL §44-61-1.1.</td>
<td>1j</td>
</tr>
<tr>
<td>k. Modification for performance based compensation realized by an eligible employee under the Jobs Growth Act under RIGL §42-64.11-4.</td>
<td>1k</td>
</tr>
<tr>
<td>l. Modification for exclusion for qualifying option under RIGL §44-39.3 AND modification for exclusion for qualifying securities or investment under RIGL §44-43-8.</td>
<td>1l</td>
</tr>
<tr>
<td>m. Modification for Tax Incentives for Employers under RIGL §44-55-4.1.</td>
<td>1m</td>
</tr>
<tr>
<td>n. Tax Credit income reported on Federal return exempt for Rhode Island purposes (see instructions for eligible credits).</td>
<td>1n</td>
</tr>
<tr>
<td>o. Active duty military pay of Nonresidents stationed in Rhode Island and income for services performed in Rhode Island by the servicemember’s spouse.</td>
<td>1o</td>
</tr>
<tr>
<td>p. Scituate Medical Savings Account contributions taxable on the Federal Return but exempt from Rhode Island under RIGL §44-30-25.1(d)(3)(i).</td>
<td>1p</td>
</tr>
<tr>
<td>q. Amounts of insurance benefits for dependents and domestic partners included in Federal AGI pursuant to chapter 12 of title 36 or other coverage plan under RIGL §44-30-12(c)(6).</td>
<td>1q</td>
</tr>
<tr>
<td>r. Modification for Organ Transplantation for specific unreimbursed expenses incurred by Rhode Island Resident pursuant to RIGL §44-30-12(c)(7).</td>
<td>1r</td>
</tr>
<tr>
<td>s. Modification for Rhode Island Resident business owner in certified enterprise zone under RIGL §42-64.3-7.</td>
<td>1s</td>
</tr>
<tr>
<td>t. Income from the discharge of business indebtedness claimed as income on Federal return and previously claimed as RI income under the American Recovery and Reinvestment Act of 2009 under RIGL §44-66-1.</td>
<td>1t</td>
</tr>
<tr>
<td>u. Modification for taxable Social Security income under RIGL §44-30-12(c)(8).</td>
<td>1u</td>
</tr>
<tr>
<td>v. Modification for taxable Retirement income from certain pension plans or annuities under RIGL §44-30-12(c)(9).</td>
<td>1v</td>
</tr>
<tr>
<td>w. Total modifications DECREASING Federal AGI. Add lines 1a through 1v and enter as a negative amount.</td>
<td>1w</td>
</tr>
</tbody>
</table>
NOTE: For each modification being claimed you must enter the modification amount on the corresponding modification line and attach documentation supporting your modification. Otherwise, the processing of your return may be delayed.

Refer to the instructions for RI Schedule M for more detailed information on each of the modifications listed below.

If a modification is not listed, it is not an allowable Rhode Island adjustment to Federal AGI.

## MODIFICATIONS INCREASING FEDERAL AGI

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2a</td>
<td>Income from obligations of any state or its political subdivisions, other than Rhode Island under RIGL §44-30-12(1) and RIGL §44-30-12(2)</td>
<td></td>
</tr>
<tr>
<td>2b</td>
<td>Rhode Island fiduciary adjustment as beneficiary of an estate or trust under RIGL §44-30-17</td>
<td></td>
</tr>
<tr>
<td>2c</td>
<td>Recapture of Family Education Account modifications under RIGL §44-30-25(g)</td>
<td></td>
</tr>
<tr>
<td>2d</td>
<td>Bonus depreciation taken for federal purposes that must be added back to Rhode Island income under RIGL §44-61-1</td>
<td></td>
</tr>
<tr>
<td>2e</td>
<td>Recapture of Tuition Saving Program modifications (section 529 accounts) under RIGL §44-30-12(4)</td>
<td></td>
</tr>
<tr>
<td>2f</td>
<td>Recapture of tax credit income previously claimed as a modification decreasing Federal AGI (see instructions for more information)</td>
<td></td>
</tr>
<tr>
<td>2g</td>
<td>Recapture of Scituate Medical Savings Account modifications under RIGL §44-30-25.1(d)(3)(i)</td>
<td></td>
</tr>
<tr>
<td>2h</td>
<td>Total modifications INCREASING Federal AGI. Add lines 2a through 2g</td>
<td></td>
</tr>
</tbody>
</table>

## NET MODIFICATIONS TO FEDERAL AGI:

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total modifications DECREASING Federal AGI. Enter the amount from Schedule M, page 1, line 1w</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Total modifications INCREASING Federal AGI. Enter the amount from line 2h above</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>COMBINE lines 1 and 2. Enter here and on RI-1040 or RI-1040NR, page 1, line 2</td>
<td>3</td>
</tr>
</tbody>
</table>
Philip L. D’Ambra
Chief Revenue Agent
Employer Tax Section

Telephone: (401) 574-8785
Fax: (401) 574-8940
E-mail: Philip.Dambra@tax.ri.gov

1) Preliminary Calculations 2018
2) Voluntary Contributions
3) Task Force on Misclassification
4) Localization
Preliminary calculations are below: 2018

UI taxable wage base will be $23,000
TDI taxable wage base will be $69,300
New Employer Rate will be 1.51
Reserve Ratio will be 1.92, moving us down to Schedule G with tax rates between 0.89 and 9.4
The balancing Rate percentage for Schedule G is 16 percent.

Final numbers should be out at the end of October.
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF REVENUE - DIVISION OF TAXATION
EMPLOYER TAX SECTION
One Capitol Hill - Ste. 36 Providence, RI 02908-5829
Telephone (401) 574-8700, option 1

NOTICE OF TAX RATE

FOR

YOUR TAX RATE IS

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BALANCE AS OF</td>
<td>A. EMPLOYMENT SECURITY TAXES PAID</td>
<td>A. UNEMPLOYMENT PAID BALANCING CHARGE</td>
<td>BALANCE AS OF (1+2-3)</td>
<td>AVERAGE YEARLY TAXABLE WAGES LAST THREE YEARS</td>
</tr>
<tr>
<td>A. VOLUNTARY CONTRIBUTIONS</td>
<td>B.</td>
<td>B.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A.</td>
<td></td>
<td>B.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

THIS IS NOT A BILL
EXPLANATION OF ITEMS

NO. 1 OPENING BALANCE AS OF OCTOBER 1, 2015. SEE ITEM 4 ON YOUR 2016 NOTICE OF TAX RATE. THIS IS THE OPENING BALANCE FOR THE YEAR.

B. APPROVED VOLUNTARY CONTRIBUTIONS RECEIVED WITHIN 30 DAYS AFTER THE INDICATED MAILING DATE OF THE ORIGINAL EXPERIENCE TAX RATE NOTICE OR PRIOR TO THE EXPIRATION DATE, WHICH IS 120 DAYS FROM THE FIRST DAY OF THE CALENDAR YEAR IN WHICH THE REPORTING YEAR OCCURS.
C. VOLUNTARY CONTRIBUTION PAYMENTS ARE NOT CONSIDERED FOR FUTA 409 CERTIFICATION.

NO. 3 A. UNEMPLOYMENT BENEFITS PAID TO YOUR FORMER EMPLOYERS AND CHARGED TO YOUR ACCOUNT FROM OCTOBER 1, 2015 TO SEPTEMBER 30, 2016. THIS AMOUNT IS TAKEN FROM YOUR MONTHLY NOTICES OF UNEMPLOYMENT BENEFITS PAID AND CHARGED TO YOUR ACCOUNT (DET-BA 100).
B. 2% OF YOUR 3RD AND 4TH QUARTERS 2015, AND 1ST AND 2ND QUARTERS 2016 TAXES DUE. TAXES DUE IS TAKEN FROM ITEM 5 OF YOUR QUARTERLY TAX REPORT (TX17). THE BALANCING CHARGE IS PAID BY ALL EMPLOYERS FOR UNEMPLOYMENT BENEFITS NOT CHARGEABLE IF LAW TO AN INDIVIDUAL EMPLOYER.

NO. 4 CLOSING BALANCE: ITEM 1 + ITEM 2 - ITEM 3. ( - ) MINUS INDICATES A NEGATIVE AMOUNT.

NO. 5 THE SUM OF YOUR TAXABLE PAYROLL FROM JULY 1, 2013 TO JUNE 30, 2016 QUARTERLY TAX REPORT (TX17).
NO. 6 RESERVE PERCENTAGE - DIVIDE ITEM 4 BY ITEM 5. ( - ) MINUS INDICATES A NEGATIVE AMOUNT.

ANY BUSINESS ESTABLISHED SINCE OCTOBER 1, 2013 HAS BEEN ASSIGNED A RESERVE PERCENTAGE OF 0.00 AND A NEW EMPLOYER TAX RATE OF 1.13%. THIS DOES NOT INCLUDE EMPLOYERS THAT ACQUIRED PART OR ALL OF AN EXISTING BUSINESS.

APPEAL RIGHTS: YOU HAVE THE RIGHT TO APPEAL ANY PART OF THIS NOTICE. APPEALS MUST BE FILED IN WRITING WITHIN 15 DAYS OF RECIPIEPT OF THIS FORM. MAIL TO DIVISION OF TAXATION - EMPLOYER TAX SECTION, ONE CAPITOL HILL - STE 36, PROVIDENCE, RI 02908-5829.

