C. P. E. Associates, Inc.
Rhode Island Tax Update
October 8, 2014

Update on Rhode Island Taxes and Current Developments

Speakers:

David M. Sullivan **Tax Administrator**	**Opening Remarks**
Leo R. Lebeuf **Chief Revenue Agent**	**Personal Income Tax Update**
Charles J. Larocque, CPA **Chief Revenue Agent**	**Corporate Tax Update**
Neil P. Downing, EA, CFP **Chief Revenue Agent**	**Combined Reporting**
Michael F. Canole, CPA **Chief of Examinations**	**Regulation Update**
Philip L. D’Ambra **Chief Revenue Agent**	**Employer Tax Update**
Patrick M. Gengarella **Chief Revenue Agent**	**Field Audit**
Linda M. Riordan, Esq. **Chief of Inheritance and Gift tax**	**Estate Tax Update**

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1) General Information	1) Integrated Tax System Update 2) Injured Spouse Claims 3) Difference between MEF and Paper attachments 4) IRS-State Matching Program
2) Form Changes	1) Inflationary Changes-SD, exemptions, phaseout
3) Legislation Changes	1) Property Tax Relief 2) Use Tax Table 3) 2015 RI Earned Income Tax Credits 4) Section 179 Expensing
4) Common Preparation Errors	1) Modifications-No statements attached 2) 1099PT's are not "other payments"- list on Sch W 3) Correct FEI #'s on Schedule W

State of Rhode Island and Providence Plantations

2014 Form RI-1040H

Rhode Island Property Tax Relief Claim

First name	MI	Last name	Your social security number
Spouse's first name	**MI**	**Last name**	**Spouse's social security number**

Mailing address			Daytime telephone number
City, town or post office	**State**	**ZIP code**	**City or town of legal residence**
Home Address if using a PO Box or if your Mailing Address is different from Home Address		**Email address**	

PART 1 **ELIGIBILITY. IF YOU ANSWER NO TO ANY OF THESE QUESTIONS, YOU ARE NOT ELIGIBLE FOR THIS CREDIT.**
STOP HERE. DO NOT COMPLETE THE REST OF THIS FORM.

ELIGIBILITY

A	Were you domiciled in Rhode Island for all of 2014?	A	YES ☐	☐ NO
B	In 2014 did you live in a household or rent a dwelling that was subject to property tax?	B	YES ☐	☐ NO
C	Are you current for property taxes or rent due on the homestead for all prior years?	C	YES ☐	☐ NO
D	Are you current on 2014 property taxes or rent and will pay any unpaid installments?	D	YES ☐	☐ NO
E	Was your 2014 total household income from page 2, line 33 $30,000 or less?	E	YES ☐	☐ NO

PART 2 **ADDITIONAL INFORMATION - ATTACH A COPY OF YOUR 2014 SOCIAL SECURITY AWARD LETTER OR FORM 1099 TO 1040H FORM**

INFO

1a	Enter the total amount of public assistance received by all members of your household	1a	
b	Enter your total household income from page 2, line 33	1b	
c	Enter your date of birth / /	1d	Enter spouse's date of birth / /
e	Were you or your spouse disabled and receiving Social Security Disability payments during 2014	1e	YES ☐ ☐ NO
f	Indicate the number of persons in your household	1f	
g	Enter the number of persons from 1f who are dependents under the age of 18	1g	

PART 3 **TO BE COMPLETED BY HOMEOWNERS ONLY– ATTACH A COPY OF YOUR 2014 PROPERTY TAX BILL TO 1040H FORM**

HOME OWNERS

2	Enter the amount of property taxes you paid or will pay for 2014	2	
3	Enter the total 2014 household income from line 1b	3	
4	Enter percentage from the computation table on page 3, General Instructions	4	%
5	Multiply amount on line 3 by percentage on line 4	5	
6	Tentative credit. Subtract line 5 from line 2. If line 5 is greater than line 2, enter zero	6	
7	**PROPERTY TAX RELIEF**. Line 6 or $305.00, whichever is **LESS**. Enter here and on Form RI-1040, line 14c	7	

PART 4 **TO BE COMPLETED BY RENTERS ONLY– ATTACH A COPY OF YOUR 2014 LEASE OR 3 RENT RECEIPTS TO 1040H**

LANDLORD INFORMATION (REQUIRED)

Name: Address: Telephone number:

RENTERS

8	Enter the amount of rent you paid in 2014	8	
9	Multiply the amount on line 8 by twenty (20) percent (0.2000)	9	
10	Enter the total 2014 household income from line 1b	10	
11	Enter percentage from the computation table on page 3, General Instructions	11	%
12	Multiply amount on line 10 by percentage on line 11	12	
13	Tentative credit. Subtract line 12 from line 9. If line 12 is greater than line 9, enter zero	13	
14	**PROPERTY TAX RELIEF**. Line 13 or $305.00, whichever is **LESS**. Enter here and on Form RI-1040, line 14c	14	

RETURN MUST BE SIGNED - SIGNATURE IS LOCATED ON PAGE 2

Mailing address: RI Division of Taxation, One Capitol Hill, Providence, RI 02908-5806

State of Rhode Island and Providence Plantations

2014 Form RI-1040H

Rhode Island Property Tax Relief Claim

Your name	Your social security number

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

Enter the income amounts from your 2014 federal 1040 on the appropriate lines below. If you did not file a federal 1040, enter your income amounts on the appropriate lines below.

HOUSEHOLD INCOME WORKSHEET

15	Wages, salaries, tips, etc. from Federal Form 1040, line 7	15		
16	Interest and dividends (taxable and nontaxable) from Federal Form 1040, lines 8a, 8b and 9a	16		
17	Taxable refunds, credits or offsets of state and local income taxes from Federal Form 1040, line 10	17		
18	Alimony received from Federal Form 1040, line 11	18		
19	Business income (or loss) from Federal Form 1040 line 12	19		
20	Sale or exchange of property from Federal Form 1040, lines 13 and 14	20		
21	IRA distributions, and pensions and annuities from Federal Form 1040, lines 15a and 16a	21		
22	Rental real estate, royalties, S corps, trusts, etc. from Federal Form 1040, line 17	22		
23	Farm income or loss from Federal Form 1040, line 18	23		
24	Unemployment compensation from Federal Form 1040, line 19	24		
25	Social security benefits (including Medicare premiums) taxable and nontaxable, and Railroad Retirement Benefits from Federal Form 1040, lines 20a	25		
26	Other income from Federal Form 1040, line 21	26		
27	Total income from Federal 1040 - taxable and nontaxable. Add lines 15 through 26	27		
28	Deductions from Federal Form 1040, line 36	28		
29	Adjusted income. Subtract line 28 from line 27	29		
30	Cash public assistance received. Enter here and on page 1, Part 2, line 1a	30		
31	Other non-taxable income including child support, worker's compensation and cash assistance from friends and family	31		
32	Addback of rental losses, etc. from lines 19, 20, 22, 23 or 26 above	32		
33	**TOTAL 2014 HOUSEHOLD INCOME**. Add lines 29, 30, 31 and 32. Enter here and on page 1, line 1b	33		

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 ☐

State of Rhode Island and Providence Plantations

2014 Form RI-1040H

Rhode Island Property Tax Relief Claim

GENERAL INSTRUCTIONS

WHEN AND WHERE TO FILE

Form RI-1040H must be filed by April 15, 2015.

