Rhode Island Division of Taxation: -- Annual Tax Forum --

Rhode Island Society of CPAs
Providence Marriott Downtown (Orms Street)
12-18-18
Rhode Island Division of Taxation: -- Annual Tax Forum --

Greetings from
Michael F. Canole, CPA
Assistant Tax Administrator
Rhode Island Division of Taxation: Business Operations Update

Presented by
Rahul Sarathy
Chief of Examinations
Rahul.Sarathy@tax.ri.gov
Rhode Island Division of Taxation

Fiscal Year 2018

- $3.56B Revenue Deposited
  - 21.9M for Amnesty
- 2.5M Documents Processed
- 6863 LOGS Processed
  - Avg time: 7-8 Business Days
- 3,985 Liquor License Clearances
- 160,000 Phone Calls
- 15,000 Walk-ins
- 14,915 Emails Answered
Different IDs used by Taxpayers

- FEIN
- SSN
- Account ID
- License ID
- Notice ID
- Bill Invoice ID
Date: 10/03/2018

NOTICE OF ASSESSMENT

Account ID: 2-0948-4781
Notice ID: WITHHOLDING-FILING
Case ID: 10003325683
Due Date: 11/02/2018
Tax: $180.00
Interest: $2.22
Penalty: $9.90
Amount Paid: $180.00
Balance Due: $12.12
Period: 07/01/2018-07/31/2018

Dear Taxpayer,

The Division of Taxation is issuing this assessment for the period above because the liability provided on a previous notice or on the return filed, has not been resolved. If you agree with the assessment, please make full payment of the balance due within thirty (30) days of the date of this notice. Additional interest and penalties will continue to accrue on any unpaid tax balance. A breakdown of the current interest and penalties for this assessment is on the back of this notice.
Rhode Island Division of Taxation

Bill Coupon

State of Rhode Island and Providence Plantations
DIVISION OF TAXATION
NOA Bill Coupon

Return this coupon with your payment

Make check(s) payable to: Rhode Island Division of Taxation

Include Notice ID 10003325683 on the check

Rhode Island Division of Taxation
One Capitol Hill
Providence, RI 02908-5800

Date: 10/03/2018

Tax Type: WITHHOLDING-FILING

Case ID: 13983790
Invoice Number: 1017463835
Due Date: 11/02/2018
Balance Due: $12.12

Amount Enclosed: $__________________________
Rhode Island Division of Taxation

License ID

State of Rhode Island and Providence Plantations
DIVISION OF TAXATION

RETAIL SALES PERMIT
Valid From: 07/01/2017 to 06/30/2018

LICENSE FEE: $10.00
ID: 2-0323-6524

ISSUED TO: [redacted]

DATE ISSUED: 07/01/2017

THIS PERMIT MUST AT ALL TIMES BE PROMINENTLY DISPLAYED AT THE LOCATION FOR WHICH IT IS ISSUED.

[Signature]
NEENA SAVAGE
TAX ADMINISTRATOR
Upcoming Business Process Improvements

- Updated RI.GOV Website
  - Pay directly using Account ID

- Taxation Services Portal
  - File Returns
  - Make Payments
  - Compliance Check
  - LOGS Application
RI.GOV website update uses Account ID to better route payment
Portal – Security

- Unique User ID
  - 2 Factor Authentication
  - “Not a Robot” Authorization
  - Security Challenge Questions

- Delegated Authority for Functions & Taxes
- “Tokens” to store Payment Information
- Access to multiple taxpayers from a single user
Portal – File a Return

- Ability to file a return online
  - Allows for Saving and Resuming a Filing
  - Allows for Amended Returns
  - History of Filings
- Pre-population of Demographics
- Return Line Item Calculations
- Logic to Avoid Duplicate Filings
Portal – Make a Payment
- Multiple types of payments
  - Voucher Payment
  - Estimated Payment
  - Extension Payment
  - Bill Payment
- ACH Debit w/ Bank Info Securely Stored
- Ability to View Payment History
- Liability Payoff Amount on Request
  - Included Updated P&I
Portal – LOGS Application

- Compliance Check for Taxpayer
  - Owed Liabilities
  - Missing Filings

- Step-by-Step LOGS Wizard
  - Prompts users with questions and guides toward relevant sections
  - Pre-fill information when able to do so
  - Prompts for ACH debit payment upon submission