THE EMPLOYMENT SECURITY TAXABLE WAGE BASE FOR 2017:
$22,400.00 FOR MOST EMPLOYERS
$23,902.00 FOR THOSE EMPLOYERS WHO HAVE $24,000 OR OVER EXPERIENCE RATING (5.59)

RATE SCHEDULE H

<table>
<thead>
<tr>
<th>POSITIVE RESERVE PERCENTAGE</th>
<th>TAX RATE</th>
<th>NEGATIVE RESERVE PERCENTAGE</th>
<th>TAX RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>21.50 AND OVER</td>
<td>0.98</td>
<td>-0.01 TO -1.99</td>
<td>6.88</td>
</tr>
<tr>
<td>20.00 TO 21.49</td>
<td>1.08</td>
<td>-2.00 TO -3.99</td>
<td>5.18</td>
</tr>
<tr>
<td>18.50 TO 19.99</td>
<td>1.28</td>
<td>-4.00 TO -5.99</td>
<td>5.98</td>
</tr>
<tr>
<td>17.00 TO 18.49</td>
<td>1.48</td>
<td>-6.00 TO -7.99</td>
<td>5.98</td>
</tr>
<tr>
<td>15.50 TO 16.99</td>
<td>1.68</td>
<td>-8.00 TO -9.99</td>
<td>5.98</td>
</tr>
<tr>
<td>14.00 TO 15.49</td>
<td>1.89</td>
<td>-10.00 TO -11.99</td>
<td>5.78</td>
</tr>
<tr>
<td>12.50 TO 13.99</td>
<td>2.19</td>
<td>-12.00 TO -13.99</td>
<td>7.18</td>
</tr>
<tr>
<td>11.00 TO 12.49</td>
<td>2.48</td>
<td>-14.00 TO -15.99</td>
<td>7.59</td>
</tr>
<tr>
<td>9.50 TO 10.99</td>
<td>2.68</td>
<td>-16.00 TO -17.99</td>
<td>7.98</td>
</tr>
<tr>
<td>8.00 TO 9.49</td>
<td>2.89</td>
<td>-18.00 TO -19.99</td>
<td>8.38</td>
</tr>
<tr>
<td>6.50 TO 7.99</td>
<td>3.10</td>
<td>-20.00 TO -21.99</td>
<td>8.78</td>
</tr>
<tr>
<td>5.00 TO 6.49</td>
<td>3.39</td>
<td>-22.00 TO -23.99</td>
<td>9.18</td>
</tr>
<tr>
<td>3.50 TO 4.99</td>
<td>3.68</td>
<td>-24.00 TO -25.99</td>
<td>9.58</td>
</tr>
<tr>
<td>2.00 TO 3.49</td>
<td>3.99</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.00 TO 1.99</td>
<td>4.29</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

THE EMPLOYMENT SECURITY TAXABLE WAGE BASE FOR 2017:
Voluntary Contribution Application
For The Year Of 2017

<table>
<thead>
<tr>
<th>RI Employer Account Number:</th>
<th>Do Not Write In This Space</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer Name and Address:</td>
<td></td>
</tr>
<tr>
<td>Voluntary Contribution Amount:</td>
<td>Desired Rate:</td>
</tr>
</tbody>
</table>

In accordance with General Laws 28-43-5.1 any employer who has been assigned an experience rate, and who has filed all reports required under chapters 42 through 44 of this title, and has paid all contributions, interest, and penalties due under chapters 42 through 44 of this title, may make a voluntary contribution to his or her account. Such voluntary contribution shall be paid not later than thirty (30) days after the date on which the department has issued a notice of the employer’s experience rate, or prior to the expiration of one-hundred-twenty (120) days after the start of the calendar year, for which the experience rate is effective, whichever is earlier. Upon timely payment of a voluntary contribution, the contribution shall be credited to the employer’s account balance and that employer shall receive a revised rate notice for that calendar year. No voluntary contribution shall be refunded in whole or in part.

By participating in this option you understand that:

1. Employers are not eligible for voluntary contributions if:
   a. Their experience history is insufficient to compute a tax rate.
   b. They have not filed all Quarterly Tax and Wage Reports (TX-17) and/or they have an accounts receivable balance with the Employer Tax Unit.
   c. They already have the lowest possible experience rate.
2. Voluntary contributions may not be used for subsequent contributions that may become due.
3. Voluntary contributions must be received by the 30th day from the date the department has issued a notice of the employers’ experience rate, or prior to the expiration of one hundred twenty (120) days after the start of the calendar year (April 30 – in cases where an annual rate notice was not previously sent (newly registered successors)). Late payments will not be accepted.
4. Voluntary contributions, once received, will not be refunded in whole or in part for eligible employers.
5. Voluntary contributions must be paid by certified check or money order only. The check/money order must be submitted with a Voluntary Contribution Application. (Payment must be clearly identified as a voluntary payment, the amount being paid, and the account to which it is to be credited.)
6. Only (1) voluntary payment can be made per qualifying year
7. Voluntary contribution payments are not considered for FUTA 940 Certification.
8. If there is a balance due on the employers account at the time a check is received for the Voluntary Contribution will be processed as a payment for the outstanding balance
9. Employers will be notified of the processing of their Voluntary payment with a revised rate notice within 30 days. If the payment is not applied as a voluntary contribution the employer will be advised in writing.

Address Payments to: Employer Tax Section One Capitol Hill Ste 36 Providence RI 02908-5829

Signed By: ___________________________ Date: ___________________________
Print Name and Title: ___________________________
Voluntary Contribution Application
For The Year Of 2017

Only Use One of the Following Formulas

<table>
<thead>
<tr>
<th><strong>Formula 1</strong></th>
<th><strong>Formula 2</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.</strong> Average yearly taxable wages*</td>
<td><strong>1.</strong> Average yearly taxable wages*</td>
</tr>
<tr>
<td><strong>2.</strong> Reserve percentage needed for desired experience rate (% Refer to Schedule I chart)</td>
<td><strong>2.</strong> Reserve percentage needed for desired experience rate (% Refer to Schedule I chart)</td>
</tr>
<tr>
<td><strong>3.</strong> Account balance necessary* (Line 1 times Line 2)</td>
<td><strong>3.</strong> Present deficit account balance*</td>
</tr>
<tr>
<td><strong>4.</strong> Present account balance*</td>
<td><strong>4.</strong> Reduced deficit account balance necessary to achieve desired experience rate* (Line 1 times Line 2)</td>
</tr>
<tr>
<td><strong>5.</strong> Amount of voluntary payment* (Subtract Line 4 from Line 3)</td>
<td><strong>5.</strong> Amount of voluntary payment* (Subtract Line 4 from Line 3)</td>
</tr>
<tr>
<td><strong>6.</strong> Desired rate</td>
<td><strong>6.</strong> Desired rate</td>
</tr>
</tbody>
</table>

*DO NOT OMIT CENTS, ROUND FRACTIONS TO THE NEXT HIGHER CENT.

**Instructions for Formula 1 - Credit Account Balance**
This formula may be used to determine that amount of the voluntary contribution needed to increase the account reserve percentage and provide the desired experience tax rate for the year.

1. Average yearly taxable wages is the amount taken from your Notice of Tax Rate in column 5.
2. Reserve percentage needed for the desired experience rate is the lowest positive reserve percentage on the rate schedule I chart needed to obtain the desired rate. For example to achieve the rate of 3.99% the percentage must be at least 2.00%
3. Account balance necessary is found by multiplying the reserve percentage on line 2 by the average yearly taxable wages on line 1.
4. Present account balance must be taken from column 4 of the Notice of Tax Rate.
5. Amount of voluntary payment is obtained by subtracting the present account balance on line 4 from the account balance necessary on line 3.
6. Desired tax rate is the rate chosen from the schedule I chart that corresponds to the positive reserve percentage chosen for line 2.

**Instructions for Formula 2 - Debit Account Balance**
This formula may be used to determine that amount of the voluntary contribution needed to decrease the account deficit and provide the desired experience tax rate for the year.

1. Average yearly taxable wages is the amount taken from your Notice of Tax Rate in column 5.
2. Reserve percentage needed for the desired experience rate is the highest negative reserve percentage on the rate schedule I chart needed to obtain the desired rate. For example to achieve the rate of 5.19% the percentage must be at least -1.99%
3. Present deficit account balance must be taken from column 4 of the Notice of Tax Rate.
4. Reduced deficit account balance necessary to achieve desired experience rate is found by multiplying the reserve percentage on line 2 by the average yearly taxable wages on line 1 which comes from column 5 on the Notice of Tax Rate.
5. See steps 5 and 6 in Formula 1 instructions.

With questions and concerns contact: Employer Tax Section (401)574-8767

Initial: ___________________ Date: ___________________
Misclassification of Employees as Independent Contractors

Did you know that the misclassification of workers as independent contractors rather than employees is a fast growing problem in Rhode Island and across the country?

When employers misclassify workers:

- They avoid paying many state and federal taxes.
- They avoid providing workers compensation coverage for their employees.
- They may fail to follow wage, contractor registration or other labor laws.
- They have a competitive advantage and may underprice legitimate employers.

The Federal Government Accountability Office reports that the underpayment of unemployment, Social Security, Income taxes, and workers compensation are exceeding billions of dollars federally and millions of dollars at the state level.

Rhode Island employers must generally withhold state and federal income taxes, Social Security and Medicare taxes, and pay unemployment taxes on wages paid to employees. They must also pay Workers' Compensation premiums on the employees.