Even if you are seeking a filing extension for your Rhode Island income tax return, RI-1040, Form RI-1040H **must** be filed by April 15, 2015 . An extension of time to file Form RI-1040, does **NOT** extend the time to file Form RI-1040H.

If filing with Form RI-1040, your property tax relief credit will decrease any income tax due or increase any income tax refund.

If you are not required to file a Rhode Island income tax return, Form RI-1040H may be filed by itself without attaching it to a Rhode Island income tax return. However, Form RI-1040H **must** be filed by April 15, 2015

Your property tax relief claim should be filed as soon as possible after **December 31, 2014**. However, no claim for the year 2014 will be allowed unless such claim is filed by **April 15, 2015**. For additional filing instructions, see RIGL **§**44-33. Mail your property tax relief claim to the Rhode Island Division of Taxation - One Capitol Hill - Providence, RI 02908-5806.

WHO MAY QUALIFY

To qualify for the property tax relief credit you must meet **all** of the following conditions:

a) You must be sixty-five (65) years of age or older and/or disabled.
b) You must have been domiciled in Rhode Island for the entire calendar year 2014.
c) Your household income must have been $30,000.00 or less.
d) You must have lived in a household or rented a dwelling that was subject to property taxes.
e) You must be current on property tax and rent payments due on your homestead for all prior years and on any current installments.

WHO MAY CLAIM CREDIT

If you meet all of the qualifications outlined above, you should complete Form RI-1040H to determine if you are entitled to a credit.

Only one person of a household may claim the credit. If there are multiple individuals within a household, the taxable and non-taxable income of all household members must be included in part 5 of this return. If the household income of all members is less than or equal to the $30,000 threshold, the credit may still be claimed, but only by one member of the household.

The right to file a claim does not survive a person's death; therefore a claim filed on behalf of a deceased person cannot be allowed. If the claimant dies after having filed a timely claim, the amount thereof will be disbursed to another member of the household as determined by the Tax Administrator.

ATTACHMENTS

Attached to this claim shall be:
For homeowners: A copy of your 2014 property tax bill.
For renters: Copies of three (3) rent receipts for the year 2014, or a copy of your 2014 lease agreement. If you lived in subsidized housing, attach a copy of your HUD statement.

For claimants on social security, a copy of your social security award letter or Form 1099-SSA for the year 2014 is also required.

IMPORTANT DEFINITIONS

What is meant by "*disabled*" - The term "disabled" means you are receiving a social security disability benefit.

What is meant by "*homestead*" - The term "homestead" means your Rhode Island dwelling, whether owned or rented, and so much of the land around it as is reasonably necessary for the use of the dwelling as a home, but not exceeding one acre. It may consist of a part of a multi-dwelling, a multi-purpose building or another shelter in which people live. It may be an apartment, a houseboat, a mobile home or a farm.

What is meant by a "*household*" - The term "household" means one or more persons occupying a dwelling unit and living as a single nonprofit housekeeping unit. Household does not mean bona fide lessees, tenants or roomers and borders on contract.

What is meant by a “*dependent*” - The term “dependent” means any person living in the household who is under the age of 18 who can be claimed by someone else on their tax return.

What is meant by "*household income*" - The term "household income" means all income received both taxable and nontaxable by all persons of a household in a calendar year while members of the household.

What is meant by "*rent paid for occupancy only*" - The term "rent paid for occupancy only" means the gross rent paid only for the right of occupying your homestead. If you rented furnished quarters, or if utilities were furnished, such as heat, electricity, etc., then you must reduce the amount of gross rent by the reasonable rental value (not cost) of the furniture and the reasonable value of such utilities as were furnished.

What is meant by *“public assistance”* - The term “public assistance” means cash assistance from government assistance programs informally known as welfare assistance, and more commonly known as “Temporary Assistance for Needy Families (TANF)”. Under RIGL 44-33-16, a claim for property tax relief shall exclude all taxes or rent paid with public assistance.

Note: Part 5, line 30 and Part 2, line 1a must be equal.

LIMITATIONS ON CREDIT

Under the provisions of RIGL 44-33-16, a claim for relief shall exclude all taxes or rent paid with public assistance funds. The maximum amount of credit allowable under Chapter 44-33, Property Tax Relief Act, for calendar year 2014 is $305.00. In event that more than one person owns the residence, the taxes will be divided by the owner's share.

RENTED LAND

If you live on land that is rented and your home or trailer is subject to property tax. Multiply the amount of rent you paid in 2014 by 20% and add the amount to the property tax paid. Then enter the total on RI-1040H, line 2.

Example:

Rent ($3,600 X 20%)........................ ___________

Property Tax...................................... ___________

Amount to be entered on line 2......... ___________

COMPUTATION TABLE INSTRUCTIONS

Step 1 Read down the column titled household income until you find the income range that includes the amount shown on line 33.

Step 2 Read across from the income range line determined in step 1 to find the percent of income allowed as a credit. Enter this percentage on line 4 or line 11, whichever applies.

Household income	Percentage of income allowable as credit	
	1 person	2 or more
Less than 6,001	3%	3%
6,001 - 9,000	4%	4%
9,001 - 12,000	5%	5%
12,001 - 15,000	6%	5%
15,001 - 30,000	6%	6%

State of Rhode Island and Providence Plantations

2014 RI Schedule U

Use Tax Due

Name(s) shown on Form RI-1040 or RI-1040NR	Your social security number

Individual Consumer's Use Tax Worksheet

NOTE: When reporting the amount of use tax obligation on the Rhode Island personal income tax return. the taxpayer shall list either the actual amount of use tax due, or an amount using the Rhode Island Use Tax Lookup Table below. If you know the actual amount of all purchases made that are subject to the use tax, use Option #1. Otherwise, use Option #2. Be sure to check the box on page 1 of your return attesting to the amount of use tax listed on your return. For more information, see the instructions.

