

RHODE ISLAND TAX NEWS

A NEWSLETTER FOR TAXPAYERS AND PREPARERS

APRIL/MAY/JUNE 2014

NEW COMPUTER SYSTEM LAUNCHING

The Rhode Island Division of Taxation's new enterprise computer system is to go "live" this summer for a limited number of tax forms.

The agency administers more than 50 different types

of taxes and fees and collects nearly \$3 billion a year to help pay for vital public services. But tax information is dispersed across a number of different platforms, some of which are antiquated and ill-suited for the agency's requirements. In 2012, the

General Assembly approved legislation, signed into law by Governor Lincoln D. Chafee, appropriating \$25 million to acquire and implement a new agency-wide computer system.

(Please turn to page 2)

Inside:

TDI REFUNDS

- *Are you eligible?*
- *How to apply*
- *Open years*
- *Avoiding errors*
- *Please see page 8 for more details*



Public Hearing: Brian A. Goldman, representing the New England Convenience Store Association, was among those testifying at a Rhode Island Division of Taxation public hearing on the taxation of tobacco products other than cigarettes. *(More on page 9)*

'WHERE'S MY INCOME TAX REFUND?'

Where's your refund? The Rhode Island Division of Taxation has already issued \$152 million in refunds for 275,000 returns. The average refund so far is \$553.

"We expect to process more than 600,000 personal income tax returns this year. About two-thirds of them will be for refunds," said Rhode Island Tax Administrator David M. Sullivan.

But those figures are little help to you if you're still waiting for the refund that belongs to you, he said.

So, what to do?

(Please turn to page 3)

INSIDE THIS ISSUE:

[FTA PRESIDENT LOOKS AHEAD](#) 4

[CAREGIVER PROGRAM](#) 5

[ESTIMATES AND EXTENSIONS](#) 7

[SCHOLARSHIP TAX CREDIT](#) 8

[OTP HEARING](#) 9

[NEW RULES FOR FARMING](#) 10

[LEGAL CORNER](#) 11

[PRACTITIONERS' CORNER](#) 15

NEW SYSTEM TO LAUNCH THIS SUMMER (CONTINUED FROM PAGE 1)

When fully implemented, the new system -- known as an integrated tax system -- will let taxpayers and tax practitioners take more actions online -- such as checking on accounts and accessing taxpayer documents.

Processing efficiencies

The system will also result in processing efficiencies for the Division of Taxation, stronger enforcement capabilities, improved collections, and improved reconciliation of receipts, among other things.

The agency projects that the new revenue resulting from the new system will exceed the project's cost.

After a vendor was chosen (Revenue Solutions Inc., of Pembroke, Mass., which was the successful bidder), and some other steps were taken, the Division of Taxation formally launched the project on May 1, 2013.

With hardware and software having been installed, the agency has been involved in recent months in planning, training, and other aspects.

Migrating tax types

A key aspect of that has been the process of migrating more than 30 different tax types onto a single platform. Those are the first tax types (and fees) that will be moved into the new system, representing a key step in the new system's implementation.



New Machine: Daniel T. Clemence, chief of the Division of Taxation's E-Government section, works on the agency's new high-speed imaging and scanning machine.

"This is an exciting first step," said Rhode Island Tax Administrator David M. Sullivan. "We're moving towards a much better and more efficient way of working, which will help taxpayers."

Until now, much of the agency's work at installing and implementing the new system has been behind-the-scenes. But by this summer, taxpayers and practitioners will begin to notice some changes.

For instance, the Division of Taxation has made certain changes to some tax

forms so that, if filed on paper, they can more easily be scanned in by the agency's new high-speed scanning and imaging machine -- which will "go live" at about the same time as the integrated tax system.

"The look and feel of the forms will be different," Sullivan said.

Some of the changes

Such changes affect mainly lesser-known but still important taxes and tax return types, such as the following:

- ◆ the alcoholic beverage return for wholesalers and

manufacturers is a new form that replaces two earlier ones;

- ◆ extensions involving the political organization tax, bank excise tax, and public service corporation tax are now made on a revamped Form BUS-EXT.

- ◆ The form for making estimated payments for the political organization tax, insurance gross premium tax, public service corporation tax, bank excise tax, and bank deposits tax are now made on Form BUS-EST.

- ◆ The application form for a letter of good standing is being revised to interact more smoothly with the agency's new system.

- ◆ The rental vehicle surcharge deposit return -- like many other forms -- now has a barcode so it can be easily scanned in.

As time goes on, more tax types will be migrating to the new system.

Personal income tax

For example, next up is the personal income tax, which the agency plans to migrate onto the new system over the next 18 months or so.

Corporate and other taxes will follow.

A number of personal income tax forms have already been revised -- they now have a brand-new look -- as part of the overall upgrade.

WHERE'S MY INCOME TAX REFUND? (CONTINUED FROM PAGE 1)

First, keep in mind that if you filed your return on paper, it could take up to six weeks to receive your refund. (The later in the season you file, the longer it takes to process your refund, due to high volume.)

If you e-file your return, you should receive your refund within 10 to 15 business days.

To check your refund's status, use the Division of Taxation's online "Where's My Tax Refund?" tool. To access, click [here](#). The tool is updated once a week with fresh figures, usually by Friday. (During tax season, the Division of Taxation makes an effort to update the online tool twice each week.)

Upgrade

The online tool has also been upgraded for this tax season to provide additional information.

Prior to the upgrade, taxpayers who used the tool and found their refund to be delayed were advised only that their return was "under review" – with no additional information.

With the upgrade, taxpayers who find their refund to be delayed will, in a number of situations, be advised by the tool why their refund is being held and what to do about it.

For example, if the estimated tax payments claimed on your return do not match the amount that the Division of Taxation has actually received, the message may ask

Personal income tax refunds			
	Total refunds issued	Number of refunds	Average refund
Filing season 2014	\$152,124,933	275,237	\$553
Filing season 2013	\$152,095,719	284,788	\$534
Filing season 2012	\$150,153,764	292,052	\$514
Filing season 2011	\$116,652,135	252,620	\$462
Filing season 2010	\$123,997,354	263,737	\$470

Figures are cumulative, before interest and offset, and do not include refunds for tax years other than those stated. Tax year 2009 refunds issued through March 26, 2010. Tax year 2010 refunds issued through March 25, 2011. Tax year 2011 refunds issued through March 30, 2012. Tax year 2012 refunds issued through March 29, 2013. Tax year 2013 refunds issued through March 28, 2014.

you to send in a list of the payments you made, including dates and amounts. The mailing address will be provided.