To report misclassification, call the TIP HOT LINE at (401) 574-8477

An employee is anyone performing service for an employer who controls what will be done and how it will be done by the worker.

Independent Contractors have an independent trade, business or profession. Their services are offered to the public and they have the right to control the means and methods of how the work is performed.

If an employer retains the right to control what will be done and how it will be done, the individual is likely performing services as an employee.

- Worker Misclassification Fact Sheet

If you have questions, contact Phil D'Ambra at (401) 574-8785 or email philip.dambra@tax.ri.gov.

For questions about Unemployment Insurance Fraud, click here. For questions about Temporary Disability Insurance Fraud, click here.
Underground Economy and Employee Misclassification Task Force

Report Misclassification Form

Misclassification of workers as independent contractors rather than employees is a fast growing problem in Rhode Island. If you're aware of someone that you believe is being illegally misclassified as an independent contractor to avoid paying taxes, providing workers' compensation coverage and meeting other obligations, please report it by filling out this form. All allegations are taken seriously. The information provided in this form will remain confidential to the extent allowed by law.

Please return your completed form to Phillip D'Ambra,
Rhode Island Division of Taxation,
One Capitol Hill, Providence, RI 02908

Company Name: _____________________________________________

Also known as (doing business as): ______________________________

Telephone Number(s): _________________________________

Name of Business Owner(s): ________________________________

Supervisor/Foreman Name: _________________________________

Federal Employer ID Number (appears on W-2 or 1099 form): ________________________________

Business Address: ___________________________________________

Business City/Town: __________________ State: ______ Zip Code: ________

Location of Work Site (if different than above): ________________________________

Is work site active now?  O Yes  O No

How many workers at this site? ________________________________

Describe the employer's alleged fraudulent activity. Check all that apply. Please provide as much detail as possible. Include names, dates, documents, and witnesses. Attach additional information if necessary.

☐ Workers paid off the books wages ________________________________

☐ No workers' compensation coverage ________________________________

☐ No unemployment compensation coverage __________________________

☐ Not paying appropriate rate for overtime work ______________________
  (work in excess of 40 hours per week)

☐ Not paying employees for all hours worked _________________________


Underground Economy and Employee Misclassification Task Force

Report Misclassification Form

☐ Not paying minimum wage

☐ Not withholding taxes

☐ Not keeping proper time records or records of wages/hours worked

☐ Requiring employees to under-report hours actually worked

Dates of occurrence: From: _____________ To: _____________

Is the employer under-reporting/concealing payroll by misclassifying worker(s) as independent contractors?

☐ Yes    ☐ No   If yes, please provide the following information:

The occupation(s) involved:

The number of workers: ___________  Do you perform services for this company?  ☐ Yes  ☐ No

How the payroll is being concealed:

Your contact information (you may leave blank to send form anonymously):

Name: ________________________________

Address: ______________________________

City/Town: ______________________________  State: ___________  Zip Code: ____________________

Telephone Number(s): ____________________

Any other pertinent information to this issue not included above:

Please print reporting form and forward to the address at the top of page 1 of this form. THANK YOU.

The Misclassification Task Force includes the Dept. of Labor and Training, the RI Division of Taxation, the Dept. of Business Regulation, the Division of Workforce Regulation and Safety, the RI Attorney General, the RI Dept. of Public Safety and the Workers' Compensation Court.

Equal opportunity employer/program - auxiliary aids and services available upon request. TTY via RI Relay: 711
Localization of Work Provisions

The objective of "localization of work" provisions in state unemployment insurance laws is to cover under one state law all of the service performed by an individual for one employer, wherever it is performed. The following principles provide a guide for applying the states' statutory provisions relating to "localization of work." All of the examples provided are actual state decisions or have been taken from state manuals of interpretation or instruction.

The following language was included in the September 1950 edition of the Manual of State Employment Security Legislation and similar language now appears in all state laws:

(1) Service that is localized within a state: The term "employment" shall include an individual's entire service, performed within, or both within and without, this state if the service is localized in this state. Service shall be deemed to be localized within a state if:

   (A) the service is performed entirely within such state; or

   (B) the service is performed both within and without such state but the service performed without such state is incidental to the individual's service within the state; for example, is temporary or transitory in nature or consists of isolated transactions.

(2) Service not localized in any state: The term "employment" shall include an individual's entire service, performed within, or both within and without this state if the service is not localized in any state but some of the service is performed in this state, and;

   (A) the individual's base of operations is in this state; or

   (B) if there is no base of operations, the place from which such service is directed or controlled is in this state; or

   (C) the individual's base of operations or place from which such service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in this state.

The above localization of work provisions of state law are ordinarily applied in the following sequence:

(1) Is the individual's service localized in this state or some other state?

(2) If his/her service is not localized in any state, does he/she perform some service in the state in which his/her base of operations is located?

(3) If the individual does not perform any service in the state in which his/her base of operations is located, does he/she perform any service in the state from which the service is directed and controlled?


7/28/2010
(4) If the individual does not perform any service in the state from which his/her service is directed and controlled, does the individual perform any service in the state in which he/she lives?

Thus, a state agency must first determine whether an individual's service is localized in that state. That is, it must find out whether service performed outside the state, if any, is incidental to that performed in the state. If so, service is localized in the state making the determination. If not, before going to the second test, it is necessary to find out whether the service is localized in some other state. Is the service performed in the state making the determination incidental to that performed in some other state? If so, all of the service is localized in the other state and is subject to the law of that state. It is possible, however, that part of the service is localized in one state, and part in another. In such a case, it may be desirable for the employer to elect to cover all of such individual's service in one state under the Interstate Reciprocal Coverage Arrangement.

Only if the service is not localized in any state is any other test necessary. If the service is not localized, it is necessary to determine the individual's base of operations state and whether any work is performed in that state. In other words, questions must be asked: Does the individual have a base of operations in this state? Is a service performed here? If the answer to either question is "no," the state must apply a second test: Is the individual's base of operations in any state where some work is performed? If it is, the law of that state covers all of the individual's service.

If the individual has no base of operations, or if no work is performed in the state in which the base of operations is located, and coverage is not determined by the second test, then it is necessary to apply the third test of "direction and control." If the individual performs no service in the state from which the service is directed and controlled and the service is, therefore, not covered by the third test in the state making the determination, or in any other state, then it is necessary to apply the fourth test. The state must determine whether the individual performs any service in the state in which he lives.

I. Guide for Determining the Place Where Work is Localized:

It is necessary to determine first whether the service in question is localized in any state. Service is localized in a state if it is performed entirely within the state, or, if it is performed both within and outside the state, and the service performed outside the state is incidental to the individual's service performed within the state. Service is considered incidental, for example, if it is temporary or transitory in nature, or consists of isolated transactions.

A. In determining whether the service of a worker is incidental or transitory in nature, some of the factors to be considered are:

1. Is it intended by the employer and the employee that the service be an isolated transaction or a regular part of the employee's work?

2. Does the employee intend to return to the original state upon completion of the work in the other state, or is it the employee's intention to continue to work in the other state?
3. Is the work performed outside the state of the same nature as, or is it different from, the tasks and duties performed within the state?

4. How does the length of service with the employer within the state compare with the length of service outside the state?

Because of the wide variation of facts in each particular situation, no fixed length of time can be used as a yardstick in determining whether the service is incidental or not. Service longer than 12 months would not generally be considered incidental, however, flexibility should be applied and various circumstances under which the work is performed, such as the terms of the contract of hire, whether written or oral, should be considered.

B. Examples of services that are localized:

1. Service performed entirely in one state:

Example

A salesman employed by a New York corporation, who lives in Indiana and performs all of his work in Illinois, is covered by the Illinois law because all of his work is performed in Illinois, even though the corporation for which he works is located in New York and he lives in Indiana.

2. Service performed both in a state and outside that state:

Example

A contractor had a place of business in California where he maintained his records, stored his equipment and directed his various jobs wherever located. All of his jobs had been in California but he obtained a contract for a single job in Nevada which took seven months to complete. During and after the completion of his work in Nevada, the contractor continued his activities in California.

a. A resident of California was hired in California to work on the Nevada job. When the work in Nevada was completed, the employee was laid off and not rehired by this employer. The employee's travel from California, where he was hired, to Nevada, was incidental to the work performed in Nevada. All work was localized in Nevada and was subject to the Nevada law.

b. A resident of California had been a foreman on the employer's payroll for several years. The foreman was moved from a California job to the Nevada job where he worked until the completion of the job, at which time he came back to California for continued work with the same employer. Although this employee was in Nevada for 7 months, his regular work was in California, and the Nevada work was temporary in nature and incidental to the work performed in California. The foreman’s
work, therefore, was localized in California, and the work performed in Nevada was subject to California law.

c. A resident of Nevada was hired for the Nevada job only. After the end of several months of employment in Nevada, he continued working for this employer for an equal length of time on another job in California. While the employee was working in Nevada, his work was localized there and was covered by the Nevada law because that was the only job the individual was hired for, and the Nevada contract was an isolated transaction of the employer with no likelihood of future Nevada employment for the individual. Since his move to California was considered permanent, the work in California was localized there and was subject to the California law.