Option #1 - Actual Use Tax Due

1	Enter the total price of purchases subject to the use tax	1	
2	Use tax due. Multiply line 1 by 7% (0.07)	2	
3	Enter the amount of sales taxes paid in other states for the purchases on line 1	3	
4	Net use tax due. Subtract line 3 from line 2. Enter here and on RI-1040, pg 1, line 12 or RI-1040NR, pg 1, line 15.	4	

Option #2 - Rhode Island Use Tax Lookup Table

5	Enter your 2014 Federal AGI from Form RI-1040 or RI-1040NR, page 1, line 1	5	
6	Use tax due. Multiply line 5 by 0.0008 or enter the amount from the Rhode Island Use Tax Lookup Table below.	6	

7 **In the space below, list the actual amount of each single purchase greater than or equal to $1,000.00**

	Column A Product Purchased	Column B Product Cost	Column C Tax Due (Cost x 7%)	Column D Sales Tax Paid		Column E Sales Tax Due
a Purchase #1					7a	
b Purchase #2					7b	
c Purchase #3					7c	
d Purchase #4					7d	
e Net use tax due on purchases equal to or greater than $1,000. Add lines 7a, 7b, 7c and 7d					7e	
8 Use tax due. Add lines 6 and 7e. Enter here and on RI-1040, page 1, line 12 or RI-1040NR, page, 1, line 15					8	

USE TAX TABLE

Federal AGI from RI-1040/NR, line 1		Use Tax Amount	Federal AGI from RI-1040/NR, line 1		Use Tax Amount
At least	Less than		At least	Less than	
$0	6,250	$5	$37,500	$43,750	$35
6,250	12,500	10	43,750	50,000	40
12,500	18,750	15	50,000	56,250	45
12,500	25,000	20	56,250	62,500	50
25,000	31,250	25	62,500	68,750	55
31,250	37,500	30	68,750	75,000	60
If your Federal AGI is greater than $75,000, multiply Form RI-1040/NR, line 1 by 0.08% (0.0008)					

		2014		2015
Example 1				
RI Tax		$0.00		$0.00
Federal EIC		$ 1,000.00		$ 1,000.00
RI %		25%		10%
RI EIC		$ 250.00		$ 100.00
Smaller Amt		$ -		
Difference		$ 250.00		
Refundable %		15%		
Refundable EIC		$ 37.50		
Total EIC		$ 37.50		$ 100.00
Example 2				
RI Tax		$700.00		$700.00
Federal EIC		$ 5,000.00		$ 5,000.00
RI %		25%		10%
RI EIC		$ 1,250.00		$ 500.00
Smaller Amt		$ 700.00		
Difference		$ 550.00		
Refundable %		15%		
Refundable EIC		$ 82.50		
Total EIC		$ 782.50		$ 500.00

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General Information:
1) Filing season update and common errors.
2) State Tax Administration and Revenue System-STAARS

Corporation Taxes:
1) Corporate Income Tax
2) Corporate Franchise Tax
3) Limited Liability Company Annual Charge (LLC)
4) Partnership Annual Charges (LP, LLP)
5) General Partnership (filing requirement, no tax or fee)

Forms:
1) RI-1120C
2) RI-1120S
3) RI-1065

Recent Updates:

1) Add Back the Domestic Production Activities Deduction
Section 199 federal Internal Revenue Code
Decoupling from federal deduction.
R.I.G.L. 44-55-8
Tax years beginning on or after 01/01/2014

2) Expensing in Lieu of Depreciation of Assets
Section 179 federal Internal Revenue Code
Recoupling to federal expense deduction.
R.I.G.L. 44-61-1.1
Tax years beginning on or after 01/01/2014

3) Franchise Tax - R.I.G.L. 44-12 – Repealed
Tax years beginning on or after 01/01/2015.
Subchapter "S" Corporations shall pay minimum corporate tax under 44-11-2(e).

4) "C" Corporations / Combined Reporting
Tax years beginning on or after 01/01/2015.
R.I.G.L. 44-11
Corporate tax rate reduced to 7%.
Single Sales (Receipts) Factor Apportionment
Combined Reporting – Unitary Businesses

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Combined reporting

Pro forma combined reporting, 2011 and 2012

Mandatory combined reporting, tax years 2015 and later

Combined reporting overview

Threshold issues: Combined group, unitary business

Water's edge

Single sales factor

Market-based sourcing

NOLs, tax credits

Special appeals

Tax Administrator's Report

Status of Regulation

Regulatory carryovers

Regulatory differences

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CHAPTER 44-68
Tax Preparers Act of 2013

§ 44-68-1 Short title. – This chapter shall be known as the "Tax Preparers Act".

§ 44-68-2 Definitions. – (a) "Tax return preparer" means an individual who prepares a substantial portion of any return for compensation. Tax return preparers include individuals required to register with the Internal Revenue Service as a tax return preparer and who have a Preparer Tax Identification Number (PTIN). For the purpose of this chapter the following individuals shall not be considered tax return preparers:

(1) Volunteer tax return preparers; or

(2) Employees of a tax return preparer and employees of a commercial tax return preparation business who provide only clerical, administration or other similar services.

(b) "Preparer Tax Identification Number" means the number issued by the Internal Revenue Service (IRS) to paid preparers to use on all the returns they prepare.

(c) "Return" shall mean any tax report, return, claim for refund or attachment to any report, return and/or claim for return filed with the tax administrator pursuant to the tax laws of this state.

§ 44-68-3 Duties and Responsibilities. – (a) A tax return preparer who prepares any return that is submitted to the tax administrator must comply with all state laws and all applicable regulations promulgated by the tax administrator.

(b) A tax return preparer must sign and include his/her Preparer Tax Identification Number on all returns prepared and filed with the Division of Taxation.

§ 44-68-4 Civil Penalties. – *(a) Failure To Be Diligent in Determining Eligibility for or Amount of Earned Income Credit.* Upon a determination by the tax administrator that a tax return preparer prepared a return(s) and failed to comply with due diligence requirements imposed by regulations issued by the tax administrator with respect to determining eligibility for, or the amount of, the credit allowable by section 44-30-2.6(c)(2)(N), the tax return preparer shall pay a penalty of five hundred dollars ($500) for each such return and/or claim.

(b) Failure To Be Diligent in Determining Eligibility for Property Tax Relief Credit. Upon a determination by the tax administrator that a tax return preparer prepared a return(s) and failed to comply with due diligence requirements imposed by regulations issued by the tax administrator with respect to determining eligibility for, or the amount of, the property tax relief credit allowable by § 44-33-1 et seq., the tax return preparer shall pay a penalty of five hundred dollars ($500) for each such return.

(c) Tax Return Preparer Civil Penalties. Upon a determination by the tax administrator that a tax return preparer willfully prepared, assisted in preparing, or caused the preparation of a return(s) filed with the division of taxation with intent to wrongfully obtain a property tax relief credit or with the intent to evade or reduce a tax obligation, the tax return preparer shall be liable for a penalty of one thousand dollars ($1,000), or five hundred ($500) for each return so filed during any calendar year, whichever is greater.

(d) The tax administrator may suspend or revoke the privilege of a tax return preparer to prepare and/or file returns with the division of taxation upon a determination that the tax return preparer has failed to comply with or violated any provision of this section, any regulations issued by the tax administrator, or with any provision of any other laws relative to the preparation of tax returns. Any tax return preparer receiving a notice of intent to suspend or revoke the privilege to file tax returns with the division of taxation may request a hearing on the notice of intent to suspend or revoke; provided that said request for a hearing must be made within thirty (30) days of such notice to suspend or revoke. If, after hearing, the tax return preparer is aggrieved by a decision of the tax administrator (or his or her designated hearing officer), the tax return preparer may, within thirty (30) days after notice of the decision is sent to the tax return preparer by certified or registered mail, directed to their last known address, petition the sixth division of the district court pursuant to chapter 8 of title 8, setting forth the reasons why the decision is alleged to be erroneous and praying for relief therefrom.