"Taxpayers were understandably frustrated by the lack of detail under the old system," Sullivan said. "We hope that taxpayers and preparers will be pleased by the results of the upgrade."

(For more information about the upgrade, please see the front-page article in [our first-quarter newsletter](#).)

New guide

Also new for this tax season is the Division of Taxation's "Guide to Tax Refunds."

"This guide answers a lot of the questions that taxpayers have during tax season about their refunds," Sullivan said.

It provides helpful information on a number of refund-related topics, such as what to do when a direct deposit refund goes astray; why your refund amount may be more -- or less -- than you expected; and common errors that lead to refund delays.

Click [here](#) for a copy, or type the following address into your browser:

<http://go.usa.gov/KvHJ>

By phone

You can call the Division of Taxation to check on the status of your refund, but call volume is extremely heavy at this time of year. The number is (401) 574-8829, and choose option 3.



TAX DEADLINE

Second-quarter payments of estimated personal income tax are due on Monday, June 16, 2014.

The payments would normally be due on June 15, but that falls on a Sunday this year. As a result, payments will be due on the following business day, which is June 16.

INFORMATION SHARING KEY GOAL OF FTA PRESIDENT

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<http://www.bna.com>

A prime goal of the Federation of Tax Administrators will continue to be the sharing of information among states, regarding both successful state-based collection and enforcement programs and the use of data that can lead to collaborative efforts to track down delinquent taxpayers, new FTA President David M. Sullivan said.

Sullivan, who serves as Rhode Island tax administrator, began his one-year term as FTA president Jan. 1. He is also treasurer for the North Eastern States Tax Officials Association (NESTOA).

"The organization is strong and is going in the right direction," Sullivan told Bloomberg BNA Feb. 11, saying the FTA has had almost 400 people in attendance at its annual meetings during the past few years.

He said the FTA board of directors recently amended its bylaws to allow cities with a population of at least 1.5 million — down from the previous threshold of 2 million — to join the organization. This allowed Philadelphia and New

York City to become voting members of the federation. Other members include all 50 states and the District of Columbia.

Taxpayer Information. The FTA was formed in 1937 with an aim of improving the quality of state tax administration by providing services to state, and now also municipal, tax authorities and administrators.

Sullivan said the federation has provided a way for states to collaborate and share information on successful programs, such as the recent efforts by states to prevent delinquent taxpayers from being able to renew registrations and drivers' licenses until they clear up their liability.

The FTA has also facilitated agreements between states to share taxpayer information. For example, Sullivan said, Rhode Island shares refund offsets with Connecticut and would like to expand that program to include other states, much in the same manner as Maryland does with a number of other states.

State-IRS Partnership. Further, Sullivan said the FTA



FTA President: *Rhode Island Tax Administrator David M. Sullivan is the FTA's new president.*

serves as a liaison for many states with the Internal Revenue Service.

For example, he said, when the IRS recently converted from its old legacy systems to the new modernized e-File system, the FTA was instrumental in ensuring that the states had the necessary information and understood the changes as they went forward.

He said the FTA looks forward to building that partnership and expanding its work with the IRS in the future. The FTA and the IRS both participate in a tactical advisory group (TAG) that meets monthly to talk about "big-picture" technology issues, which are key to ensuring that IRS data on which the states depend is able to flow easily down to the states, Sullivan said.

Another key FTA initiative has been a discussion among the

states on how they handle information stored in their data warehouses. He said the federation recently sponsored a data exchange conference that was attended by over 200 individuals representing 45 members to exchange ideas. This information was especially helpful to audit and discovery groups, he said.

Sullivan said the FTA hopes to continue and hopefully expand that effort, which was launched by FTA Executive Director Gale Garriott.

Sullivan also said that some of the hot topics among FTA members are taxation of marijuana, use of debit cards for tax refunds, highlighting the responsibility of taxpayers to report and pay use tax, collection of sales tax by online retailers and methods for taxing room resellers. He said he hopes during his term that the states will be able to work together on these issues.

The FTA is scheduled to hold its annual meeting June 8-11 in St. Petersburg, Fla.

BY MARTHA KESSLER

A NOTE ABOUT THE FTA

The FTA, organized in 1937, is an association which serves the principal tax collection agencies of the 50 states, the District of Columbia,



Philadelphia, and New York City. Its aim is to improve the quality of state tax administration by providing services to state tax authorities and administrators. The FTA's services include research and information exchange, training, and intergovernmental and interstate coordination. The Federation also represents the interests of state tax administrators before federal policymakers where appropriate.

Editor's Note

This article -- written by Martha Kessler and published on February 18, 2014, in the Bloomberg BNA Daily Tax Report -- is reprinted here with permission. (The photo and photo caption on this page, as well as the box about the FTA and the FTA logo, were not part of the Daily Tax Report article.)

TAX, PAID BY WORKERS, FUNDS CAREGIVER PROGRAM

The Temporary Caregiver Insurance (TCI) program was passed by the General Assembly and signed into law by Governor Lincoln Chafee last July.

When the law became effective this January, Rhode Island joined California and New Jersey as the only states to provide wage replacement benefits to workers who need time off to care for a seriously ill child, spouse, domestic partner, parent, parent-in-law, grandparent, or to bond with a newborn child, adopted child, or foster care child.

Up to four weeks pay may be granted. The TCI program is financed in full by employee payroll deduction and is administered by the Temporary Disability Insurance (TDI) unit of the Rhode Island Department of Labor and Training (DLT).

Eligibility

To be eligible for the TCI program, claimants must have worked in Rhode Island, paid into the TDI fund, and earned at least \$9,300 in a four-quarter, or alternate period as determined by DLT.

Persons applying for the TCI program must provide the appropriate medical documentation, or proof of a parent-child

relationship with their requests. Both parents can apply for the TCI program individually during the first 12 months of becoming parents. Persons can apply for one four-week TCI benefit during one 52-week period.

When to apply

Advance claims cannot be filed. Applications can be filed when an individual is unable to work in order to care for a seriously ill person, and the individual must be out of work for seven consecutive days.

The law requires an employee to provide a 30-day written notice to the em-

ployer before the benefit can be accessed. In certain situations, the 30-day requirement could be waived for “unforeseeable circumstances.”

Under the law, an employer may choose to hold the beneficiary’s job while they are on TCI leave, or the employer must offer them a comparable position with equivalent seniority, status, pay, and other benefits, when they return to work. DLT has no jurisdiction over complaints regarding this provision of the law and such complaints must be adjudicated through the courts. In some circumstances, the employee would be eligible to apply for unemployment benefits. TCI benefits do not cover partial employment weeks.