**World Trade Center Example**

Approximately 40 employers and 1,500 employees, who were working in the area of the World Trade Center in New York City prior to the terrorist attack of September 11, 2001, were temporarily relocated to New Jersey. After the relocation, the employees’ services were determined to be localized in the State of New York because their work performed in New Jersey was temporary, with the understanding that the employers intended to return to New York as soon as possible. A recommended definition of "temporary" was reiterated earlier in this document (paragraph I.A.4.) as being approximately 12 months or less, as long as it is applied with some flexibility, taking into consideration the various circumstances under which the work is performed. New York and New Jersey considered the circumstances that required this move and determined that "temporary" would be considered to extend beyond a one-year period through the end of calendar year 2002. At the end of that time, employers who continued to operate in New Jersey would be considered subject to New Jersey law effective January 1, 2003. In addition, employees who were hired while their employer was temporarily located in New Jersey, and who performed all services for that employer in New Jersey during 2001 and 2002, were considered to be performing services that were "localized" in New Jersey. As a result, their wages were subject to New Jersey law.

**Telecommuting Example**

A resident of New York was hired as a technical specialist for a financial information provider. All services were performed in New York for two years, after which the employee moved to Florida because her husband had changed jobs. Since the employer had invested time and money in training this individual, it agreed to allow her to telecommute from Florida. After the relocation took place, all of her assignments and work products were communicated via the Internet. Since this employee is now performing all duties in Florida, even though the employer is located in New York, her services are localized in Florida and subject to Florida law. Therefore, all wages from the date she began telecommuting from Florida, are reportable to Florida.
Airline Example

A major airline that flew out of New Jersey was acquired by another airline. The flight attendants for the defunct airline, who were previously assigned to fly out of New Jersey, were reassigned to St. Louis, Missouri. This action required the flight attendants to commute by plane from New Jersey to Missouri before beginning work. They always returned to their duty station in St. Louis before the end of their shift, at which time they commuted back to New Jersey. Because the flight attendants began work in Missouri, their work outside of Missouri was incidental (temporary or transitory in nature) to the work within Missouri, and their flight shift ended in Missouri, their work was localized in Missouri, and they were covered under Missouri law.

II. Guide for Determining the Base of Operations:

If an individual's service is not localized in any state, it is necessary to apply the second test in the statute: Does the individual perform some service in the state in which his/her base of operations is located? The individual's base of operations should not be confused with the place from which his service is directed or controlled.

The "base of operations" is the place, or fixed center of more or less permanent nature, from which the individual starts work and to which the individual customarily returns in order to receive instructions from the employer, or communications from customers or other persons, or to replenish stocks and materials, to repair equipment, or to perform any other functions necessary to exercise the individual's trade or profession at some other point or points. The base of operations may be the employee's business office, which may be located at his residence, or the contract of employment may specify a particular place at which the employee is to receive his direction and instructions. This test is applicable principally to employees, such as salesmen, who customarily travel in several states.

A. Examples of non-localized service, where coverage is decided by the base-of-operations test:

1. A salesman, a resident of California, sold products in California, Nevada, and Oregon for his employer whose place of business was in New York. The salesman operated from his home where he received instructions from his employer, communications from his customers, etc. Once a year the salesman went to New York for a two-week sales meeting. His base of operations was in California, and he performed some service in California. Therefore, all of his service was covered by the California law.

2. An employee worked for a company whose home office was in Pennsylvania. He was made a regional director working out of a branch office in New York. He worked mostly in New York, but spent considerable time also in Pennsylvania and New Jersey. The individual's base-of-operations was in New York. Since he performed some service in New York and his base of operations was in New York, it is immaterial that the source of direction and control was in Pennsylvania, and all of the individual's service was covered by the New York law.
a. The base-of-operations test may also be used to determine the state of coverage of service performed by traveling bands and orchestras. When the owners or executive officers remain in the state where the main office is maintained, the application of the test to an organization other than a sole proprietorship creates no problem. In applying the test to a sole proprietorship, when the owner (usually the leader) travels with the band, factors to be considered are:

i. Residence and mailing address of the owner.

ii. Location of accountant or business manager who acts as the owner's agent.

iii. State in which income tax returns are filed by the owner.

iv. State in which the owner has a traveling card from a musician's union.

v. State from which the band starts and to which it returns after the completion of a tour.

Examples involving bands and orchestras:

1. The leader, the sole proprietor of a traveling independent band, resides in California, receives mail in California, carries a traveling card from a California musician's union, and has a business agent in California. The band performs in several states, and its services are not localized in any state. All services of any employee who performs services in California as well as in other states are covered in California under the base-of-operations test. Even though the leader travels with the band, the principal base-of-operations for the leader and individual musicians remains fixed in California where the leader maintains his headquarters.

2. The band leader in the preceding example, while in Oregon, hired a resident of Oregon as a permanent member of the band. Under the contract of hire, the employee was to travel with the band in California and other states. Under the base-of-operations test, this employee's services are covered under California law during all periods. It is recognized that there may be a reporting period during which this employee performs services only in the State of Oregon. Also, there may be a reporting period or periods during which this employee may be performing services in several states but not in California. However, because of the period and location of employment expressed in the contract of hire, the services are considered covered in California.
III. Guide for Determining the Place From Which the Service is Directed or Controlled:

If the individual has no base-of-operations, or if he has such a base but does not perform any service in the state in which it is located, or if the base-of-operations moves from state to state, it is necessary to find out whether any of the individual's service is performed in the state from which his service is directed or controlled. The place from which an individual's service is directed or controlled is the place at which the basic authority exists and from which the general control emanates rather than the place at which a manager or foreman directly supervises the performance of services under general instructions from the place of basic authority.

Examples of service which is not localized in any state, where coverage is decided by the direction and control test:

A. A contractor whose main office is in California is regularly engaged in road construction work in California and Nevada. All operations are under direction of a general superintendent whose office is in California. Work in each state is directly supervised by field supervisors working from field offices located in each of the two states. Each field supervisor has the power to hire and fire personnel; however, all requests for manpower must be cleared through the control office. Employees report for work at the field offices. Time cards are sent weekly to the main office in California where the payrolls are prepared. Employees regularly perform services in both California and Nevada. It is determined that neither the localization nor the base-of-operations test applies. Because the basic authority of direction and control emanates from the central office in California, the services of the employees are covered by California law.

B. A salesman residing in Cleveland, Ohio, works for a concern whose factory and selling office are in Chicago, Illinois. The salesman's territory is Kentucky, Arkansas, Oklahoma, Illinois, and Missouri. He does not use either the Chicago office or his home in Ohio as his base of operations. Since his work is not localized in any state and he has no base of operations, all of his service is covered by the Illinois law because his work is directed and controlled from his employer's Chicago office and some of his service is in Illinois.

IV. Guide for Determining the Place of Residence:

If coverage cannot be determined by any of the tests above, it is necessary to apply the test of residence. Residence is a factor in determining coverage only when the individual's service is not localized in any state and he performs no service in the state in which he has his base of operations (if he has such a base) and he performs no service in the state from which the service is directed and controlled.

If none of the other tests apply, all of an individual's service is covered in the state in which he lives, provided that some of his service is performed in that state.

Examples of coverage determined by state of residence:
A. A salesman employed by an Indiana company lives in Illinois. His territory covers
Iowa, Kentucky, and Illinois. The salesman's service is not localized in any state. He
uses his employer's Indiana office as his base of operations, and his service is directed
from that office. He performs no service in the state in which his base of operations is
located, nor in the state from which his service is directed and controlled. He does
some work in Illinois, the state in which he lives. Consequently, all of his service is
subject to the Illinois law.

B. An individual who lives in California was hired as a member of a traveling circus to
perform in California, Arizona, and New Mexico. The circus was directed and
controlled from Florida. The employee performed in California and Arizona before
quitting. Because none of the first three tests apply, and because he performed some
service in the state in which he lived, all of his service is subject to the law of
California.

If, after applying all of the above tests to a given set of circumstances, the individual's service is
found not to be subject to any one state law, under most state laws the employer may elect to cover
all of the individual's service in one state, either under a provision for election of coverage or under
the Interstate Reciprocal Coverage Arrangement. Under the reciprocal coverage arrangement, the
service may be covered in any one of the following states: (1) a state in which some part of the
individual's service is performed, (2) the state in which he lives, or (3) a state in which the
employer maintains a place of business.
1) What is Use Tax?

2) Self-Audits & Consumer Use Tax Return T-205.

3) Individualized Account Numbers.

4) Taxing of Fees in Relation to New Motor Vehicle Purchases.

5) Cigarette Tax Increase.

6) Acquired Real Estate Conveyance Tax.
If you buy something in Rhode Island -- such as a computer, business cards, or a broom -- you must pay the 7 percent sales tax.

But what if you buy the same thing from a seller located outside of Rhode Island -- and the seller does not charge sales tax?

In that case, you owe Rhode Island’s 7 percent use tax.

So suppose you buy staplers, some tape, tape dispensers, paperclips, envelopes, and other administrative supplies for your business, for a total of $1,000. And suppose you use a website, a catalog, or a toll-free number to make the purchases from an out-of-state vendor. If the out-of-state seller does not charge sales tax, you owe Rhode Island’s 7 percent use tax. In this example, the tax is $70.

If you did not pay the required use tax, you can apply for Rhode Island’s new self-audit program. If you meet the program’s rules, and pay the tax you owe, the Division of Taxation will waive all penalties and forgive some of the interest.

The list (at right) shows some of the items that are subject to use tax. Examples (below) show who may owe use tax.