§ 44-68-5 Criminal Penalties. – Any tax return preparer who has previously been assessed a penalty by the tax administrator under section 44-68-4(c) who is found by a court of competent jurisdiction to have thereafter willfully prepared, assisted in preparing, or caused a preparation of another false tax return or claim for refund which was filed with the division of taxation with the intent to wrongfully obtain a property relief credit or the intent to wrongfully evade or reduce a tax obligation shall be guilty of a felony and, on conviction, shall be subject to a fine not exceeding fifty-thousand dollars ($50,000) or imprisonment not exceeding five (5) years or both.

§ 44-68-6 Regulations. – The tax administrator shall promulgate rules and regulations in order to implement the provisions of this chapter.

STATE OF RHODE ISLAND – DIVISION OF TAXATION
TAX PREPARER PENALTIES
REGULATION PIT 14-23
Table of Contents

Rule 1. Purpose

These rules and regulations implement R.I. Gen. Laws Chapter 44-68. That chapter outlines civil and criminal penalties which may be imposed on a paid tax preparer who fails to comply with due diligence requirements.

Rule 2. Authority

These rules and regulations are promulgated pursuant to R.I. Gen. Laws § 11-18-1, § 44-1-4 and § 44-68-6. The rules and regulations have been prepared in accordance with the requirements of R.I. Gen. Laws § 42-35-1 et seq. of the Rhode Island Administrative Procedures Act.

Rule 3. Application

These rules and regulations shall be liberally construed so as to permit the Division of Taxation the authority to effectuate the purpose of R.I. Gen. Laws Chapter 44-68 and other applicable state laws and regulations.

Rule 4. Severability

If any provision of these rules and regulations, or the application thereof to any person or circumstances, is held invalid by a court of competent jurisdiction, the validity of the remainder of the rules and regulations shall not be affected thereby.

Rule 5. Definitions

(a) "Administrator" or "Tax Administrator" means the tax administrator of the State of Rhode Island, and head of the Rhode Island Division of Taxation;

(b) “Adjusted Gross Income” (AGI) means gross income minus adjustments to income as defined in 26 U.S.C. § 62;

(c) “Claimant” means a homeowner or renter, sixty-five (65) years of age or older and/or disabled, who has filed a claim under R.I. Gen. Laws Chapter 44-33 and was domiciled in Rhode Island for the entire calendar year for which he or she files a claim for relief under R.I. Gen. Laws Chapter 44-33. In the case of a claim for rent constituting property taxes accrued, the claimant shall have rented property during the preceding year for which he or she files for relief under R.I. Gen. Laws Chapter 44-33. Claimant shall not mean or include any person claimed as a dependent by any taxpayer under 26 U.S.C. § 1 et seq. When two (2) individuals of a household are able to meet the qualifications for a claimant, they may determine between themselves as to who the claimant is. If they are unable to agree, the matter is referred to the tax administrator and his or her determination is final. If a homestead is occupied by two (2) or more individuals, and more than one individual is able to qualify as a claimant and some or all of the qualified individuals are not related, the individuals may determine among themselves as to who the claimant is. If they are unable to agree, the matter is referred to the tax administrator, and his or her decision is final.

(d) “Disabled” means those persons who are receiving a social security disability benefit;

(e) “Dependent” means any person living in the household who is either a qualifying child or a qualifying relative pursuant to IRC § 152(a);

(f) “Division” means the Rhode Island Division of Taxation;

(g) “Due Diligence” means the measure of prudence and care that a reasonable person exercises in the preparation of tax returns that are to be filed with the Division;

(h) “Dwelling Unit” means a single unit providing complete independent living facilities for one or more persons, including permanent provisions for living, sleeping, eating, cooking, and sanitation;

(i) “Earned Income” means any and all income qualifying as earned income under 26 USC § 32; this includes, but is not limited to, wages, salaries, tips, and other taxable employee pay, net earnings from self-employment, and gross income received as a statutory employee;

(j) “Earned Income Credit” (EIC) means the federal and state tax credit under 26 USC § 32 for certain people who work and have earned income under certain threshold amounts;

(k) “Homestead” means your Rhode Island dwelling, whether owned or rented, and so much of the land around it as is reasonably necessary for the use of the dwelling as a home, but not exceeding one acre. It may consist of a part of a multi-dwelling or a multi-purpose building. It may be an apartment, a houseboat, a mobile home, or a farm;

(l) “Household” means one or more persons occupying a dwelling unit and living as a single nonprofit housekeeping unit. Household does not mean bona fide lessees, tenants, or roomers and boarders on contract;

(m) “Household Income” means all income, both taxable and nontaxable, received by all persons of a household in a calendar year while members of the household;

(n) “Preparer Tax Identification Number” (PTIN) means the number issued by the Internal Revenue Service (IRS) to paid preparers to use on all the returns they prepare;

(o) “Public Assistance” means cash assistance from government assistance programs informally known as welfare assistance, and more commonly known as “temporary assistance for needy families” (TANF);

(p) “Return” means any tax report, return, claim for refund, or attachment to any report, return, and/or claim for refund filed with the Tax Administrator pursuant to the Rhode Island tax laws;

(q) “Tax Return Preparer” means an individual who prepares a substantial portion of any Return for compensation. This includes preparers who sign the Return, preparers who prepare the EIC or Property Tax Relief Credit portions of the Return but do not sign the Return, or the employers of these preparers. Tax Return Preparers include individuals required to register with the Internal Revenue Service as a tax return preparer and who have a Preparer Tax Identification Number (PTIN). The following are NOT considered Tax Return Preparers:

1. Volunteer tax return preparers; or
2. Employees of a tax return preparer or employees of a commercial tax return preparation business who provide only clerical, administrative, or other similar services;

Rule 6. Earned Income Credit (EIC)

(a) Any resident or non-resident with Earned Income from Rhode Island who claims the Federal Earned Income Credit is eligible for Rhode Island’s EIC.

(b) The Rhode Island EIC is determined in accordance with R.I. Gen. Laws § 44-30-2.6(c)(2)(N) and by using the RI Schedule EIC on the RI–1040 or RI–1040NR.

Rule 7. Due Diligence Regarding Earned Income Credit

(a) It is the responsibility of the Tax Return Preparer to be knowledgeable about the law with regard to EIC, make reasonable inquiries of the taxpayer, and review supporting documentation provided by the taxpayer to validate the assertions made in preparing a Return that claims EIC.

(b) The purposes for a Tax Return Preparer to question the taxpayer regarding EIC Due Diligence are:

1) To reasonably conclude that the taxpayer is reporting all income that contributes to their total Earned Income and AGI;

2) To reasonably conclude that no other person is eligible to claim EIC or any other child-related benefits for the dependent(s) being claimed; and

3) To reasonably conclude that the dependent(s) being claimed is actually a qualifying dependent(s) for EIC purposes.

