

STATE OF RHODE ISLAND
DEPARTMENT OF REVENUE
DIVISION OF TAXATION



HANDBOOK
FOR
ELECTRONIC FILERS
OF
RHODE ISLAND TAX RETURNS
(TAX YEAR 2008)

RI – 1345

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- Introduction -

The Publication RI-1345, (Handbook for Electronic Filers of Rhode Island Tax Returns) revision 2009, provides you with the information you need to participate in the Rhode Island Electronic Filing (ELF/EFT) Programs.

The handbook is broken down into two sections. It begins with an overview of the ELF Program (Personal Income Tax), categories of the Electronic Filers; explanations of the application and acceptance processes; a description of electronic returns and how they are filed; and general information an Electronic Filer needs to know to respond to clients' questions.

The second section of the handbook is an overview of the business tax e-filing /EFT program.

Appendix A provides a list of all returns eligible for filing electronically.

This list will continue to evolve as we expand our E-file programs.

Appendix B provides a list of contacts for the e-government unit.

- Electronic Filing Mandate –

Recent legislation requires return preparers who prepared one hundred or more 2007 Rhode Island tax returns to file all eligible Rhode Island returns electronically beginning January 1, 2009.

This requirement is part of a nationwide initiative to increase participation in electronic filing.

Electronic filing offers the following benefits:

- Allows the Division of Taxation (DOR) to process returns quickly and accurately, saving tax dollars.
- Taxpayers who electronically file their personal income tax return receive refunds within ten days; compared to 6 - 8 weeks for paper-filed returns.
- Taxpayers who have a personal income tax return with a balance due can file early and can choose to pay the tax due anytime on or before April 15.
- Electronically filed returns receive an acknowledgement of receipt from the Internal Revenue Service (IRS) and the State of Rhode Island and are verified to be mathematically correct, eliminating data entry errors and lost or misplaced mail.

We understand electronic filing may be an adjustment for some taxpayers. We hope preparers will focus on the positive promotion of electronic filing as an additional service offered to clients in addition to quality tax advice and preparation. We also realize electronic filing may not be possible for everyone. There is a waiver from the electronic filing mandate for tax preparers if it causes undue hardship, but any exceptions will be handled on a case-by-case basis.

Waiver requests should be sent to the following address:

Rhode Island Division of Taxation
Tax Administrator
One Capitol Hill
Providence, RI 02908

The waiver request must include the name of the paid preparer and a detailed explanation why filing electronically will cause undue hardship. The waiver shall be valid for a single tax year.

Taxpayer Opt Out

Taxpayers can request that their preparer not file the return electronically. A letter signed by both the taxpayer and the preparer MUST accompany the paper filing. The letter should state that the preparer has advised the client of the benefits of electronically filing returns but the client requests a paper return be filed.

Section 1 ELF – Personal Income Tax

The RI Division of Taxation will accept electronically transmitted individual income tax refund, balance due or zero balance returns beginning on January 26, 2009 in the Federal/State Electronic Filing Program.

The RI Handbook is to be used in conjunction with the IRS Publication 1345. All rules, regulations, and requirements governing tax preparers, transmitters, and originators of returns put forth by the IRS are in effect for the RI Division of Taxation. The RI Handbook sets forth those items that are specifically unique to the RI Division of Taxation since most functions in the Federal/State Electronic Filing Program are the same.

The RI Division of Taxation requires that all participants be accepted in the Federal program in order to participate in the Federal/State Electronic Filing Program. Since IRS publication 1345 provides detailed instructions on hardware, transmission procedures, policies, etc., that apply to the RI program, it is recommended that all participants study the federal publication prior to reading the RI Handbook.

Electronic Filing Calendar - Tax Year 2008

- Tax Return Period January 1, 2008 to December 31, 2008
- RI Begins to Accept Test Transmissions November 23, 2008
- Begin Transmitting Live Electronic Returns January 22, 2009
- Last Date for Timely Filed Returns April 15, 2009
- *Last Date for Late Filed Returns* *October 18, 2009*
- Retention of ACK File Materials December 31, 2009
- Retention of Electronic Return Related Materials... December 31, 2009

Exclusions From Electronic Filing

The following are excluded from the RI electronic filing program.

- Extension requests (RI-4868)
- Returns claiming credits other than Property Tax Relief (1040H) and Credit for Taxes Paid to another State
- Taxpayer(s) file(s) federal schedule J
- Any return excluded by IRS publication 1345
- Files federal return with a different filing status than RI
- Lead Paint credit (line 18E)

FEDERAL/STATE ELECTRONIC FILING

General Information

1. Federal/State Electronic Filing is a cooperative one-stop income tax filing program which allows the filing of federal and state income tax returns electronically. The benefits of one-stop filing provide a win-win situation for all participants, for example:
 - a. The primary benefit to taxpayers using Federal/State Electronic Filing is the quick and accurate processing of federal and state returns, return acknowledgments at both federal and state level, federal direct deposits, and the file-now and pay by April 15 option available for balance due filers.
 - b. Electronic Filers can offer taxpayers a new service. The ease of one-stop electronic filing, encourages increased participation from the taxpayers.
 - c. States benefit from the increased data accuracy and the processing efficiencies of electronic filing.
 - d. The IRS through Federal/State Electronic Filing promotes wider acceptance and use of Electronic Filing as the normal way of doing business throughout the country.