### Examples of Who Owes the Use Tax

**Dentist**

A dentist’s office bought a big-screen TV screen for the waiting room, and dental equipment to examine patients. The out-of-state vendor who sold the $2,500 in equipment to the dentist’s office didn’t charge sales tax. The dentist’s office owes $175 in Rhode Island’s 7 percent use tax.

**Lawyer**

A law firm bought a copy machine, as well as business cards, desk calendars, paper, and other supplies, for a total of $10,000 from an out-of-state seller, who did not charge sales tax. The law firm owes $700 in Rhode Island use tax.

**Contractor**

A building contractor buys, through an out-of-state seller, a total of $25,000 in drills and specialty tools to use on jobs. The seller does not charge sales tax. The contractor owes $1,750 in Rhode Island use tax.

### Questions?

See our website, www.tax.ri.gov, or call us at (401) 574-8962.
A NOTICE FOR BUSINESSES AND TAX PROFESSIONALS

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

In Rhode Island’s voluntary self-audit program, you examine your business’s books and records to see if you owe Rhode Island’s 7% use tax. For example, use tax would be owed if your business:

♦ bought computer equipment from an out-of-state vendor for which Rhode Island sales tax was not collected;
♦ purchased office supplies online and no Rhode Island sales tax was collected; or
♦ bought furniture in another state and paid that state’s 5% sales tax. (In this case, you would owe the difference to Rhode Island in the form of use tax.)

Under the Rhode Island Division of Taxation’s new self-audit program, a business audits its own books and records to see if the business has a previously undisclosed Rhode Island use tax liability.

To start, the business submits an application to the Tax Division, which oversees and manages the entire process. The Tax Division reviews the application to see if it meets the program’s criteria.

If the application is approved, the self-audit is completed in accordance with the program’s guidelines, and the business pays what it owes (the tax is 7 percent), the Tax Division can waive penalties and some interest.

There is an application to complete and other steps involved. For more information, contact the Tax Division’s Field Audit section at (401) 574-8962 from 8:30 a.m. to 3:30 p.m. business days, or see the agency’s website: http://go.usa.gov/3JexQ

The self-audit program is authorized under RIGL § 44-19-43. It was part of the budget bill enacted June 30, 2015 (H 5900 Substitute A as amended).
State of Rhode Island and Providence Plantations

Form T-205
Consumer’s Use Tax Return

Name

Federal employer identification/social security number

Address

For the period of:

MM/DD/YYYY to MM/DD/YYYY

Address 2

Business type

City, town or post office

State

ZIP code

E-mail address

Do you expect to make purchases on a consistent basis that will be subject to the use tax?  YES  ☐  NO  ☐

**Schedule of Purchases Subject to the Use Tax:** (Use separate sheet if more space is needed.)

NOTE: Businesses and institutions making purchases subject to the use tax on a consistent basis are not required to itemize their purchases on this return, but they must give the total on line 1 and their records showing details must be preserved for the inspection of the Tax Administrator or his agent.

<table>
<thead>
<tr>
<th>Name and address from whom purchase was made</th>
<th>Purchase Date</th>
<th>Description</th>
<th>Quantity</th>
<th>Total Sale Price</th>
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1. Total sale price of purchases subject to the use tax .................................................................

2. Total sale price from additional schedules (if needed) .................................................................

3. Total sale price of all purchases subject to the use tax. Add lines 1 and 2 ..................................................

4. Amount of tax. Multiply total sale price of purchases from line 3 by 7% (0.0700) ..........................................

5. Credit for sales or use taxes paid on these purchases in other states ..................................................

6. TAX DUE ON PURCHASES. Subtract line 5 from line 4 ..................................................................................

7. Interest due. Multiply line 6 times 1.5% (0.15) per month, or fraction thereof, from due date until date paid ..........

8. Penalty. Multiply line 6 times 10% (0.10) if tax is not paid when due ..................................................

9. TOTAL AMOUNT DUE. Add lines 6, 7 and 8 ..........................................................................................

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, it is true, accurate and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

---

Authorized officer signature
Print name
Date
Telephone number

Paid preparer signature
Print name
Date
Telephone number

Paid preparer address
City, town or post office
State
ZIP Code
PTIN

May the Division of Taxation contact your preparer?  YES  ☐  NO  ☐
State of Rhode Island and Providence Plantations

Form T-205
Consumer’s Use Tax Return

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<th>Description</th>
<th>Quantity</th>
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Total sale price of purchases subject to the use tax. Enter on page 1, line 2……………………………………………………………………
Sellers of tangible personal property should use Form T-204 (Sales and Use Tax Return) in reporting both sales and use tax. This Consumer's Use Tax Return form (T-205) must be filed and the use tax must be paid directly to the Tax Administrator by any person other than a seller of tangible personal property who purchases tangible property (except such property as is not taxed under the Rhode Island Sales and Use Tax Act) unless (1) the sale of such property is liable to the Rhode Island sales tax, or unless (2) the Rhode Island use tax has been paid on such property to a retailer who does not maintain a place of business in this state but who holds a Certificate of Authority to Collect Tax.

The use tax does not apply to the following:

- Property purchased for resale in the regular course of business.
- (1) Property purchased for the purpose of being manufactured into a finished product for resale, when such property becomes a recognizable, integral part of such manufactured, compounded, processed, assembled, or prepared product; and
  (2) property consumed directly in the process of manufacturing, compounding, processing, assembling, preparing, or producing for resale tangible personal property, electricity, gas, steam, refrigeration, or water.
- (1) Non-refundable containers (including boxes, paper bags, and wrapping materials) when sold without the contents to persons who place the contents in the containers and sell the contents with the containers;  
  (2) containers when sold with the contents if the contents are not subject to the sales or use tax; and
  (3) returnable containers when sold with the contents in connection with a retail sale of the contents or when resold for refilling.
- Newspapers. Newspaper shall mean an unbound publication printed on newprint which contains news, editorial comment, opinions, features, advertising matter and other matters of public interest. Newspaper does not include a magazine, handbill, circular, flyer, sales catalog, or similar item unless the item is printed for and distributed as a part of a newspaper.
- Gasoline and other motor fuels taxed under title 31, chapter 36 of the general laws of Rhode Island.
- Property sold to or by hospitals not operated for profit, educational institutions not operated for profit, churches, orphanages, and other institutions or organizations operated exclusively for religious or charitable purposes.
- Property sold to the Federal government, this state, any city, town, district, or other political subdivision of this state. However, property sold by these governmental jurisdictions is subject to the tax.
- Property held by the purchaser in this state prior to July 1, 1947.

Note: Any amount claimed as a credit on Line 8 for sales or use taxes paid by taxpayer in other taxing jurisdictions when computing the Rhode Island use tax cannot exceed the amount of the applicable Rhode Island use tax. Taxpayer must retain receipts showing such payment of tax in such other jurisdictions for inspection by tax administrator or his agents. A return is due on or before the 20th of the month following the month in which purchases are made, and must be accompanied by a remittance for the amount due. Checks and money orders should be made payable to the Tax Administrator. Postage stamps will not be accepted. Each return must be signed.
Individualized account numbers for holders of sales permits

Division of Taxation also preparing to send out sales tax coupon booklets and permits

PROVIDENCE, R.I. – In an effort to improve consistency and security, and to embrace best practices, the Rhode Island Division of Taxation has assigned individualized account identification numbers to retailers and other holders of sales permits.

The change, which officially takes effect July 1, 2017, is intended to result in greater ID protection and more security for retailers and other permit holders, particularly by limiting use of the retailer’s federal Employer Identification Number or other such tax ID number.

In addition, the change will allow the Division of Taxation to post a retailer’s or other permit-holder’s information to the Division’s new agency-wide computer system more efficiently and effectively. For example, the change will improve the speed and accuracy with which a retailer’s payments of sales and use tax are credited to the retailer’s account. This will prove especially helpful for retailers with multiple locations.

Many retailers have multiple bank accounts – and a separate account number for each. Many retailers also have different loans outstanding – and a separate account number for each. Similarly, each retailer will now have multiple account ID numbers with the Division of Taxation.

ELECTRONIC FILERS: LIMITED IMPACT

The overwhelming majority of retailers file electronically and they will see little impact. For example, electronic filers typically remit tax by using the Division of Taxation website for business tax filings: [https://www.ri.gov/taxation/business/index.php](https://www.ri.gov/taxation/business/index.php). They will continue to use that site, and will continue to use their 11-digit Rhode Island Identification Number and password to log in at that site. They will continue to select, from a menu, the tax type for which they are filing (sales/use tax, or meals-and-beverage tax, for example).

The Division of Taxation is in the process of developing a portal through which businesses will be able to remit tax, make various payments, and take certain other steps online. Even after the portal is fully functional, however, users will see little impact from the new account ID number system: Users will simply create their own account for the portal, including their own login and password, and – once logged in – will select from a menu the tax type for which they are filing and remitting tax.

PAPER FILERS: LIMITED IMPACT

The impact on paper filers also will be limited. For example, the Division of Taxation plans to start mailing out sales tax coupon booklets soon. Each booklet will contain the retailer’s sales permit, as well as coupons for remitting tax.
The permit will have its own account ID number, which the paper filer will use for purposes of annual permit renewal. However, the paper filer will be mailed a renewal form, which will have the account ID number on it. So the paper filer need take no extra steps. (This assumes that the paper filer uses the pre-printed form, instead of a blank form, to renew. If the paper filer uses a blank form downloaded from the Division website, all the filer need do is enter his or her new account ID number – the one on the permit.)