- Ability to Securely Upload Documentation
  - e.g. Purchase and Sales Agreement
Portal – Home Page

There is no maintenance scheduled at this time. If at any point maintenance is done, the date and time will be posted here.
Portal – Taxpayer Landing Page

Tax Accounts

<table>
<thead>
<tr>
<th>Account Type</th>
<th>ID</th>
<th>Address</th>
<th>Last Activity Date</th>
<th>Current Balance</th>
<th>Last Period Filed</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFTA/FUEL USE TAX</td>
<td>Account ID:2-0963-7456</td>
<td>1 CAPITOL HL, PROVIDENCE, RI 02908-5816</td>
<td>05/30/2017</td>
<td>$0.00</td>
<td>06/30/2017</td>
</tr>
<tr>
<td>IFTA/LICENSE AND DECAL</td>
<td>Account ID:2-0963-7455</td>
<td>1 CAPITOL HL, PROVIDENCE, RI 02908-5816</td>
<td>05/30/2017</td>
<td>$500.00</td>
<td>12/31/2017</td>
</tr>
<tr>
<td>INSURANCE/GROSS PREMIUMS</td>
<td>Account ID:2-0963-7457</td>
<td>1 CAPITOL HL, PROVIDENCE, RI 02908-5816</td>
<td>05/30/2017</td>
<td>$0.00</td>
<td></td>
</tr>
<tr>
<td>INSURANCE/HMO</td>
<td>Account ID:2-0963-7459</td>
<td>1 CAPITOL HL, PROVIDENCE, RI 02908-5816</td>
<td>05/30/2017</td>
<td>$102.00</td>
<td>12/31/2017</td>
</tr>
<tr>
<td>INSURANCE/SELF PROCUREMENT</td>
<td>Account ID:2-0963-7450</td>
<td>1 CAPITOL HL, PROVIDENCE, RI 02908-5816</td>
<td>05/31/2017</td>
<td>$20,000.00</td>
<td>06/01/2017</td>
</tr>
</tbody>
</table>

Information about Outstanding Debt

The outstanding debts below may not represent the true balance of your account as they are periodically updated with penalty & interest information.

In order to review the most up to date balances, please continue to Make a Payment and choose Bill Payment as payment type.

Outstanding Debts

<table>
<thead>
<tr>
<th>Account Type</th>
<th>ID</th>
<th>Period End Date</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFTA/LICENSE AND DECAL</td>
<td>Account ID:2-0963-7455</td>
<td>12/31/2017</td>
<td>$500.00</td>
</tr>
<tr>
<td>INSURANCE/HMO</td>
<td>Account ID:2-0963-7459</td>
<td>12/31/2017</td>
<td>$102.00</td>
</tr>
<tr>
<td>INSURANCE/SURPLUS LINES</td>
<td>Account ID:2-0963-7460</td>
<td>12/31/2017</td>
<td>$35,031.8</td>
</tr>
<tr>
<td>INSURANCE/SELF PROCUREMENT</td>
<td>Account ID:2-0963-7461</td>
<td>06/01/2017</td>
<td>$20,000.00</td>
</tr>
</tbody>
</table>

Showing 1 to 4 of 4 entries
Portal – Filing

File a Form

The tax return information below has been prepopulated based on default account information. Please make alternate selections below as needed. Click the “Next” button when you are ready to continue.

* Name
* Account
* ID
* Form Type
* Return Type
* Filing Method
* Filing Period

Saved Items

This page holds a list of all of the taxpayer’s saved items. You can view incomplete documents and transaction history below, or use the search filter to find a specific item.

Search Filter

Incomplete Documents

To finish a previously started document, click the Reference Number for the document in the list below.

<table>
<thead>
<tr>
<th>Form Type</th>
<th>Taxpayer Name</th>
<th>Identifier</th>
<th>Period End Date</th>
<th>Reference Number</th>
<th>Last Activity Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFTA-100 · ORIGINAL DOCUMENT</td>
<td>RWU</td>
<td>Account ID:2-0963-8477</td>
<td>06/30/2017</td>
<td>FR0000000124</td>
<td>05/31/2017</td>
</tr>
</tbody>
</table>