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Rev 10/2008

- Acceptance In The Electronic Filing Program

- General Information

1. To participate in the 2008 Electronic Filing Program, you must submit Form 8633, Application to Participate in the Electronic Filing Program to the IRS.
2. Once you have been accepted by the IRS, Rhode Island will download the federal database, and run an internal suitability check. No separate application is required for RI.
3. The copy of the IRS form 8633 and the IRS acceptance letter can be fax to 401-574-8913.

Once You Have Been Accepted As An Electronic Filer

1. Accepted Electronic Filers can begin transmitting "live" returns on January 22, 2008.

RI ELECTRONIC FILING PROGRAM

Where to Transmit Federal/State Returns

1. All Federal/State Returns must be transmitted to the Internal Revenue service
Rhode Island can not accept returns transmitted directly to the Division of Taxation.

Testing RI

1. For state returns, RI will test software developers using a state provided test package.
2. RI will allow concurrent testing allowing software developers to begin state testing prior to obtaining acceptance from IRS for completing the federal participants acceptance process. The rules for "concurrent state testing" are as follows:
 - a. State testing can begin after the software developer has 15 federal returns accepted with no error "reject codes" at their primary service center.
 - b. Software developers must schedule testing with the state coordinator and create the state required test scenarios.
 - c. The state coordinator will respond to any problems encountered by the software developer on state returns during the state Participants Acceptance Testing.
4. The IRS will perform limited testing on the state generic and unformatted records. If these records are not rejected through the automatic checks in the IRS software, the IRS will make the state data available to RI for further testing.
5. The IRS will not perform a comparison run to look at specific state data. RI will test the state data and provide feedback to electronic filers..
6. RI will not allow testing after 1/22/09 without prior notification and approval.

-RI Acknowledgment/Reject Resolution Procedures

RI acknowledgement informs transmitters the RI return data has been retrieved and is being processed by RI Division of Taxation. The RI acknowledgments will be transmitted through the IRS acknowledgment system. Both the federal and state returns must acknowledge. Do not assume an acknowledgment from the IRS means that the RI Division of Taxation received RI return.

Acknowledgments are posted daily upon return retrieval from the IRS.

A RI acknowledgment indicates the return has been received and has been processed.

A RI indicator on the federal acknowledgment only indicates a State of Rhode Island return was attached to the federal return. It is not a RI acknowledgment for the state return

Electronic return files transmitted and accepted will normally be acknowledged within two workdays of receipt, and the state packet will be available to the state for retrieval within twenty-four hours of IRS acknowledgment.

RI acknowledgments should be available within two business days after IRS acknowledgment

Once the RI State packet has been accepted by the IRS for state retrieval, filers will need to contact RI to resolve taxpayer problems.

Taxpayer inquiries on refund delays for RI returns should be directed to the Taxpayer Assistance section (401) 574-8TAX

- What Can Be Found In The Acknowledgment (ACK) File

1. Though the Acknowledgment (ACK) file format may vary between software companies, they must all contain particular information which permit the user to determine which returns have been Accepted or Rejected.
2. The ACK file will specifically show the status of each return in the file under the Acceptance Code Field, using one of the following codes:
 - “A” = Accepted return;
 - “R” = Rejected return (This means the return has not been filed);
3. Error codes for RI will be as follows:
 - 900 Return already filed (duplicate primary SSN)

REFUND DELAYS

- General Information

1. The following conditions may delay refunds and/or change refund amounts.
 - a. taxpayer owes back taxes, either individual or business (refund offset);
 - b. taxpayer owes delinquent child support (refund offset);
 - c. taxpayer has a delinquent debt, such as student loans, etc. (refund offset);
2. The Estimated Tax Payments reported on the return do not match the Estimated Tax Payments recorded on the RI Master File.