While the federal Family and Medical Leave Act (FMLA) and the Rhode Island Parental and Family Medical and Leave Act (RIPFMLA) apply to employers with 50 or more employees, the new Temporary Caregiver Insurance law applies to all Rhode Island employers. If an employee is eligible for leave under both the FMLA/RIPFMLA and the Temporary Caregiver Insurance law, the leaves will run concurrently. However, situations could arise in which the leaves will not run concurrently.

For more information, contact DLT at (401) 462-8420, or www.dlt.ri.gov

Editor’s Note

This article was written by Larry Grimaldi, Chief of Program Development at the Rhode Island Department of Human Services, Division of Elderly Affairs (DEA). The DEA is responsible for the development and implementation of a comprehensive system of programs and services for Rhode Islanders ages 60 and older and for adults with disabilities.

Questions or requests for additional information on the issues of growing older, or for issues concerning adults with disabilities in Rhode Island should be directed to: Larry Grimaldi, Rhode Island Senior Beat, Rhode Island Department of Human Services, Division of Elderly Affairs, 74 West Road, Cranston, RI 02920. The e-mail address is lgri-maldi@dea.ri.gov.



Larry Grimaldi



Temporary Caregiver Insurance



For more information, visit the Temporary Disability Insurance Division at www.dlt.ri.gov/tdi

FOR MORE DETAILS

The Rhode Island Department of Labor and Training’s website offers more information about the temporary caregiver insurance (TCI) program, including a brochure (see excerpt above) and a fact sheet. Click [here](#) for the brochure, [here](#) for the fact sheet.

LANGEVIN & SULLIVAN HELP KICK OFF 'FREE FILE'

Rhode Island Tax Administrator David M. Sullivan on February 10 joined Congressman Jim Langevin and others to kick off the Free File program for the 2014 filing season.

State Free File programs are sponsored by 22 states, including Rhode Island.

Federal, state returns

Under the State Free File program, taxpayers who meet certain requirements can prepare and file both their federal and Rhode Island returns online at no charge.

"This program, which doesn't cost the government a dime, also takes the confusion out of tax preparation and keeps money in the pockets of people who need it most," Langevin said at the program's kick-off event, held at the Genesis Center on Potters Avenue in Providence's West Elmwood neighborhood.



Free File: Rhode Island Tax Administrator David M. Sullivan (left) and Congressman Jim Langevin (right) recently took part in a kick-off event for the Free File program. The gathering was at the Genesis Center in Providence.

"I strongly urge eligible Rhode Island residents to use this easy and convenient program," he said.

Sullivan said, "Free File not only helps save taxpayers' time and money, but also provides savings to

Rhode Island's government in the form of lower processing costs and fewer errors as compared to paper returns."

Information about the software providers participating in this year's State

Free File program in Rhode Island is available on the Division of Taxation's website. Click [here](#) to view it, or type the following address into your computer's browser:

www.tax.ri.gov/misc/efile.php

REPORTS ON STATISTICS OF INCOME NOW POSTED

The Division of Taxation has posted on its website two sets of Statistics of Income (SOI) reports: one for Rhode Island's personal income tax, another for the state corporate income tax. Both cover tax year 2012.

The reports draw on figures contained in tax returns filed with the Division of Taxation. The reports do not

disclose confidential taxpayer information. Rather, they provide aggregate data for a given tax type.

For example, one of the SOI reports for the Rhode Island personal income tax shows how many resident returns were filed for tax year 2012, how much adjusted gross income that taxpayers reported in the aggregate, and how

much in credits they claimed. The report also breaks down the figures within various income groupings.

The set of corporate SOI reports shows the total number of returns for tax year 2012, how much in federal taxable income businesses reported, how much in deductions were claimed, and

how much in credits were claimed. The corporate SOI set also shows how many business entities paid the corporate minimum tax of \$500.

The Tax Division posts the reports each year. [Click here](#) to read them.

MAKING A PROPER ESTIMATE WITH EXTENSION

To obtain an automatic six-month extension from the usual mid-April filing deadline, you must make a proper estimate of your Rhode Island personal income tax – and pay that amount (if any) at the time you file for the extension.

A proper estimate essentially means paying in at least 80 percent of the balance due (in the form of withholding, estimated payments, the payment filed with the extension – or some combination).

Consequences in October

What if you fail to make a proper estimate when you file for a six-month extension? You won't face any problems right then because the extension is automatic. But you will face consequences later on – by mid-October, when the return that's on extension is finally due. At that point, if the balance due is greater than 20 percent of your total Rhode Island personal income tax liability, you'll be penalized. In other words, if the amount you paid in (through estimates, withholding, payment with the extension, or some combination) was less than 80 percent of your tax liability, your estimate will not be deemed "proper." You therefore face steep consequences.

An example

How does this work? Consider the following example, which uses the following facts:

- ◆ You made total estimated payments in 2013 of \$5,000.

- ◆ In April 2014, you file for an extension. In your filing, you essentially say that you paid in \$5,000 last year, so your Rhode Island personal income tax liability is \$5,000. You have zero balance due.

- ◆ In October 2014, you file your return for 2013, showing tax liability of \$20,000.

Because your estimate when filing for an extension was less than 80 percent of your tax liability, you did not make a "proper" estimate. Thus, the extension is void. As a direct result, you'll trigger the late-filing penalty (sometimes called the failure-to-file penalty). It will be on top of the late-payment penalty and interest assessment.

- ◆ The late-filing penalty is 5 percent of the amount of tax due for each month or part of a month your return is late – not exceeding 25 percent in the aggregate. (In this example, the penalty is \$3,750.)

- ◆ The late-payment penalty is one-half of 1 percent of the amount of tax due for each month or part of month your payment is late – not exceeding 25 percent in the aggregate. (So in this example, the penalty is \$450.)

- ◆ Interest is generally assessed at the annual rate of 18 percent, is assessed until the date you pay the tax, and cannot be abated. (In this example, the interest is \$1,350.)

It is important to note that the Division of Taxation presumes in such cases that the taxpayer has failed to make a



Estimates: Michael F. Canole (above), the Rhode Island Division of Taxation's chief of examinations, has met with practitioners to provide reminders about the agency's longstanding position on the making of a proper estimate in connection with filing for an extension.

proper estimate. But if the taxpayer can demonstrate reasonable cause, the Division of Taxation can abate penalty (but not interest).

A showing of proof

For example, suppose you made the most accurate estimate possible of your tax in April when you filed your return. But in August, you receive a statement showing income from the prior year, credited to you, from a partnership in which you hold a small stake, an event you did not anticipate.