The paper filer will have a separate account ID number for remitting tax. However, that account ID number will already be printed on each coupon. Therefore, the paper filer need take no extra steps; he or she should simply remit the appropriate pre-printed coupon with payment. (Even if the paper filer uses a blank form downloaded from the Division website, all the filer need do is enter his or her new account ID number – the one assigned for remitting tax.)

**YOUR NEW ACCOUNT ID NUMBERS**

If you hold a Rhode Island sales tax permit, the Division of Taxation will soon send you a mailing which will include your new account ID numbers. The mailing will go to permit-holders who:

- have renewed their sales tax permits for the year which begins July 1, 2017;
- paid the required $10 permit renewal fee; and
- are not delinquent on their Rhode Island state taxes.

If you have not renewed your permit, use the renewal form that was mailed to you or use the blank form available at the Division website (see screenshot below).

Assuming that you have paid the required $10 annual permit renewal fee, and that you are current on your State of Rhode Island taxes, you will receive your new sales permit as well as your new account ID numbers. Following is a link to the blank form: [http://www.tax.ri.gov/forms/2016/Excise/SalesUse/STREN_1D_m.pdf](http://www.tax.ri.gov/forms/2016/Excise/SalesUse/STREN_1D_m.pdf)

**STILL HELPFUL TO KEEP TRACK**

Whether the retailer files electronically or on paper, it will still be important for the retailer (and for the retailer’s bookkeeper, accountant, or other adviser) to keep track of the new Division of Taxation account ID numbers, much like the retailer keeps track of multiple bank account or loan ID numbers now.
For example, if you are a retailer:

- A different account ID number will apply for each function related to your account, such as remitting sales/use tax, filing the annual sales tax reconciliation, and renewing your sales permit.
- A different account ID number will apply for any tax type or fee you need to remit, such as meals-and-beverage tax, hotel tax, hard-to-dispose materials tax, and prepaid wireless tax.
- If you are a retailer with multiple locations, each location will have its own account ID number.
- Your sales permit itself will have its own account ID number, which will appear on the new permit you will soon be mailed, covering the year which begins July 1, 2017. (You will use the account ID number shown on your sales permit only for purposes of renewing the sales permit. You will use a separate account ID number to remit sales/use tax.)

ACCOUNT ID EXAMPLES

Following are some examples of how the new account ID number system will work.

Example # 1
Suppose that ABC Jewelry Inc. is a retailer with one location, in Providence, and sells only jewelry. For the year which begins July 1, 2017, and for later years, ABC Jewelry Inc. will, solely for excise tax purposes, have three separate account ID numbers, one for each of the following:
- sales permit
- sales tax remittance
- annual sales tax reconciliation

Example # 2
Suppose that Sally Smith of North Kingstown is an artist who sells one-of-a-kind or limited-edition artwork and holds a sales tax exemption certificate for the sale of her work. For the year which begins July 1, 2017, and for later years, Sally will, solely for excise tax purposes, have three separate account ID numbers, one for each of the following:
- sales permit
- sales tax remittance
- annual sales tax reconciliation

Example # 3
XYZ Restaurant Inc. has two restaurant locations: one in Cranston, the other in Warwick. XYZ Restaurant Inc. must collect and remit sales tax as well as meals-and-beverage tax. Thus, for the year which begins July 1, 2017, and for later years, XYZ Restaurant Inc. will, solely for excise tax purposes, have separate account ID numbers for a number of items. However, how many separate account ID numbers will depend on whether XYZ Restaurant Inc. files separate returns for each of its locations, or if XYZ Restaurant Inc. files for excise tax purposes on a consolidated basis.
If XYZ Restaurant Inc. files separate returns for each location

**Cranston location:**
- sales permit for Cranston site
- sales tax remittance for Cranston site
- meals-and-beverage tax remittance for Cranston site
- annual sales tax reconciliation
- litter permit

**Warwick location:**
- sales permit for Warwick site
- sales tax remittance for Warwick site
- meals-and-beverage tax remittance for Warwick site
- annual sales tax reconciliation
- litter permit

If XYZ Restaurant Inc. files on a consolidated basis:
- sales permit for Cranston site
- sales permit for Warwick site
- litter permit for Cranston site
- litter permit for Warwick site
- sales tax remittance for both sites consolidated
- meals-and-beverage tax remittance for both sites consolidated
- annual sales tax reconciliation for both sites consolidated

**SALES TAX COUPON BOOKLETS**

By the end of June 2017, the Division will begin mailing sales tax coupon booklets. The booklets are for the approximately 5,100 retailers who remit their monthly or quarterly sales tax by check; a coupon must accompany each payment. (Because the majority of the approximately 30,000 permit-holders file electronically, they do not need coupon booklets.)

Each coupon booklet will also contain the new sales permit covering the year which begins July 1, 2017. (As noted earlier in this Advisory, each sales permit will contain a unique account ID number. Also as noted earlier in this Advisory, each sales tax coupon booklet will contain a unique account ID number, which will be printed on the coupons. The sales permit account ID number is for purposes of renewing the permit. The account ID number on the sales coupons is for remitting tax.) If you renewed your permit, but do not receive your booklet by July 1, 2017, you may continue using the old one until the new one arrives.

**OTHER POINTS**

Following are some other points to keep in mind:

- If you are an electronic sales tax filer, and your account is not blocked because of delinquent taxes, and you have renewed your sales permit and paid the associated $10
annual renewal fee, the Division will mail your new permit in July or August. You will not receive a sales tax coupon booklet. However, you will soon receive a mailing so you can see your new account ID numbers.

- A cigarette tax license/permit must be obtained by those who wish to sell tobacco and other tobacco products. Each location must obtain its own license and therefore will have its own new account ID number. Cigarette dealer’s license permits are to be mailed in late June.

- For hotels and for those who rent out residential dwellings, there will be a different account ID number for each hotel / residential dwelling filing account.

- Each nine-digit account ID number will have a total of nine numbers. In most cases, your account ID number will be shown as nine numbers separated by hyphens or dashes, such as the following: 9-9999-9999. (In certain instances, the account ID number may be shown as nine numbers in succession, with no hyphens or dashes.)

- The Division will soon be mailing out coupon booklets for the hotel tax, tax on hard-to-dispose material, meals-and-beverage tax, and prepaid-wireless tax.

**Contact Information**

For more information about Rhode Island sales tax, use tax, sales permits, or related matters, contact the Division of Taxation’s Excise Tax section at (401) 574-8955 from 8:30 a.m. to 3:30 p.m. Eastern Time business days, or email Tax.Excise@tax.ri.gov. The Division of Taxation office is located at One Capitol Hill in Providence, R.I., diagonally across from the Smith Street entrance to the State House.
Motor Vehicle Documentation and Title Preparation Fees

SECTION 1: PURPOSE

The Rhode Island Division of Taxation hereby provides notice to motor vehicle dealers and others regarding the application of the Rhode Island sales and use tax to motor vehicle documentation and title preparation fees, and other such miscellaneous fees, effective September 15, 2017.

SECTION 2: DESCRIPTION

As part of its analysis and review of Rhode Island statutes and regulations, and of the statutes and regulations of other states, the Division of Taxation has determined that Rhode Island’s 7 percent sales and use tax shall apply to documentation and title preparation fees that are charged in motor vehicle transactions (including, but not limited to, the sales of motor vehicles).

Example: XYZ Motor Sales Inc., a dealership in Providence, R.I., sells a car to a Providence resident for $24,000. As part of the transaction, XYZ Motor Sales Inc. also charges a $200 documentation fee and a $20 title preparation fee. The 7 percent Rhode Island sales and use tax rate applies to the gross sales price of $24,220 – which includes the $24,000 car price, the $200 documentation fee, and the $20 title preparation fee. Thus, in this example, the tax due on the purchase is $1,695.40 ($24,220 times 0.07).

<table>
<thead>
<tr>
<th>Example</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Car price</td>
<td>$24,000.00</td>
</tr>
<tr>
<td>Documentation fee</td>
<td>$200.00</td>
</tr>
<tr>
<td>Title preparation fee</td>
<td>$20.00</td>
</tr>
<tr>
<td>Gross sales price (including car price and fees)</td>
<td>$24,220.00</td>
</tr>
<tr>
<td>Sales tax (at 7 percent)</td>
<td>$1,695.40</td>
</tr>
</tbody>
</table>

When the dealer completes the dealer statement of sale on Form T-336, the dealer shall include all documentation and title preparation fees, and other such miscellaneous fees, as part of the gross sales price of the motor vehicle. When a dealer sells a motor vehicle to a bona fide nonresident (whose state of residence does not allow a like exemption to its nonresidents), the dealer shall include all documentation and title preparation fees, and other such miscellaneous fees, in the gross sales price.

SECTION 3: CITATION

Under Rhode Island General Laws § 44-18-18, a sales tax is imposed on gross receipts of a retailer. Under Rhode Island General Laws § 44-18-20, a use tax is imposed on the storage, use, or consumption of tangible personal property. The use tax is a complement to Rhode Island’s sales tax.

Under Rhode Island General Laws § 44-18-12(a), the term “sales price” applies to the measure subject to sales tax. The term means the total amount of consideration, including cash, credit, property, and services, for which personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for charges by the seller for any services necessary to complete the sale (other than delivery and installation charges, as defined in statute).