(c) Due Diligence for a Tax Return Preparer includes, but is not limited to:

1) Have reasonable knowledge or verification of the identity of the taxpayer presenting the information (such as requesting a photo ID and social security card;

2) Applying a prudent man standard to the information provided by the taxpayer;

3) Evaluating whether that information is complete and gathering any missing facts;

4) Determining if the information is consistent and recognizing contradictory statements;

5) Conducting a thorough, in-depth interview with each taxpayer each year that the taxpayer claims the EIC;

6) Asking enough questions to reasonably know the taxpayer's eligibility for EIC and the amount of credit is correct and complete; and

7) Documenting in the file any questions asked and the taxpayer's responses.

(d) To meet the federal and Rhode Island Due Diligence requirements regarding the EIC, a Tax Return Preparer shall:

1) Complete the Paid Preparer's Earned Income Credit Checklist (U.S. Form 8867 for the IRS). This form must be submitted to the IRS. The Division does not require the 8867 Form to be submitted along with every EIC claim; however, a Tax Return Preparer shall have a copy of this document in his or her records for every EIC claim;

2) Complete the EIC worksheet in the U.S. Form 1040 instructions, Publication 596, Earned Income Credit, for the IRS. A Tax Return Preparer shall have a copy of this document in his or her records for every EIC claim;

3) Keep copies of any and all documentation provided by the taxpayer that was relied upon by the Tax Return Preparer to complete U.S. Form 8867 or the EIC worksheet;

4) Keep a record of when and how (including from whom) the Tax Return Preparer received the information used to prepare the Return. This includes documentation of what questions were asked by the Tax Return Preparer and the taxpayer's responses;

    i. If a reasonable and well informed Tax Return Preparer would conclude that any information used to determine if the taxpayer is eligible for EIC is incorrect, inconsistent, or incomplete, the Tax Return Preparer shall ask the taxpayer additional questions, as well as maintain additional records consistent with these additional questions.

ii. These records may include, but are not limited to:

- Verification of dependents such as copies of birth certificates, school records, medical records, court placement records, guardianship records, social security cards;
- Verification of filing status such as marriage license, divorce settlement, bank statements, lease and/or mortgage agreement;
- Verification as to whether or not the taxpayer was required to file a U.S. Form 8862 (Information to Claim Earned Income Credit After Disallowance) with the IRS;
- For U.S. Schedule C Filers, verification of Earned Income such as a Form 1099 Misc., business license, client and/or customer lists, taxpayer prepared records or log book of income, bank statements, and any income documents other than W-2 forms;
- Verification of deductions such as a mileage deduction log, business receipts, rent receipts, and client prepared records or log book of business expenses, and bank statements; and

5) Copies of documents or records required by this rule to be kept on file by a Tax Return Preparer shall be produced within seventy two (72) hours upon request by the Division for said documents or records. However, additional time may be granted based on the Tax Return Preparer's written request to the Tax Administrator.

Rule 8. Property Tax Relief Credit

(a) Pursuant to R.I. Gen. Laws Chapter 44-33, Property Tax Relief Credit provides relief to Rhode Island taxpayers paying property tax who own or rent their homes.

(b) In order to qualify for Property Tax Relief Credit a Claimant shall meet all of the following conditions:

1) The Claimant shall be domiciled in Rhode Island for the entire calendar year;

2) The Claimant's total Household Income shall have been $30,000 or less;

3) The Claimant's Homestead shall be subject to property taxes;

4) The Claimant shall be current on all property tax or rent/lease payments due on the Homestead for all prior years and on any current installments;

5) The Claimant shall timely file Form RI–1040H by April 15 of the following year; and

6) Only one (1) property tax relief claim is allowed per household.

(c) Under R.I. Gen. Laws § 44-33-16, a claim for property tax relief shall exclude all taxes or rent paid with public assistance;

(d) The right to file a claim for Property Tax Relief does not survive a person's death; therefore, a claim filed on behalf of a deceased person cannot be allowed. If the Claimant dies after having filed a timely claim, the amount thereof will be disbursed to another member of the Household as determined by the Tax Administrator.

Rule 9. Due Diligence Regarding Property Tax Relief Credit

(a) It is the responsibility of the Tax Return Preparer to be knowledgeable about the law with regard to Property Tax Relief, make reasonable inquiries of the Claimant, and review supporting documentation provided by the Claimant to validate the assertions made in preparing a Return that claims Property Tax Relief Credit.

(b) The purposes for a Tax Return Preparer to question the Claimant for Property Tax Relief Due Diligence analysis are:

1) To reasonably conclude that the Claimant is reporting all income that contributes to their total Household Income; and

2) To reasonably conclude that only one Claimant per Household claims the Property Tax Relief Credit.

(c) Due Diligence for a Tax Return Preparer includes, but is not limited to:

1) Have reasonable knowledge or verification of the identity of the Claimant presenting the information (such as requesting a photo ID and social security card;

2) Applying a prudent man standard to the information provided by the Claimant;

3) Evaluating whether that information is complete and gathering any missing facts;

4) Determining if the information is consistent and recognizing contradictory statements;

5) Conducting a thorough, in-depth interview with each Claimant each year;

6) Asking enough questions to have reasonable knowledge the Property Tax Relief Claim is correct and complete; and

7) Documenting in the file any questions asked and the Claimant's responses.

(d) To meet the Rhode Island Due Diligence requirements for Property Tax Relief Credit, a Tax Return Preparer shall:

1) Keep copies of any and all documentation provided by the Claimant that was relied upon by the Tax Return Preparer to complete the Return claiming Property Tax Relief Credit;

2) Keep a record of when and how (including from whom) the Tax Return Preparer received the information used to prepare the Return. This includes documentation of what questions were asked by the Tax Return Preparer and the Claimant's responses.

   i. If a reasonable and well informed Tax Return Preparer would conclude that any information used to determine if the Claimant is eligible for Property Tax Relief Credit is incorrect, inconsistent, or incomplete, the Tax Return Preparer shall ask the Claimant additional questions as well as maintain additional records consistent with these additional questions.

   ii. These records may include, but are not limited to:

      - Verification that Household Income is $30,000 or less such as bank statements, W-2 forms for any persons living in the Household, social security award letters, disability award letters, 1099-C Cancellation of Debt, unemployment benefits, worker's compensation benefits, Public Assistance, child support received, cash assistance from friends/family, gambling winnings, non-taxable military compensation, gross amounts of pensions and annuities; and

      - Verification that Homestead is subject to property tax such as rent receipts, cancelled rent checks, proof of mortgage payments, proof of paid property tax bill, HUD Lease Form 50059 or lease agreement, and landlord's name, address, and phone number;

3) Copies of documents or records required by this rule to be kept on file by a Tax Return Preparer shall be produced within seventy two (72) hours upon request by the Division for said documents or records. However, additional time may be granted based on the Tax Return Preparer's written request to the Tax Administrator.