If you can prove that you were unaware in April of the event, and unaware you were going to receive a statement about it four months later, you may be able to rebut the presumption – and thereby avoid penalty (but not interest).

Please also keep the following points in mind if you are

seeking an extension from the April 15 deadline for Rhode Island personal income tax:

- ◆ If you'll have no balance due, don't file Form RI-4868, but do attach a copy of your federal extension application when you file your Rhode Island return by the October 15 deadline.

- ◆ If you'll have a balance due, you must file Form RI-4868. And it's best to do so on paper, so you can e-file the return itself by the October 15 deadline. (If you'll have a balance due in April and pay it by credit card, you don't have to file a Form RI-4868. A third-party fee is charged when you pay by card. The Division of Taxation does not receive any portion of the fee.)

SEE IF YOU MAY BE OWED A TDI TAX REFUND

Before you put away your tax paperwork and folders for the season, check to see if you may be eligible for a refund of Rhode Island temporary disability insurance tax, otherwise known as TDI.

TDI is a kind of short-term disability insurance program. It generally pays benefits to people who are out of work due to illness or injury unrelated to the job.

You pay taxes, typically through withholding from your paycheck. The money goes into a trust fund to pay for benefits. If you work in the private sector in Rhode Island, you probably pay TDI tax. Altogether, nearly 400,000 workers contribute to the TDI fund.

Maximum tax

The TDI tax has two key components: the tax rate, and the amount of your wages to which that tax rate applies. For 2013, the tax rate was 1.2 percent. That tax rate applied to the first \$61,400 of your wages. Thus, the maximum tax was \$736.80.

If you worked for a single

employer last year, odds are that the employer withheld the proper amount. But if you worked for two or more employers last year – at the same time, or in succession – you may have overpaid in TDI tax. That's because there's no way for one employer to know how much in TDI tax the other employer withheld. If you paid more than \$736.80 in TDI tax last year, you paid too much. You should therefore file for a TDI tax refund.

Program oversight

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

To claim your refund, use Form TX-16, "Claim for Refund of Temporary Disability Insurance Tax." It's available on the Division of Taxation website. Click [here](#). Instructions are on the form. Following are some points to keep in mind as you fill it out:

◆ TDI applies to each person, individually. So if you're married and trying to figure out if



you're owed a TDI tax refund, count only the TDI tax that you yourself paid. Your spouse will have to do a separate calculation.

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

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

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

◆ You may request TDI refunds only for 2013, 2012, and 2011. You must use a separate Form TX-16 for each year for which you claim a refund.

◆ For more information on TDI refunds, call (401) 574-8700, and choose option 2.

(The "Where's My Refund?" online tool is only for personal income tax refunds, not for TDI refunds.)

Refund delays

Don't expect to receive your TDI refund immediately after you file for it. There are reasons it could be delayed. For example, TDI refunds for 2013 can't be processed until the Tax Division has received and processed employers' tax and wage reports for late 2013. It can take until early April, depending on the year, to start processing all those employer reports. Depending on when you file your claim for a refund, it could take up to 12 weeks until you receive your refund check.

TDI TAX TIP

When you do your Rhode Island personal income tax return, don't list TDI on your Schedule W -- or on the cover of your Rhode Island return. TDI does not count as withholding -- or as an "other payment" -- for purposes of your Rhode Island personal income tax return.

SCHOLARSHIP CREDIT APPLICATION PERIOD STARTS JULY 1

The application period for the Credit for Contributions to Scholarship Organizations program will begin on July 1.

The credit is for approved business entities that make contributions to approved scholarship organiza-



tions. Although the contribution must be made by a business entity, the credit can be used against a variety of taxes -- and can be used by owners, shareholders, or partners of pass-through entities.

Applications are approved on a first-come, first-served basis until the credit cap of \$1.5 million per fiscal year is met.

A list of qualified scholarship organizations and other helpful information is available on the program's web page:

www.tax.ri.gov/Credits/

[index.php](#).

The application for the fiscal year that starts July 1, 2014, will be available in late May or early June. For more information, contact Donna Dube at the Division of Taxation at (401) 574-8903 or e-mail: Donna.Dube@tax.ri.gov

TAX ON TOBACCO PRODUCTS OTHER THAN CIGARETTES



Tobacco Taxes: *The Rhode Island Division of Taxation on February 26, 2014, held a public hearing regarding tax on tobacco products other than cigarettes (sometimes called OTP). The intent was to provide guidance to cigarette dealers and distributors on how to appropriately pay tax and keep records on such products, including smoking tobacco, chewing tobacco, hookah and shisha tobacco, and snuff. Among those testifying were retailers Victor Nunez (above) and Trinh Tran (below, right) and David Carlin of the Rhode Island Chamber of Commerce Coalition (below, left). Based on oral and written testimony, the Division of Taxation planned to revise its proposed regulation and hold another public hearing sometime in the second quarter.*



REGULATION IN EFFECT FOR HISTORIC TAX CREDITS

The Rhode Island Division of Taxation on February 6, 2014, filed -- as final -- its regulation for the historic preservation tax credit program. The final regulation took effect February 27, 2014.

The agency originally filed an emergency regulation in summer 2013 so that it

would take effect August 1, 2013, and remain in force for 120 days, until November 29, 2013.

In late November, the agency renewed the emergency regulation, with no changes, so that it could remain in effect through February 27, 2014.

The final regulation succeeds

the emergency regulation and provides guidance on the program to developers, tax advisers, and others. Click [here](#) to view the final regulation.

The Division of Taxation has also created a special section of its website to include details on credit recipients and their projects. Click [here](#) to view the section.



Hearing: Among those at the hearing on historic preservation tax credits was Raymond Way, of East Coast Property Group.

STUDY ON *PRO FORMA* COMBINED REPORTING

The Rhode Island Division of Taxation has posted a report on its website in March 2014 analyzing the policy and fiscal ramifications of changing Rhode Island's business corporation tax statute to a combined method of reporting.

Under legislation approved by the General Assembly and signed into law by Governor Lincoln D. Chafee in June 2011, certain businesses organized as C corporations

were required to file a schedule with their annual tax returns for 2011 and 2012 calculated as if combined reporting was mandatory in Rhode Island.

The Division of Taxation studied the returns, analyzed the results, and produced a report that addresses the provisions of the law and what impact certain changes would have on businesses and on Rhode Island state tax revenue.

"This report comes at a good time," Governor Lincoln D. Chafee said in a statement. "Many states, including Rhode Island, are reviewing their corporate tax structures. It is our hope that this report can serve as a helpful point of reference as we move forward in the discussion about any changes to the system of taxation in Rhode Island," the Governor added. Click [here](#) to view the new section of the agency's website about combined reporting.