SECTION 4: CONTACT PERSON

For questions about this notice, contact the Rhode Island Division of Taxation’s Excise Tax section by telephone at (401) 574-8955, by email: Tax.Excise@tax.ri.gov, or by mail: Rhode Island Division of Taxation, One Capitol Hill, Providence, R.I. 02908.
NOTICE

TO ALL VEHICLE DEALERS

This Notice is to inform you that, on and after September 15, 2017, Rhode Island sales and use tax must be applied to documentation fees, title preparation fees, and other such miscellaneous fees that are charged in motor vehicle transactions (including, but not limited to, the sales of motor vehicles). In other words, the Rhode Island sales and use tax applies to the gross sales price – including all documentation fees, title preparation fees, and other such miscellaneous fees.

Example: XYZ Motor Sales Inc., a dealership in Providence, R.I., sells a car to a Providence resident for $24,000. As part of the transaction, XYZ Motor Sales Inc. also charges a $200 documentation fee and a $20 title preparation fee. The 7 percent Rhode Island sales and use tax rate applies to the gross sales price of $24,220 – which includes the $24,000 car price, the $200 documentation fee, and the $20 title preparation fee. Thus, in this example, the tax due on the purchase is $1,695.40 ($24,220 times 0.07).

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</tr>
<tr>
<td><strong>Sales tax (at 7 percent)</strong></td>
<td>$1,695.40</td>
</tr>
</tbody>
</table>

When you complete the dealer statement of sale on Form T-336, include all documentation and title preparation fees, and other such miscellaneous fees, as part of the gross sales price of the motor vehicle. If you sell a motor vehicle to a *bona fide* nonresident (whose state of residence does not allow a like exemption to its nonresidents), include all documentation and title preparation fees, and other such miscellaneous fees, in the gross sales price.

Under Rhode Island General Laws § 44-18-12(a), the term “sales price” applies to the measure subject to sales tax. The term means the total amount of consideration, including cash, credit, property, and services, for which personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for charges by the seller for any services necessary to complete the sale (other than delivery and installation charges, as defined in statute).

CONTACT INFORMATION

For questions about this notice, contact the Rhode Island Division of Taxation’s Excise Tax section by telephone at (401) 574-8955, by email: Tax.Excise@tax.ri.gov, or by mail: Rhode Island Division of Taxation, One Capitol Hill, Providence, R.I. 02908.

August 2017
Notice 2017-13
NOTICE:

TO ALL RHODE ISLAND CIGARETTE DISTRIBUTORS

This is to notify all Rhode Island licensed cigarette distributors that the 2017 session of the Rhode Island General Assembly enacted into law legislation increasing the tax levied upon the sale of cigarettes. The new rate, of two hundred twelve and one half (212.5) mills per cigarette, increases the tax from $3.75 per package of 20 cigarettes to $4.25, and from $4.69 per package of 25 cigarettes to $5.31. This increase is effective at 12:01 a.m. on August 16th, 2017. The prepaid sales tax will remain the same at $0.58 per pack.

Please be advised that Tax Division personnel may conduct an inventory count verification. In lieu of completed inventory counts, the Tax Division has the right to estimate.

Please note the following:

1) A Cigarette Floor Stock Tax Return (enclosed) is required to be completed after the close of business on August 15th, 2017, and returned to this office with full payment on or before August 30th, 2017.

2) An updated Cigarette Stamp Purchase Price List, Cigarette Stamp Requisition Form, Cigarette Stamp Rolling Paper Requisition Form, Monthly Report for Cigarette Distributor, and Monthly Report for Rolling Paper Distributor, all of which detail the new tax rate change, will be posted on the Division of Taxation’s website at www.tax.ri.gov.

3) The revised minimum price list, detailing the new prices at which cigarettes may be sold at wholesale and at retail levels, will be posted on the Division of Taxation’s website at www.tax.ri.gov.

Should you have any questions, please call the Excise Tax section at (401) 574-8955.

August 2017
Notice 2017-12
Rhode Island Department of Revenue
Division of Taxation

NOTICE:

TO ALL RHODE ISLAND CIGARETTE DEALERS

The 2017 session of the Rhode Island General Assembly enacted into law legislation increasing the tax levied upon the sale of cigarettes. The new rate, of two hundred twelve and one half (212.5) mills per cigarette, increases the tax from $3.75 per package of 20 cigarettes to $4.25, and from $4.69 per package of 25 cigarettes to $5.31. This increase is effective at 12:01 a.m. on August 16th, 2017.

Please be advised that Tax Division personnel may conduct an inventory count verification. In lieu of completed inventory counts, the Tax Division has the right to estimate.

Please note the following:

1) A Cigarette Floor Stock Tax Return (enclosed) is required to be completed after the close of business on August 15th, 2017, and returned to this office with full payment on or before August 30th, 2017. Failure to remit the floor stock tax return may result in a full audit of your business.

2) The revised Minimum Price List detailing the new prices at which cigarettes may be sold at wholesale and at retail levels will be posted on the Division of Taxation's website at www.tax.ri.gov.

Should you have any questions, please call the Excise Tax section at (401) 574-8955.

August 2017
Notice 2017-11
TITLE 44
Taxation

CHAPTER 44-25
Real Estate Conveyance Tax

SECTION 44-25-1

§ 44-25-1 Tax imposed – Payment – Burden.

(a) There is imposed, on each deed, instrument, or writing by which any lands, tenements, or other realty sold is granted, assigned, transferred, or conveyed to, or vested in, the purchaser or purchasers, or any other person or persons, by his or her or their direction, or on any grant, assignment, transfer, or conveyance or such vesting, by such persons which has the effect of making any real estate company an acquired real estate company, when the consideration paid exceeds one hundred dollars ($100), a tax at the rate of two dollars and thirty cents ($2.30) for each five hundred dollars ($500) or fractional part of it which is paid for the purchase of property or the interest in an acquired real estate company (inclusive of the value of any lien or encumbrance remaining at the time of the sale, grant, assignment, transfer or conveyance or vesting occurs, or in the case of an interest in an acquired real estate company, a percentage of the value of such lien or encumbrance equivalent to the percentage interest in the acquired real estate company being granted, assigned, transferred, conveyed or vested), which tax is payable at the time of making, the execution, delivery, acceptance or presentation for recording of any instrument affecting such transfer grant, assignment, transfer, conveyance or vesting. In the absence of an agreement to the contrary, the tax shall be paid by the grantor, assignor, transferor or person making the conveyance or vesting.

(b) In the event no consideration is actually paid for the lands, tenements, or realty, the instrument or interest in an acquired real estate company of conveyance shall contain a statement to the effect that the consideration is such that no documentary stamps are required.

(c) The tax administrator shall contribute to the distressed community relief program the sum of thirty cents ($.30) per two dollars and thirty cents ($2.30) of the face value of the stamps to be distributed pursuant to § 45-13-12, and to the housing resources commission restricted receipts account the sum of thirty cents ($.30) per two dollars and thirty cents ($2.30) of the face value of the stamps. Funds will be administered by the office of housing and community development, through the housing resources commission. The state shall retain sixty cents ($.60) for state use. The balance of the tax shall be retained by the municipality collecting the tax. Notwithstanding the above, in the case of the tax on the grant, transfer, assignment or conveyance or vesting with respect to an acquired real estate company, the tax shall be collected by the tax administrator and shall be distributed to the municipality where the real estate owned by the acquired real estate company is located provided, however, in the case of any such tax collected by the tax administrator, if the acquired real estate company owns property located in more than one municipality, the proceeds of the tax shall be allocated amongst said municipalities in the proportion the assessed value of said real estate in each such municipality bears to the total of the assessed values of all of the real estate owned by the
acquired real estate company in Rhode Island. Provided, however, in fiscal years 2004 and 2005, from the proceeds of this tax, the tax administrator shall deposit as general revenues the sum of ninety cents ($0.90) per two dollars and thirty cents ($2.30) of the face value of the stamps. The balance of the tax on the purchase of property shall be retained by the municipality collecting the tax. The balance of the tax on the transfer with respect to an acquired real estate company, shall be collected by the tax administrator and shall be distributed to the municipality where the property for which interest is sold is physically located. Provided, however, that in the case of any tax collected by the tax administrator with respect to an acquired real estate company where the acquired real estate company owns property located in more than one municipality, the proceeds of the tax shall be allocated amongst the municipalities in proportion that the assessed value in any such municipality bears to the assessed values of all of the real estate owned by the acquired real estate company in Rhode Island.

(d) For purposes of this Section, the term "acquired real estate company" means a real estate company that has undergone a change in ownership interest if (i) such change does not affect the continuity of the operations of the company; and (ii) the change, whether alone or together with prior changes has the effect of granting, transferring, assigning or conveying or vesting, transferring directly or indirectly, 50% or more of the total ownership in the company within a period of three (3) years. For purposes of the foregoing subsection (ii) hereof, a grant, transfer, assignment or conveyance or vesting, shall be deemed to have occurred within a period of three (3) years of another grant(s), transfer(s), assignment(s) or conveyance(s) or vesting(s) if during the period the granting, transferring, assigning or conveying or party provides the receiving party a legally binding document granting, transferring, assigning or conveying or vesting said realty or a commitment or option enforceable at a future date to execute the grant, transfer, assignment or conveyance or vesting.