Non Receipt Of Refunds

1. A refund can be expected to be issued within 4 weeks from the date an electronic return is accepted by the State of RI. Two weeks is the average turnaround
2. Certain account information, including the status of a refund, will be available on our website at <http://www.tax.ri.gov>

DIRECT DEPOSIT

DIRECT DEPOSIT IS AVAILABLE TO ELECTRONIC FILERS ONLY

- Taxpayer's who file electronically and select direct deposit can have the refund deposited directly into bank account of any U. S. Depository Institution.
- Tell us whether you want your refund automatically deposited, by checking the box on Part II of the Declaration of Taxpayer.
- Make sure your Financial Institution will accept direct deposit.
- ERO should have acceptable proof of account ownership (ie; a check, or other statement generated by the financial institution that has the taxpayer's name and account number preprinted on it).
- Taxpayer needs bank Routing Transit Number (RTN). This is 9-digit number is a bank identification number and depositor account number (DAN).
- The depositor account number (DAN) can be up to 17 characters (both numbers and letters). Include hyphens but omit spaces and special symbols. The Routing Transit Number (RTN) and the Depositor Account Number (DAN), should be located at the bottom left of your check. If there is any doubt about the RTN, the taxpayer should contact the financial institution and ask for the correct RTN for direct deposit.

- **PLEASE NOTE:**

- **The Division of Taxation is not responsible when a financial institution refuses a direct deposit. If a refund cannot be directly deposited into an account, Division of Taxation will issue a refund check. Please allow 3-4 weeks at peak season for the replacement check to be issued.**
- **The Division of Taxation is not responsible for direct deposits issues resulting from incorrect data from preparer error.**

- Balance Due Returns

- General Information

1. The RI Division of Taxation will accept electronically filed balance due returns.
2. Electronic Filers must furnish Form 1040-V, Payment Voucher, to a taxpayer who electronically files a balance due return.
3. Electronic Return Originators (ERO) must tell taxpayers that payment of taxes due should be made no later than April 15, 2009. If taxpayers do not make full payment of income tax due on or before April 15, 2009, they will be sent a notice that is a request for payment. This notice will show tax due, plus interest and penalty for late payment.

- Installment Agreement Request

1. Taxpayers who cannot pay the amount they owe in full by April 15, 2008, may wish to request an installment agreement. This can be done by completing Form RI-9465, Installment Agreement Request.

Appendix A

This listing will be updated as additional return types become available for electronic filing.

Personal Income Tax returns eligible for electronic filing

RI 1040
RI 1040NR
RI 1040H

Business Returns eligible for electronic filing

<u>CURRENTLY IN EFFECT:</u>	<u>Currently Available Payment Methods</u>		
	<u>ACH Credi t</u>	<u>ACH Debit -Web</u>	<u>ACH Debit -IVR</u>
<u>Bank Deposit Tax (BD):</u>			
21005 - Estimated Tax	X	X	X
<u>Bank Excise Tax (BE):</u>			
03105 - Estimated Tax	X	X	X
03107 - Request for Extension	X	X	X
<u>Corporation Tax (CT):</u>			
02100 - Estimated Tax	X	X	X
02300 - Request for Extension	X	X	X
<u>Healthcare Tax (HT):</u>			
16003 - Group Homes	X	X	X
16103 - Nursing Homes	X	X	X
<u>Hotel Tax (HO):</u>			
07403 - Monthly	X	X	X
<u>Insurance Premiums Tax (PT):</u>			
07105 - Estimated Tax	X	X	X
07107 - Request for Extension	X	X	X
<u>Public Service Gross Earnings Tax (GE):</u>			
22005 - Estimated Tax	X	X	X
22007 - Request for Extension	X	X	X
<u>Sales/Use Tax (ST):</u>			
04103 - Monthly	X	X	X
04104 - Quarterly	X	X	X

Withholding Tax (WT):

01101 - Daily	X	X	X
01102 - Weekly	X	X	X
01103 - Monthly	X	X	X
01104 - Quarterly	X	X	X

-Payment By Credit Card

You may use your American Express Card, Discover Card, Visa Card or MasterCard. To pay by credit card, call toll free 1-800-272-9829 or access by Internet www.officialpayments.com. After authorization of your payment, you will be issued a confirmation number to keep for your records. Official Payments Corp, charges the consumer a convenience fee of 2.5% of the payment amount for this service. You may also use this method of making 2008 Rhode Island estimated income tax payments.

Appendix B

STATE OF RHODE ISLAND E-GOVERNMENT UNIT CONTACT INFORMATION

FED/STATE ELECTRONIC FILING PROGRAM PERSONAL INCOME TAX

Paola Laorenza
Senior Revenue Agent
401-574-8805
E-mail: milaorenza@tax.ri.gov

Susan M. Galvin
E-Government Coordinator
(401) 574-8769
E-Mail : galvins@tax.ri.gov

ELECTRONIC PAYMENTS

Darlene Verrier
Tax Aid II
401-574-8901
E-Mail : dverrier@tax.ri.gov

Daniel Clemence
Principal Revenue Agent
401-574-8732
E-Mail : dclemence@tax.ri.gov

Mailing Address:
Division of Taxation
Attn.: E-Government
One Capitol Hill
Providence RI 029098-5800

FAX 401-574-8913

WEB site: <http://www.tax.ri.gov>