"MANY STATES, INCLUDING RHODE ISLAND, ARE REVIEWING THEIR CORPORATE TAX STRUCTURES."

- GOVERNOR CHAFEE

ACTIONS PLANNED ON COMMERCIAL FARMING REGS

The Rhode Island Division of Taxation has proposed a regulation dealing with commercial farm-related items.

The proposed regulation is SU 14-151, "Commercial Farming and Related Items." It would include material currently in three other regulations, which the Division of Taxation proposes to repeal:

- ◆ SU 07-36, "Farm Equipment and Farm Structure Construction Materials";
- ◆ SU 01-44, "Feeds, Fertilizer, Plants and Seeds, Cattle Bedding, Chicken Litter"; and
- ◆ SU 87-57, "Livestock and Poultry".

The agency scheduled a public hearing for Wednesday,

April 23, 2014, at 9:30 a.m. at the Division of Taxation, One Capitol Hill, Providence, R.I.

The Division of Taxation also has proposed to repeal Regulation SU 87-11, "Boarding of Animals", which is outdated.

Legal Corner:**RECENT STATE TAX CASES IN SUMMARY**

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

Claim for a refund

A nonresident married couple filed a 2009 personal income tax return in April 2013, requesting a refund.

When it comes to refunds, Rhode Island General Laws (RIGL) § 44-30-87(a) says that:

- ◆ A refund may be claimed within three years of filing a return. If a claim is made within the three-year period, the amount of credit cannot exceed the amount of tax paid within that three year period.
- ◆ A claim may be filed within two years from the time the tax was paid. If a claim is made within the two-year period, the amount of refund cannot exceed the portion of tax paid during the two years preceding the filing of the claim.

In this case, the taxpayers' tax for 2009 was deemed paid on the date it was due: April 15, 2010. They were able to request a refund two years from that date. But the date they actually filed – April 2, 2013 – is beyond the two-year limit.

What about the three-year limit? The taxpayers were within the three years – but they had not paid any tax from April 2, 2013, to the present, so they did not satisfy the full requirements of the three-year



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

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

rule. Hearing Officer Catherine R. Warren on December 26, 2013, determined that the taxpayers were not entitled to the refund claimed, and that the Division of Taxation properly denied the couple's claim for a refund. Tax Administrator David M. Sullivan on January 13, 2014, adopted the hearing officer's decision and recommendation.

[-- Final Decision and Order No. 2014-01](#)

Gross earnings tax

Under RIGL Chapter 44-13, the public service corporation tax applies to the gross earnings of public utilities; the tax rate generally ranges from 1.25 percent to 8 percent, depending on the business in which the utility is engaged.

In this case, the taxpayer was in the business of installing and maintaining coin-operated pay telephones in bars, restaurants, and other such locations.

The taxpayer had been filing a return under Rhode Island's business corporation tax, but the Division of Taxation determined that the taxpayer should have filed as a public service corporation – because the taxpayer was a telecommunications corporation and should be taxed as one under RIGL § 44-13-4(4).

In general, the business corporation tax rate is 9 percent of net income; the public service corporation tax rate for a telecommunications corporation is 5 percent of gross earnings from operations (less certain deductions).

The taxpayer did not appear at a hearing on the matter, but wrote in a letter that it was not a telephone company.

Warren on December 26, 2013, determined that the taxpayer owed the public service corporation tax, as well as the interest that was assessed in a Notice of Deficiency. Sullivan on January 14, 2013, adopted the hearing officer's decision and recommendation.

[-- Final Decision and Order No. 2014-02](#)

Modified decision

In July 2013, the Division of Taxation received a married couple's personal income tax return for the 2009 tax year.

(Please turn to page 12)

**Tax Hearings**

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

The taxpayer is first afforded an opportunity to have a preliminary review. Should the matter not be resolved, it may then proceed to formal hearing under the terms of the state Administrative Procedures Act (RIGL § 42-35-1 *et seq*) and Tax Division regulation [AHP 97-01](#).

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

Legal Corner:**RECENT STATE TAX CASES** (CONTINUED FROM PAGE 11)

The return claimed an overpayment to be applied as a carryover to the couple's 2010 return. But the Division of Taxation denied the request, saying that the request was not filed in time.

The husband, testifying on behalf of the couple, said he held off filing the 2009 return because he was trying to resolve, through repeated attempts, an earlier dispute with the Division of Taxation. He also said he filed the 2009 return in June 2011 – but there was no signed and dated copy reflecting that fact, only a copy dated July 2013.

RIGL § 44-30-87(a) says that, in general, a claim for credit or refund of an overpayment of tax shall be filed by the taxpayer within three years from the time the return was filed, or two years from the time the tax was paid, whichever of the periods expires the later.

The law also says that if the claim is filed within the three-year period, the amount of the credit or refund shall not exceed the portion of the tax paid within the three-year period. If the claim is not filed within the three-year period, but is filed within the two-year period, the amount of the credit or refund shall not exceed the

portion of the tax paid during the two years immediately preceding the filing of the claim.

In this case, Warren determined the following facts:

◆ The couple's 2009 tax was deemed paid April 15, 2010. Under the "two-year rule" mentioned above,

the couple was able to file a refund request within two years of the date the tax was deemed paid. But the Division did not receive the couple's 2009 return until July 2013 – which is past the two-year period.

◆ State law also has a three-year refund clock as mentioned above. Because the couple filed the 2009 return in July 2013, they are within the three-year period. The law says that under the three-year rule, the amount of the credit or refund shall not exceed the portion of the tax paid within the three-year period. But the taxpayers had not paid any tax from July 2013 to the present.

In this case, the Division of Taxation imposed interest on the deficiency. The Division also imposed penalties on the couple for failure to file their return and failure to pay their tax, citing RIGL § 44-30-85(a) – which provides penalties for willful neglect but excludes penalties for reasonable

cause. Warren, citing RIGL § 44-30-87(a), recommended on December 31, 2013, that the couple was not entitled to the refund, the Division properly denied the claimed carryover, and the couple owed the deficiency – including tax and interest. However, she also recommended that the Division of Taxation "revisit the issue of reasonable cause and willful neglect" in the penalty provision of RIGL § 44-30-85(a) "in order to determine whether those penalties (failure to pay and failure to file) apply."

Sullivan on January 15, 2014, modified the decision. "Because there is sufficient evidence in the record to support the assertion that this taxpayer mistakenly believed he filed his 2009 return on June 15, 2011, the taxpayer has shown reasonable cause, and his actions do not rise to the level of willful neglect. Therefore, the failure-to-file penalty and failure-to-pay penalty imposed under Rhode Island General Laws § 44-30-85(a) shall be waived. The taxpayer is responsible for tax and interest on the deficiency amount in accordance with the Hearing Officer's decision."