(e) A real estate company is a corporation, limited liability company, partnership or other legal entity which meets any of the following:

(i) Is primarily engaged in the business of holding, selling or leasing real estate, where 90% or more of the ownership of said real estate is held by 35 or fewer persons and which company either (a) derives 60% or more of its annual gross receipts from the ownership or disposition of real estate; or (b) owns real estate the value of which comprises 90% or more of the value of the entity's entire tangible asset holdings exclusive of tangible assets which are fairly transferrable and actively traded on an established market; or

(ii) 90% or more of the ownership interest in such entity is held by 35 or fewer persons and the entity owns as 90% or more of the fair market value of its assets a direct or indirect interest in a real estate company. An indirect ownership interest is an interest in an entity 90% or more of which is held by 35 or fewer persons and the purpose of the entity is the ownership of a real estate company.

(f) In the case of a grant, assignment, transfer or conveyance or vesting which results in a real estate company becoming an acquired real estate company, the grantor, assignor, transferor or person making the conveyance or causing the vesting, shall file or cause to be filed with the division of taxation, at least five (5) days prior to the grant, transfer, assignment or conveyance or vesting, notification of the proposed grant, transfer, assignment, or conveyance or vesting, the price, terms and conditions of thereof, and the character and location of all of the real estate assets held by real estate company and shall remit the tax imposed and owed pursuant to subsection (a) hereof. Any such grant, transfer, assignment or conveyance or vesting which results in a real estate company becoming an acquired real estate company shall be fraudulent and void as against the state unless the entity notifies the tax administrator in writing of the grant, transfer, assignment or conveyance or vesting as herein required in subsection (f) hereof and has paid the tax as required in subsection (a) hereof. Upon the
payment of the tax by the transferor, the tax administrator shall issue a certificate of the payment of the tax which certificate shall be recordable in the land evidence records in each municipality in which such real estate company owns real estate. Where the real estate company has assets other than interests in real estate located in Rhode Island, the tax shall be based upon the assessed value of each parcel of property located in each municipality in the state of Rhode Island.

History of Section.
Rhode Island Department of Revenue
Division of Taxation

IMPORTANT NOTICE
REAL ESTATE CONVEYANCE TAX FOR AN ACQUIRED REAL ESTATE COMPANY

The Rhode Island General Assembly enacted a law effective July 1, 2015 requiring acquired real estate companies to (i) file notice of a potential acquisition of a real estate company at least five (5) days prior to the grant, transfer, assignment, conveyance, or vesting of such an acquisition; and to (ii) pay an appropriate tax for the acquisition of the real estate company. The law amended several subsections of R.I. Gen. Law § 44-25-1 which is part of the current real estate conveyance tax law to require notice of the real estate company acquisition, payment of an appropriate tax, and issuance of a certificate by the Division of Taxation upon payment of the tax for the interest in the acquired real estate company.

KEY TERMS OF THE NEW REQUIREMENT

You must be a “real estate company” and an “acquired real estate company” in order to be subject to the tax.

• To determine if you are a “real estate company” you must be a corporation, limited liability company, partnership, or other legal entity which meets 1 or 2 below:

  1. Is primarily engaged in the business of holding, selling or leasing real estate, where 90% or more of the ownership of said real estate is held by 35 or fewer persons and which company either:

     (a) derives 60% or more of its annual gross receipts from the ownership or disposition of real estate; or,

     (b) owns real estate the value of which comprises 90% or more of the value of the entity’s entire tangible asset holdings exclusive of tangible assets which are fairly transferrable and actively traded on an established market.

     If you meet 1 (a) or 1 (b) above, you are primarily engaged in real estate and are considered a “real estate company.”

     OR

  2. 90% or more of the ownership interest in such entity is held by 35 or fewer persons and the entity owns as 90% or more of the fair market value of its assets a direct or indirect interest in a real estate company. An indirect ownership interest is an interest in an entity 90% or more of which is held by 35 or fewer persons and the purpose of the entity is the ownership of a real estate company.

• An “acquired real estate company” is defined in the law as: a real estate company that has undergone a change in ownership interest if:

  (i) such change does not affect the continuity of the operations of the company; and

  (ii) the change, whether alone or together with prior changes has the effect of granting, transferring, assigning or conveying or vesting, transferring directly or indirectly, 50% or more of the total ownership in the company within a period of three (3) years. If you meet (i) and (ii) above, you are considered an acquired real estate company.

• The tax is applicable when there is consideration paid of more than $100 at a rate of $2.30 for each $500 or fractional part of $500 which is paid for the interest acquired in a real estate company.

• The tax is payable at the time of the making, the execution, delivery, acceptance or presentation for recording of any instrument affecting such transfer, grant, assignment, transfer, conveyance or vesting.

• The tax is imposed upon the grantor, assignor, transferor or person making (giving) the conveyance or vesting.

Instructions and Form CVYT-2 are available at: http://www.tax.ri.gov/taxforms/sales_excise/real_estate.php

Should you have any questions, please contact the Excise Tax Section at (401) 574-8955.

September 2015
Notice 2015-13
Answer the following regarding your corporation, limited liability company, partnership or other legal entity:

### Schedule A - Determination of a Real Estate Company

1. Is primarily engaged in the business of holding, selling or leasing real estate, where 90% or more of the ownership of said real estate is held by 35 or fewer persons and which company either (i) derives 60% or more of its annual gross receipts from the ownership or disposition of real estate or (ii) owns real estate the value of which comprises 90% or more of the value of the entity’s entire tangible asset holdings exclusive of tangible assets which are fairly transferable and actively traded on an established market; or

2. 90% or more of the ownership interest in such entity is held by 35 or fewer persons and the entity owns as 90% or more of the fair market value of its assets a direct or indirect interest in a real estate company.

If you answer "YES" to 1 or 2, you meet the definition of a real estate company under R.I. Gen. Laws § 44-25-1. Continue to Schedule B to determine if you meet the definition of an acquired real estate company under R.I. Gen. Laws § 44-25-1.

### Schedule B - Determination of an Acquired Real Estate Company

1. Has the real estate company undergone a change in ownership interest where such change has not affected the continuity of the operation of the company?

2. Has the real estate company undergone a change in ownership interest where such change has the effect of granting, transferring, assigning or conveying or vesting, 50% or more of the total ownership in the company within a period of three (3) years?

If you answer "YES" to 1 and 2, you meet the definition of an acquired real estate company and are subject to the conveyance tax under R.I. Gen. Laws § 44-25-1.

### Schedule C - Tax and Remittance Computation

1. Consideration paid for the acquisition of the real estate company. If $100 or less, enter zero on line 3........

2. Divide line 1 by $500.00. Round up to the next whole number.


I certify that I meet the definitions of a Real Estate Company, as well as an Acquired Real Estate Company under R.I. Gen. Laws § 44-25-1. Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, it is true, accurate and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
**State of Rhode Island and Providence Plantations**

**Form CVYT-2**

**Acquired Real Estate Company Conveyance Tax Return**

<table>
<thead>
<tr>
<th>Acquired real estate company</th>
<th>Federal employer identification number</th>
</tr>
</thead>
</table>

**Schedule D - Itemized Real Estate Assets**

Include all of the assets held by the real estate company which is becoming the acquired real estate company.

In order to get the Allocation Percentage (Column E) for each type of real estate, divide the amount from Column D - Total Assessed Value by the Total Assessed Value of all of the real estate owned by the acquired real estate company from line 2 below.

<table>
<thead>
<tr>
<th>1</th>
<th>Column A</th>
<th>Column B</th>
<th>Column C</th>
<th>Column D</th>
<th>Column E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Real Estate</td>
<td>City/Town Where Real Estate is Located</td>
<td>Tax Assessor’s Description (e.g. Plat / Lot #)</td>
<td>Total Assessed Value including any liens and encumbrances</td>
<td>% of Company’s Real Estate Sold</td>
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</tbody>
</table>

2 Total assessed value of real estate held by the acquired real estate company.
Add all amounts listed in Column D.................................................................................................................
INSTRUCTIONS
FOR PAYMENT OF REAL ESTATE CONVEYANCE TAX FOR AN
ACQUIRED REAL ESTATE COMPANY

1. The grantor, transferor, or person making the conveyance is required to file a written notice at least five (5) days prior to the grant, transfer, assignment or conveyance of such transfer or conveyance. Such notification shall include price, terms and conditions of the acquisition, and location of the assets.

2. The grantor, transferor, or person making the conveyance is required to complete and submit Form CVYT-2 along with a copy of the purchase and sales agreement. These documents must be faxed to the Excise Tax section at (401) 574-8914. Please allow 8 – 10 business days to process the Form CVYT-2.

3. Attorney checks or certified bank checks payable to the Rhode Island Division of Taxation will be accepted as forms of payment. Personal checks will not be accepted.

4. The Division of Taxation reserves the right to request additional information as needed.

5. An appointment must be made in order to receive the “Certificate of Payment of Tax”. Prior to the issuance of this certificate, a signed Form CVYT-2 and proper payment of tax must be received. Failure to provide any required information will delay the processing of your request.

If there are any questions, please contact the Rhode Island Division of Taxation’s Excise Tax Section at (401) 574-8955
Rahul B. Sarathy
Chief of Examination

Telephone: (401) 574-9239
Fax: (401) 574-8917
E-mail: Rahul.Sarathy@tax.ri.gov

General Update on STAARS