Rule 10. Record Retention Requirements

(a) Records kept under Rule 7 and Rule 9 of this regulation shall be kept for three (3) years from the later of:

   1) The due date of the Return;

   2) The date the Return was electronically filed;

   3) For a paper Return, the date the Return was presented to the taxpayer for signature; or

   4) If you are a non-signing Tax Return Preparer, the date you give the part for which you are responsible to the signing Tax Return Preparer.

(b) Records may be kept in either paper or electronic format, but shall be capable of being produced within seventy two (72) hours if requested by the Division. However, additional time may be granted based on the tax return preparer's written request to the

Tax Administrator. Every Tax Return Preparer shall keep a back-up of these records in a separate, secure location.

Rule 11. Inspections

(a) The Tax Administrator, and his or her agents, may conduct audit inspections to ensure compliance with all provisions of R.I. Gen. Laws Chapter 44-68. Audit inspections of Tax Return Preparers shall be conducted during normal business hours.

(b) Failure to allow such inspection(s) of records kept under Rule 7 and Rule 9 of this regulation may result in civil penalties and/or suspension or revocation of a Tax Return Preparer's privilege to file Returns with the Division.

Rule 12. Civil and Administrative Penalties

(a) Failure to exercise Due Diligence Regarding Earned Income Credit - Upon a determination by the Tax Administrator that a Tax Return Preparer prepared a Return(s) and failed to comply with the Due Diligence requirements imposed by Rule 7 above with respect to determining eligibility for, or the amount of, the EIC allowable by the State pursuant to R.I. Gen. Laws § 44-30-2.6(c)(2)(N), the Tax Return Preparer shall pay a penalty of five hundred dollars ($500) for each such return.

(b) Failure to exercise Due Diligence Regarding Property Tax Relief Credit – Upon a determination by the Tax Administrator that a Tax Return Preparer prepared a Return(s) and failed to comply with the due diligence requirements imposed by Rule 9 above with respect to determining eligibility for, or the amount of, the Property Tax Relief Credit allowable by the State pursuant to R.I. Gen. Laws § 44-33, the Tax Return Preparer shall pay a penalty of five hundred dollars ($500) for each such return.

(c) Willful Intent - Upon a determination by the Tax Administrator that a Tax Return Preparer willfully prepared, assisted in preparing, or caused the preparation of a Return(s) with intent to wrongfully obtain a Property Tax Relief credit, or with the intent to evade or reduce a tax obligation, the Tax Return Preparer shall be liable for a penalty of one thousand dollars ($1,000), or five hundred dollars ($500) for each return so filed during any calendar year, whichever is greater.

(d) Warning - The Tax Administrator, in his or her sole discretion, may provide a warning to any Tax Return Preparer who fails to exercise Due Diligence in preparing a return(s) that negligently claim(s) EIC or Property Tax Relief Credit or who intends to wrongfully evade or reduce a tax obligation.

(e) Suspension or Revocation - The Tax Administrator may suspend or revoke the privilege of a Tax Return Preparer to prepare and/or file Returns with the Division upon a determination that the Tax Return Preparer has failed to comply with or violated any provision of R.I. Gen. Laws Chapter 44-68, these regulations, or any provision of any other laws relative to the preparation of tax Returns.

(f) Criminal Offenses - If a Tax Return Preparer has been convicted of a crime involving identity theft, fraud, or tax evasion in any court of competent jurisdiction, the Tax

Administrator may, in his or her sole discretion, suspend or revoke the privilege of the Tax Return Preparer to file tax returns with the Division without analyzing whether or not the Tax Return Preparer met the Due Diligence requirements.

Rule 13. Criminal Penalties

Any Tax Return Preparer who has previously been assessed a penalty by the Tax Administrator under R.I. Gen. Laws § 44-68-4(c), who is found by a court of competent jurisdiction to have thereafter willfully prepared, assisted in preparing, or caused a preparation of a subsequent false tax Return or claim for refund which was filed with the Division with the intent to wrongfully obtain a Property Tax Relief credit or the intent to wrongfully evade or reduce a tax obligation shall be guilty of a felony and, upon conviction, shall be subject to a fine not exceeding fifty thousand dollars ($50,000), or imprisonment not exceeding five (5) years, or both.

Rule 14. Appeals

(a) Any Tax Return Preparer receiving notice of the Tax Administrator's intent to impose civil and administrative penalties, including suspension or revocation of the privilege to file Returns with the Division may request an administrative hearing on the notice of intent to suspend or revoke.

(b) In order to request this hearing, the Tax Return Preparer shall notify the Tax Administrator in writing within thirty (30) days from the date of the notice to suspend or revoke. The Tax Administrator shall, as soon as is practicable, set a time and place for hearing, and shall render a final decision. The administrative hearing is the Tax Return Preparer's opportunity to present evidence regarding Due Diligence including checklists and documentation provided by the taxpayer to the Tax Return Preparer as detailed in Rule 7 and Rule 9 of this regulation.

(c) Pursuant to R.I. Gen Laws § 8-8-24, appeals from a final decision of the Tax Administrator shall be to the Rhode Island Sixth (6th) Division District Court within thirty (30) of the final decision.

Rule 15. Effective Date

This regulation shall be effective on January 1, 2015.

David M. Sullivan
Tax Administrator

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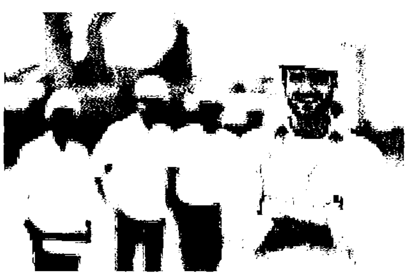
What Rhode Island Businesses Should Know About
Worker Misclassification

Article 8 of the fiscal year 2015 state budget enacted in June 2014 created the **Joint Task Force on the Underground Economy and Employee Misclassification**. This panel's purpose is to 1) coordinate joint efforts to combat fraudulent employment activities; 2) foster voluntary compliance with the law by educating workers and employers; 3) protect the health, safety and benefit rights of workers; and 4) work to level the playing field to increase fair competition among businesses.

What is Worker Misclassification?



It's a big problem nationally and here in Rhode Island. The US Government Accountability Office reports that the under-payment of Unemployment Insurance and Workers' Compensation premiums and Social Security and income taxes costs billions of dollars annually.

Employee or Independent Contractor?

Employers who get that question wrong face stiff penalties. For workers, being misclassified can mean not qualifying for benefits if they are laid off or hurt on the job.

This task force's job is to educate, not violate.

Who is an employee?

Anyone performing services for an employer who controls **what** will be done and **how** it will be done by the worker. What is important is whether or not the employer has the right to control the details of the services being performed.

Who is an independent contractor?

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

What if I have a contract listing me as an independent contractor?

A written contract is not enough. If the employer retains the right to control what will be done and how it will be done, the individual is performing services as an employee.