[-- Final Decision and Order No. 2014-03](#)

Shopkeeper's license

The taxpayer -- a shopkeeper -- had entered into an agreement (a "stipulation") with the Division of Taxation

conceding that it had violated state laws involving the sale of unstamped tobacco products and had agreed to a suspension of its cigarette dealer's license for 14 days.

But the agency subsequently alleged that the taxpayer had violated the agreement – asserting, in part, that during the suspension, cigarette packs were found in a box at the site, including one pack showing a Rhode Island tax stamp and 23 packs showing New Hampshire tax stamps.

The taxpayer asserted, in part, that he did not know about the cigarettes, and blamed a former employee.

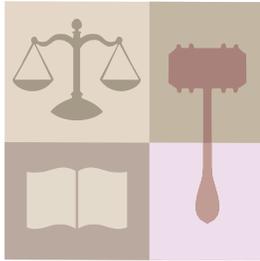
Warren concluded on December 26, 2013, that the taxpayer had violated the agreement by having tobacco in the store during the term of the license suspension. She recommended that the taxpayer's license be suspended for 90 days (effective 30 days from the signing of the Decision by the Tax Administrator), and be subject to an administrative penalty. Sullivan on January 23, 2014, adopted the hearing officer's decision and recommendation.

[-- Final Decision and Order No. 2014-04](#)

Untaxed rolling papers

Division of Taxation investigators found untaxed rolling papers in a store.

(Please turn to page 13)



Legal Corner:**RECENT STATE TAX CASES** (CONTINUED FROM PAGE 12)

Investigators seized the papers and recommended that the cigarette dealer be penalized and the dealer's sales permit be suspended. (Under Rhode Island law, rolling papers are taxed like cigarettes.)

The taxpayer argued, in part, that he was unaware that the seized items should be taxed. He also asserted that the Division of Taxation failed to accurately inventory and maintain the seized tobacco products.

The Division of Taxation argued, in part, that it had reasonable procedures in place regarding seized contraband, and no tampering of the evidence occurred.

The taxpayer also argued, in part, about the financial penalty that the Division of Taxation proposed to impose, and whether the matter should properly be heard by a court.

On January 28, 2014, Warren found that the taxpayer failed to demonstrate that there was a problem with the chain of custody.

Warren also found that the taxpayer had violated RIGL § 44-20-33 ("Sale of unstamped cigarettes prohibited"), that the Division of Taxation had properly assessed the taxpayer for tax owed and penalties, and that the taxpayer's cigarette dealer's permit

should be suspended for 30 days. Sullivan on January 30, 2014, adopted the hearing officer's decision and recommendation.

[-- Final Decision and Order No. 2014-05](#)

Taxing actor

In 2008, an out-of-state actor performed in a television drama for which all filming took place in Rhode Island. In

compensation for the performances he provided for the show, the network paid a salary to the actor's company – known in the trade as a "loan-out" company

(because such a company "loans out" the services of the actor. In this case, the actor was the sole officer of the company and served as its CEO.)

He agreed that his compensation represented Rhode Island source income for state tax purposes. But he disagreed as to how the income should be taxed.

He argued, in part, that the Division of Taxation should treat nonresident actors the same as nonresident professional athletes, who generally are taxed based on the number of "duty days" spent in Rhode Island.

The Division of Taxation argued that such treatment is not applicable because the

actor was not a professional athlete. The Division of Taxation rejected his calculation, based on the number of days worked in Rhode Island, preferring its own formula. (The Division's formula looked at the direct relationship between the payment for work done by the actor in Rhode Island and the gross receipts of the actor's company, then apportioned the income and generated the assessment accordingly.)

Warren on January 31, 2014, determined that the Division of Taxation properly assessed the income tax owed, interest owed, and penalties owed by the actor and his wife (a married couple). Sullivan on February 11, 2014, adopted the hearing officer's decision and recommendation.

[-- Final Decision and Order No. 2014-06](#)

Overpayment

A married couple requested a payment plan for the taxes they owed – but they were told they first had to file their Rhode Island personal income tax returns for tax years 2007 and 2008.

It turned out that they had overpaid their taxes for 2007, but owed tax for 2008. In filing their returns for those years in 2013, the taxpayers asked to apply the 2007 overpayment to their 2008 tax, but the Division of Taxation denied their request because time had run out on claiming refunds/carryovers for 2007.

According to RIGL § 44-30-87(a), in general, a claim for credit or refund of an overpayment of tax shall be filed by the taxpayer within three years from the time the return was filed, or two years from the time the tax was paid, whichever of the periods expires the later.

(Please turn to page 14)



The screenshot shows the website header with the RI.gov logo and the State of Rhode Island Division of Taxation, Department of Revenue. A navigation menu on the left includes links for Home, Administrative Decisions, Advisories, Declaratory Rulings, and Electronic Funds Transfer (EFT). The main content area is titled "Administrative Decisions" and states "Decisions can be viewed in two ways:" with options to view by "Decision Number" or "By Tax Type".

DECISIONS ONLINE

The Division of Taxation's website shows all Administrative Decisions since early 2011. (See screenshot above.) To view, use the following link <http://www.tax.ri.gov/AdministrativeDecisions/>

Legal Corner:**RECENT STATE TAX CASES** (CONTINUED FROM PAGE 13)

The law also says that if the claim is filed within the three-year period, the amount of the credit or refund shall not exceed the portion of the tax paid within the three-year period. If the claim is not filed within the three-year period, but is filed within the two-year period, the amount of the credit or refund shall not exceed the portion of the tax paid during the two years immediately preceding the filing of the claim.



In addition, the law says that prepaid income tax (through withholding or estimated payments) is deemed to have been paid by the taxpayer on April 15 following the close of the taxable year.

In this case, the couple's tax for 2007 was deemed paid on April 15, 2008. They filed their return for 2007 on April 10, 2013 – which is past the two-year period from the date that taxes were deemed paid. Purely from a time standpoint, the couple did qualify under the three-year rule – but they had not paid any tax from April 10, 2013, so they were ruled ineligible under the three-year rule, too.

Hearing Officer Catherine R. Warren concluded that the taxpayers were not entitled to the claimed carryover (refund) from 2007, so they

could not apply the carry-over to their 2008 tax liability. Her recommended finding on February 4, 2014, was that the Division of Taxation properly assessed the income tax owed for 2008, plus interest and penalties. Tax Administrator David M. Sullivan on February 11, 2014, adopted the hearing officer's decision and recommendation.

[-- Final Decision and Order No. 2014-07](#)

Permit revocation

At issue is whether a restaurant's sales permit should be revoked under RIGL § 44-19-5.

The restaurant had collected sales tax and meals and beverage tax from customers for the period of July 2013 through October 2013 – but failed to remit the collections to the State of Rhode Island as is required by law. The restaurant also failed to file its November 2013 and December 2013 sales tax and meals and beverage tax.

The Division of Taxation notified the restaurant of a hearing on the issue, but the restaurant did not send a representative.

Based on the facts and the Division of Taxation's testi-

mony, Warren concluded on February 7, 2014, that the restaurant had violated RIGL § 44-19-5 ("Suspension or revocation of permit") and recommended that the taxpayer's sales permit be revoked. Sullivan on February 11, 2014, adopted the hearing officer's decision and recommendation.

[-- Final Decision and Order No. 2014-08](#)

Lead abatement credit

At issue is the residential lead abatement income tax credit, which is allowed under RIGL § 44-30.3-1 *et seq.* (and is sometimes called the residential lead paint credit, or the lead abatement tax credit).

An application for the credit for a given tax year is due by April 15 of the following year. However, RIGL § 44-30.3-14 generally says that the Tax Administrator may offer an extension of up to six months in certain circumstances – such as sickness, absence, or "good cause."

In this case, the taxpayer filed her credit application for tax year 2012 in early May of 2013 – after the deadline of April 15, 2013.

The taxpayer testified that the lead abatement work had been performed on a rental unit that she owns, a three-family house where three

families reside with a total of seven children under the age of six -- families that would benefit from the abatement project.

She also outlined a number of factors -- including sickness -- which she indicated might justify granting her an exception on the deadline for her application.

Warren on February 18 recommended that the taxpayer be allowed a three-week extension of her credit application, which would therefore generally grant her application for the credit. Sullivan on February 28, 2014, adopted the hearing officer's decision and recommendation.

[-- Final Decision and Order No. 2014-09](#)

Practitioners' Corner:

QUESTIONS AND ANSWERS ABOUT STATE TAXES

Q: I have a client check in hand for the minimum tax for an LLC made payable to "State of Rhode Island." I know instructions indicate it should be made payable to the Rhode Island Division of Taxation. Will the check as written be adequate and not incur any issues for deposit by the State?

A: You're all set. We'll accept and process the check whether it is made payable to the "Rhode Island Division of Taxation" or to the "State of Rhode Island."

Q: I have a client, a limited liability company (LLC). The LLC is not treated as a corporation for tax purposes. But I understand it has to file a return and pay an annual charge. What is the due date?

A: File the return on Form RI-1065 and pay the \$500 annual charge on or before the 15th day of the fourth month following the close of the taxable year. (Thus, for a calendar year taxpayer, the deadline is April 15.) If you use a payment voucher, use Form RI-1065V.

Q: We can't e-file our fiduciary return this season on

Form RI-1041. You said we'd be able to.

A: Starting this season, you generally are allowed to e-file your federal income tax return for trusts and estates.

The same goes with your Rhode Island Form RI-1041. But just because you're al-

lowed to does not mean you can. It depends on your software. As of late February, we had received tests from only one soft-

ware provider. We are continuing to work with the software providers on this product – and we're hopeful that some software providers will make e-file for Forms RI-1041 available this year.

One other point: In the first year in which a particular type of form comes available for electronic filing at the federal and state level, the software companies typically focus their efforts on the federal process and leave the state process until the next filing season.

Q: I was just reading something on e-filing requirements of paid preparers and I want to make sure it does not apply to our 1120S that we internally prepare and is not

prepared by a paid preparer. Please confirm that our company, an S corporation, filing its own return, does not have to e-file the return.

A: You are correct. Rhode Island's corporate e-file mandate applies only to paid preparers, not to the corporations themselves.

Q: We have several clients who asked what the penalty is for late payment of the \$500 corporate minimum tax or the \$500 filing fee for certain LLCs, LPs, etc. It was a terrible year for many of our clients, unfortunately.

A: The \$500 annual charge for an LP, LLP, or LLC (not taxed as a corporation) is delinquent if not paid by the due date for the filing of the return. An addition of \$100 to the charge is then due. If the total due remains unpaid after we mail out the first bill, the taxpayer will then be subject to the nonpayment penalty (0.5 percent per month, with a 25 percent cap), plus interest (1.5 percent per month, to a maximum of 18 percent per year). Taxpayers who have trouble paying should at least file the return to avoid the failure-to-file penalty (5 percent per month, with a 25 percent cap). They should also consider calling our Compliance & Collections section to enter into a payment plan -- to pay in installments over time. Call (401) 574-8941, from 8:30 a.m. to 4:00 p.m. busi-

About 'Practitioners' Corner'

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

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

ness days.

Q: I like to buy vintage original art from local auction houses in Rhode Island. I recently purchased an original vintage piece of art from a local auction and was charged the normal sales tax. I advised the auctioneer of the new law and was told sternly, 'You will be paying sales tax.' Does this new law apply to vintage art sold at auction? And if so, is there a way to inform auctioneers?

A: As a result of legislation approved by the General Assembly and signed into law last year by Governor Lincoln D. Chafee, the entire state is now deemed to be an arts district for sales tax purposes, effective December 1, 2013.

(Please turn to page 16)



Practitioners' Corner:**QUESTIONS AND ANSWERS ABOUT STATE TAXES** (CONTINUED FROM PAGE 15)

As a result, in general, original and creative works – whether written, composed, or executed for “one-of-a-kind or limited-edition” production – are now exempt from Rhode Island sales tax when sold in Rhode Island, whether at galleries or elsewhere.

(Under the old law, the exemption generally applied only to sales in designated areas in a limited number of cities and towns in the state, including Providence, Pawtucket, Newport, Warwick, Woonsocket, and Westerly.)

Under the new law, Rhode Island became the first state in the nation to allow for a state-wide sales tax exemption on the sale of original and limited-edition works of art, according to the Rhode Island State Council on the Arts.

How does the new law apply in the situation you described in your question? The sales tax exemption applies to the seller, not the buyer. So the seller – in this case, the auction house – would have to apply to the Division of Taxation's Field Audit section for a certificate of exemption.

As part of the process, The Division of Taxation will send a copy of the application to the Rhode Island State Council on the Arts, which has the authority to certify that the art work involved is covered under the provisions of the law. Click [here](#) to read more about the application process.

Click [here](#) to read our final regulation on the sales tax exemption you've asked about.