RI Requirements

- **Rhode Island employers must generally withhold state and federal income taxes, Social Security and Medicare taxes**
- **Employers must pay taxes on wages paid to employees**
- **Employers must pay employee Workers' Comp premiums**
- **Businesses do not withhold or pay taxes to independent contractors**

Learn more about Worker Misclassification at our seminar coming soon to your area! For details, visit www.tax.ri.gov/taskforce.

If you believe that you are, or someone you know is, being intentionally misclassified to avoid tax payments, workers' compensation coverage, and/or other legal obligations, report the concern to the Tip Hotline at (401) 574-8477.

For more information, contact Philip D'Ambra, Chief Revenue Agent, Division of Taxation, at 401) 574-8785 or Philip.Dambra@tax.ri.gov.

Submitted by the Joint Task Force on the Underground Economy and Employee Misclassification.

Employee Misclassification

What is it?

- Misclassification occurs when a worker's employment status is incorrectly classified
- In the context of this discussion, we assume the worker was incorrectly classified as an independent contractor, instead of as an employee

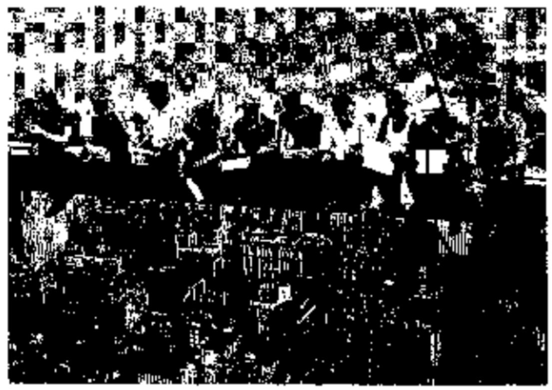
Worker Classification

Consequences of Abuse

- Employers gain unfair competitive advantage
- Workers denied access to:
  - Affordable health care and retirement plans
  - UI benefits
  - Labor law protections afforded to "employees"
- Independent Contractors (IC) pay higher:
  - FICA
  - Quarterly estimated payments for federal & state taxes
  - Health care costs
  - Workers' Compensation premiums
- If the IC unable to pay the above:
  - Forces eligible workers out of the system
  - Lowers tax revenue
  - Further degrades UI coverage

Employee Defined
At the State UI Level

- Common Law, conjunctive "ABC test" for UI
  - A - Direction and control, and
  - B - Outside usual course / place of business, and
  - C - Worker in an independent trade or business
- Used by the majority of states
- Many states use only A & C
- Others look to the IRS for guidance



Employee Defined

At the Federal Level

- FUTA 3306(i) defines employee by reference, under IRC 3121(d)
  - "employee" means – (2) any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of employee;"
- By Regulation in 26 CFR 31.3121(d)-1
  - An employer / employee relationship exists when the employer "has the right to control and direct the individual who performs the services ..."
  - "It is sufficient if the employer has the right to do so."
- To determine direction and control, IRS initially used a 20 factor test, as described in Revenue Ruling 87-41
- 20 Factor Test evolved into three types of evidence
  - Behavioral – a right to direct or control, instructions or training
  - Financial – worker opportunity for profit / loss, unreimbursed expenses
  - Relationship – right to terminate, permanency, benefits

IRS 20 factors

- Instructions
- Training
- Integration
- Service rendered personally
- Hiring, supervising, and paying assistants
- Continuing relationship
- Set hours of work
- Full-time work required
- Doing work on business owner's premises
- Accomplishing work in certain order or sequence
- Submission of oral or written reports
- Method of payment
- Payment of business or traveling expenses
- Furnishing tools and equipment
- Significant investment
- Realization of profit or loss
- Work for one entity at a time
- Offer their services to the general public
- Right to discharge
- Right to terminate

Employee Misclassification

Employer – Employee Consequences

- Employer substantially reduces costs by offloading employment tax and worker's compensation costs to the I.C.
- Misclassified employee's income substantially reduced by the amount of the increased employment tax responsibilities, unless employer subsidizes the taxes by increasing pay

Employee Misclassification

Impact on Unemployment Insurance (UI)

- Taxes – Reduced tax revenue for state and federal UI. Every 200,000 workers misclassified = $11 million lost FUTA and significantly more lost to state UI trust funds
- Benefits – The de facto loss of UI coverage. Employee entitlement to UI, however, is based on the circumstances of their employment and their job separation, NOT the employer's UI reporting and payment history.

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WHAT AREAS OF AUDIT DOES THE FIELD AUDIT SECTION COVER?

- Field Audit is responsible for auditing all taxes administered by the Division. This includes sales & use, meals & beverage, withholding, hotel, corporation, employer and litter as some of the more common types. In addition, audits are also performed in the areas of motor fuel, IFTA, motor vehicle rental surcharges, non-resident contractors, tobacco products and imaging services among others.

HOW IS A TAXPAYER SELECTED FOR AUDIT?

- Audit selection comes from several sources, including system generated reports, referrals from other sections within the Division, outside agencies, concerned taxpayer referrals, etc.

WHAT IS THE PROCESS FROM THE TIME A COMPANY IS SELECTED FOR AUDIT TO THE END OF FIELD WORK?

- An initial contact letter is sent to taxpayer informing them of intent to audit, scope of the audit and what records are required to commence the audit. How long an audit takes depends on a number of factors, including availability of records, response from taxpayer/POA to questions posed and audit schedules provided, etc.

WHAT ARE COMMON ISSUES AND FINDINGS IN THE COURSE OF AN AUDIT?

- In large part this depends on the industry in which the taxpayer operates. Manufacturers will have different audit issues from that of a restaurant for instance. In general, however, manufacturers and service companies will have issues relating to use tax and those taxes specific to their industry (i.e., Public Svce. Corp. Tax for utilities, health Care Provider Tax for a nursing home), and retailers may have a combination of sales and use tax issues and are subject to filing the Annual reconciliation report.

DOES FIELD AUDIT ATTEMPT TO RESOLVE ISSUES AT THE AUDIT LEVEL?

- Yes. Every effort is made to resolve issues at the audit level. However, if documentation is not available or if an agreement cannot be reached, then the taxpayer has the right to request a hearing within thirty (30) days of the Notice of Deficiency.

PRELIMINARY HEARINGS

- As mentioned, the taxpayer may appeal the audit findings in writing to the Tax Administrator within thirty (30) days of the Notice of Deficiency. A preliminary hearing is scheduled at which time the taxpayer/POA may present their case, ask questions, provide additional data, etc to the Hearing Officer. The Revenue Agent who performed the audit is present to explain details of the assessment, review additional data provided and answer questions. The Hearing Officer will render a decision that the taxpayer may accept and withdraw the request for administrative hearing or request that the case be forwarded to full administrative hearing.

ADMINISTRATIVE HEARINGS

- A more formal procedure, with a Hearing Officer from DOA. In most cases the taxpayer is represented by an attorney. Testimony is given under oath by the Revenue Agent(s), taxpayer and other parties who may be called to testify. A transcript is made of the proceedings. The Hearing Officer renders a decision, which the taxpayer may accept the decision or appeal to the 6th District court.