Q: If a client rents and is e-filing his return claiming the property tax relief credit on Form RI-1040H, how do we provide to the Division of Taxation the rent receipts or the copy of the lease? We do not have the option to scan.



A: Go ahead and e-file. We will not require that the supporting documentation you mentioned – recent receipts and/or copy of the lease – be attached. The practitioner is obligated to perform due diligence, so we expect that the practitioner will have reviewed the documentation. However, we reserve the right to request the documentation at a later date if need be.

Q: I still haven't seen anything officially documenting the fact that you don't support consolidated returns electronically. I'm concerned that different vendors might be interpreting your requirements differently and that our clients will think we're doing something incorrectly. Can you please confirm that consolidated returns still cannot be filed

electronically?

A: Our system does accept electronically filed consolidated corporate income tax returns. However, it is possible that your software does not allow for it.

If that's the case, consider urging your provider to offer e-filing for consolidated returns.

Also, bear in mind that consolidated returns don't count for purposes of our corporate e-file mandate.

Q: We will be mailing in a completed Form RI-1040H on paper for our client. Will we have to attach rent receipts and other such supporting documentation?

A: Yes. The rules with regard to paper filings have not changed. Just as you need to attach Forms W-2, out-of-state returns, and other such documentation when filing a return on Form RI-1040, so, too, must you attach rent receipts and other such documentation when filing the Form RI-1040H on paper.

Q: Is there still a restriction on e-filing business extensions on Form RI-7004?

Yes. If we allowed our computer system to accept e-filed business extensions on Form RI-7004, the system would treat the extension as if it

Archives online

Previous issues of the Rhode Island Division of Taxation's newsletter, *Rhode Island Tax News*, are available for viewing or for download at the agency's website:

www.tax.ri.gov/newsletter/index.php

were a return – and would not accept the actual return later on.

As a result, we do not allow our system to accept e-filed business extensions on Form RI-7004; you have to mail in the completed paper form instead. That way, we can ensure that our system will accept your e-filed return later on (and you can comply with Rhode Island's corporate e-file mandate).

We are in the process of implementing a new agency-wide computer system, thanks to funding authorized by the General Assembly and Governor Chafee.

(Please turn to page 17)

Practitioners' Corner:**QUESTIONS AND ANSWERS ABOUT STATE TAXES** (CONTINUED FROM PAGE 16)

When that system is up and running, probably within a few years, you'll be able to e-file both the extension and your return. Until then, please paper file the extension, e-file the return.

A few other points on this topic:

- ◆ As a business, you can use the portal on our website to make an extension payment. You won't have to separately file your extension form. Click [here](#) for the link.
- ◆ As a business, you can make an extension payment by credit card. In that case, you won't have to separately file your extension form. But keep in mind that a service fee will apply (which goes to the service provider, not to us). Click [here](#) for the link.
- ◆ Last filing season, one of the big tax preparation software programs told tax preparers that we do not accept e-filed business returns on extension after a paper request for extension has been filed. That's not true, and we worked with the provider to fix its software.

Q: Over the years, practitioners have stressed over what Rhode Island tax return to file for a single-member limited liability company (SMLLC). Some years we filed on RI-1120S; now it's Form RI-1065. Can't Rhode Island just develop a voucher form for the SMLLC's with \$500 due April 15th and let us e-file it for the clients?

A: We're sorry for the stress that the change in forms may have caused, but we're hopeful that SMLLCs have now found a home in Form RI-1065.

As for the broader point you raised, we're always looking for ways to reduce the time it takes for a taxpayer to prepare and file a complete and accurate return. In this case, however, it is unlikely that we could design a voucher that would capture as much information as we currently capture on the 1065 -- and it is important for us to have that information for a variety of reasons.

Q: I have a client who lived in Massachusetts and owned a rental property in Rhode Island. She passed away and has a Massachusetts estate tax. The property she owned in Rhode Island was valued at \$455,000 and she owed \$473,000 on the mortgage. Do I need to complete a Rhode Island estate tax return? I would assume a release of lien needs to be filed (T-77).

A: In order to obtain a release of the estate tax lien (Form T-77) on a piece of property in Rhode Island, a Rhode Island estate tax return must also be filed.

Whether you need to file the

Form RI-100 or the RI-100A depends on the value of the gross estate.

If your client passed away in 2013, for example, and the value of all her assets, both in and outside of Rhode Island, is more than \$910,725 in total, we would require the Form RI-100A to be filed.

Form RI-100A walks you through calculating the estate tax on the net taxable estate, after any applicable deductions (such as the outstanding mortgage), and the tax is then adjusted to reflect the ratio of Rhode Island assets to the gross estate.

For example, if a tax on the net taxable estate is calculated of \$10,000 and the value of the Rhode Island assets are one-quarter the value of the total gross estate, the tax due to Rhode Island is \$2,500.

**BEYOND APRIL 15**

A number of volunteer tax preparation sites remain open throughout the year -- and continue preparing returns well after the April 15 deadline.

For information on sites near you, call the Internal Revenue Service about its VITA program toll-free at 1-800-906-9887, or use the agency's website: www.irs.gov

Also, eligible taxpayers may use the State Free File program through the October 15 extended due date to prepare and file their federal and Rhode Island returns online at no charge. The links are available at:

www.tax.ri.gov/misc/efile.php

EARNED INCOME CREDIT

Filing Season: In a filing season event at the Museum of Work and Culture in Woonsocket, Rhode Island Tax Administrator David M. Sullivan (above) joined other government officials, as well as representatives of the United Way of Rhode Island and other organizations, to talk about benefits of the federal earned income credit. Sullivan encouraged eligible taxpayers to file not just for the federal credit but also for the Rhode Island earned income credit and statewide property-tax relief credit.

Photo by Carolyn Watkinson, United Way of Rhode Island

NEWSLETTER POLICY

Rhode Island Tax News is a newsletter from the Rhode Island Department of Revenue's Division of Taxation. It is typically published each quarter. Its purpose is to provide taxpayers and tax professionals with general information regarding Rhode Island tax laws, regulations and procedures. It is neither designed nor intended to address complex issues in detail. Nothing contained in this newsletter in any way alters or otherwise changes any provisions of the Rhode Island General Laws, regulations of the Tax Division, or formal rulings. The Tax Division is at One Capitol Hill, Providence, RI 02908. Its website is www.tax.ri.gov.

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COMMENTS AND SUGGESTIONS

If you have comments or suggestions for *Rhode Island Tax News*, please e-mail its editor, Neil Downing: Neil.Downing@tax.ri.gov

BACK ISSUES

Rhode Island Tax News back issues are on the Tax Division website: www.tax.ri.gov



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