HOW CAN CLIENTS BETTER COMPLY WITH THE VARIOUS SALES & USE TAX LAWS?

- It is strongly advised that taxpayers, CPAs, attorneys, EAs, etc. sign up to receive the Division’s quarterly newsletter, advisories and announcements. Many of the regulations have been updated in the last few years and others are being re-written or updated as we speak. This is all designed to make the regulations more concise and provide guidance to taxpayers and preparers.

NEXUS ISSUES

- Should there be a question of nexus and filing requirements, a nexus questionnaire is provided to the taxpayer/POA and reviewed to determine if nexus has been established.

ANNUAL SALES TAX RECONCILIATION FORMS

- For 2014 there will be three separate forms:
- 1. Sellers of tangible personal property

  To be filed by all retailers except numbers 2 & 3
- 2. Class A package and liquor stores

  3. Artists and artistic works

All forms require business to report gross sales by various categories and legal deductions by various categories on Schedules A & B respectively and then reconcile tax owed on net taxable sales with tax paid for the calendar year.

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Recent developments in estate tax for deaths on or after 1/1/2015

- **Application of a $64,400 Rhode Island credit to estate tax**
- **No increase in unified credit – elimination of "Table A"**
- **Comparison of tax due under current law to 2015 changes**

- **Practice Tips**

RHODE ISLAND TAX COMPUTATION SCHEDULE

Table A			
Column A	Column B	Column C	Column D
Taxable amount over	Taxable amount not over	Tax on amount in column A	Rate on tax on excess over amount in column A
-	10,000.00	-	18%
10,000.00	20,000.00	1,800.00	20%
20,000.00	40,000.00	3,800.00	22%
40,000.00	60,000.00	8,200.00	24%
60,000.00	80,000.00	13,000.00	26%
80,000.00	100,000.00	18,200.00	28%
100,000.00	150,000.00	23,800.00	30%
150,000.00	250,000.00	38,800.00	32%
250,000.00	500,000.00	70,800.00	34%
500,000.00	750,000.00	155,800.00	37%
750,000.00	1,000,000.00	248,300.00	39%
1,000,000.00	1,250,000.00	345,800.00	41%
1,250,000.00	1,500,000.00	448,300.00	43%
1,500,000.00	2,000,000.00	555,800.00	45%
2,000,000.00	2,500,000.00	780,800.00	49%
2,500,000.00	3,000,000.00	1,025,800.00	53%
3,000,000.00		1,290,800.00	55%

Table B			
Column 1	Column 2	Column 3	Column 4
Adjusted taxable estate equal to or mor than	Adjusted taxable estate less than	Credit on amount in column 1	Rate on credit on excess over amount in column 1
-	40,000.00	-	0.0%
40,000.00	90,000.00	-	0.8%
90,000.00	140,000.00	400.00	1.6%
140,000.00	240,000.00	1,200.00	2.4%
240,000.00	440,000.00	3,600.00	3.2%
440,000.00	640,000.00	10,000.00	4.0%
640,000.00	840,000.00	18,000.00	4.8%
840,000.00	1,040,000.00	27,600.00	5.6%
1,040,000.00	1,540,000.00	38,800.00	6.4%
1,540,000.00	2,040,000.00	70,800.00	7.2%
2,040,000.00	2,540,000.00	106,800.00	8.0%
2,540,000.00	3,040,000.00	146,800.00	8.8%
3,040,000.00	3,540,000.00	190,800.00	9.6%
3,540,000.00	4,040,000.00	238,800.00	10.4%
4,040,000.00	5,040,000.00	290,800.00	11.2%
5,040,000.00	6,040,000.00	402,800.00	12.0%
6,040,000.00	7,040,000.00	522,800.00	12.8%
7,040,000.00	8,040,000.00	650,800.00	13.6%
8,040,000.00	9,040,000.00	786,800.00	14.4%
9,040,000.00	10,040,000.00	930,800.00	15.2%
10,040,000.00		1,082,800.00	16.0%

Computation of Tax

1. Gross taxable estate		1	$ 922,655.00
2. Tax on amount of line 1 -use Table A		2	$ 315,635.45
3. Less		3	$ 315,245.45
4. Subtract line 3 from line 2		4	$ 390.00
5. Gross taxable estate	5 $ 922,655.00		
6. Less	6 $ 60,000.00		
7. Subtract line 6 from line 5	7 $ 862,655.00		
8. Credit for state death taxes on amount on line 7 use Table B		8	$ 28,868.68
9. RI Tax - smaller of line 4 or line 8		9	$ 390.00

Table			
Column 1	Column 2	Column 3	Column 4
Adjusted taxable estate equal to or mor than	Adjusted taxable estate less than	Credit on amount in column 1	Rate on credit on excess over amount in column 1
-	40,000.00	-	0.0%
40,000.00	90,000.00	-	0.8%
90,000.00	140,000.00	400.00	1.6%
140,000.00	240,000.00	1,200.00	2.4%
240,000.00	440,000.00	3,600.00	3.2%
440,000.00	640,000.00	10,000.00	4.0%
640,000.00	840,000.00	18,000.00	4.8%
840,000.00	1,040,000.00	27,600.00	5.6%
1,040,000.00	1,540,000.00	38,800.00	6.4%
1,540,000.00	2,040,000.00	70,800.00	7.2%
2,040,000.00	2,540,000.00	106,800.00	8.0%
2,540,000.00	3,040,000.00	146,800.00	8.8%
3,040,000.00	3,540,000.00	190,800.00	9.6%
3,540,000.00	4,040,000.00	238,800.00	10.4%
4,040,000.00	5,040,000.00	290,800.00	11.2%
5,040,000.00	6,040,000.00	402,800.00	12.0%
6,040,000.00	7,040,000.00	522,800.00	12.8%
7,040,000.00	8,040,000.00	650,800.00	13.6%
8,040,000.00	9,040,000.00	786,800.00	14.4%
9,040,000.00	10,040,000.00	930,800.00	15.2%
10,040,000.00		1,082,800.00	16.0%

Net Taxable Estate	1	$ 1,501,000.00	
Less	2	$ 60,000.00	
Subtract line 2 from 1	3	$ 1,441,000.00	
Credit from Table B	4		$ 64,464.00
Less RI Estate Credit	5		$ 64,400.00
Rhode Island Tax =	6		$ 64.00

44-22-1.1 Tax on net estate of decedent.

"(4) For decedents whose death occurs on or after January 1, 2015, a tax is imposed upon the transfer of the net estate of every resident or nonresident decedent as a tax upon the right to transfer. The tax is a sum equal to the maximum credit for state death taxes allowed by 26 U.S.C. Section 2011, as it was in effect as of January 1, 2001; provided, however, that a Rhode Island credit shall be allowed against any tax so determined in the amount of sixty-four thousand four hundred ($64,400). Any scheduled increase in the unified credit provided in 26 U.S.C. Section 2010 in effect on January 1, 2003, or thereafter, shall not apply;..."