Showing 1 to 1 of 1 entries

Transaction History

<table>
<thead>
<tr>
<th>Taxpayer Name</th>
<th>Identifier</th>
<th>Period End Date</th>
<th>Confirmation Number</th>
<th>Payment Amount</th>
<th>Date Submitted</th>
<th>Form Type</th>
<th>Status</th>
<th>Submitter Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>RWU</td>
<td>Account ID:2-0963-8478</td>
<td>12/31/2017</td>
<td>164</td>
<td>$12,321,321.00</td>
<td>05/31/2017</td>
<td>PAYMENT VOUCHER</td>
<td>In Process</td>
<td>Jonathan Skursz</td>
</tr>
</tbody>
</table>

Showing 1 to 1 of 1 entries
Portal – LOGS Compliance Check
Rhode Island Division of Taxation

Portal – LOGS Wizard

SECTION I - General Requests for Good Standing

Requirements:
1. All tax returns administered by the tax division that are past due must accompany this request.
2. All of the tax, interest, and penalty balances must be paid.

CORPORATIONS ONLY

- Human Resource Investment Council Certification
- Enterprise Zone Certification
- Merger of corporation with another corporation

OTHER

- Financing
- Capital Stock Sale or Transfer (Must also complete Schedule B)
- Reinstatement of charter revoked by Secretary of State
- Reinstatement of charter forfeited by Rhode Island Division of Taxation
- Sale of less than 50% of Rhode Island assets
- Motion Picture Production Company Certification
- Tax Status
- Re-Domestication
- Mobile Home Park Certification

SAVE AND EXIT  SAVE AND CONTINUE
Portal – LOGS Attachment Upload

Request a Letter of Good Standing

Attachments

Please refer to attachment instructions within each section previously filled out. Make sure to read any and all requirements under each section before continuing as this can delay the Letter of Good Standing’s issuance

Maximum File Size: 2MB
Maximum number of attachments allowed: 10
Allowable File Types: .pdf, .csv, .gif, .xlsx, .xls, .doc, .docx, .xml, .jpeg

+ ADD FILES... START UPLOAD CANCEL UPLOAD DELETE

Help Text Document_Rhodeisland_v1 (1).docx 44.35 KB * Attachment Type

Previously Uploaded Attachments

No Attachments uploaded for this document.

I WANT TO ADD ATTACHMENTS SAVE AND EXIT SAVE AND CONTINUE

Rhode Island Division of Taxation. All rights reserved.
Portal – LOGS Payment

Rhode Island Division of Taxation
Rhode Island Division of Taxation: Personal Income Tax

Presented by
Leo Lebeuf, Chief Revenue Agent: Personal Income Tax
2018 Filing Season

- 483K Refunds issued as of 11/26/18
- 477K at this point last year
- $313.8M which is up $7M from last year
- 58,176 calls, 12,903 walk-ins, 13,005 emails as of 11/23
- Calls are up due to billings increase. All other categories are down from last year
- Email contact tax.assist@tax.ri.gov
Quick Hit updates

- Property Tax relief increase from $350 to $365
- RI Earned Income Credit remained at 15%
- RI 1040-H Property Tax Relief Claim and RI-6238 Lead Paint Abatement Credit – No extensions. Must be filed by due date
- Reminder: Due date changed for RI-1096PT and RI-1040C to 03/15
- Reminder: RI-1040X discontinued, Checkbox on 1040s
Additional Updates

- New Exemption schedule
  - Schedule E
  - Review of Dependents and New Questions

- CT entity level tax vs. composite filing – Credit for taxes paid to another state
  - Listed like w/h credit on CT return
Additional Updates Continued

- New check off contribution
  - Substance Abuse and Mental Health Leadership Council
  - 2018 1040 Draft

- Other TCJA items
  - Included prior to Federal AGI. Follow federal treatment.
  - Section 199A Business Deduction

- Social Security Modification amounts
  - Single $83,550, Joint $104,450

- Pension and Annuity
  - Single $81,900, Joint $102,400
Identity Theft – Security Summit and FTC

- Security Summit and IRS campaign continues
  - Identitytheft.gov is set up by FTC as a resource for victims
    - Develops a personal recovery plan
    - Place fraud alerts and get credit reports
    - Allows filing of IRS Form 14039, Identity Theft Affidavit
  - For state returns, file on paper and attach IRS Form 14039
  - Still recommend filing a police report

Start with Security-A guide for Business
- **Common Errors:**
- RI, Schedule W, summary page of payer’s name, identification number, dollar amount of withholding and number of W2s/1099s
- Schedule W has been required since 2010, not including it will delay processing
- Incorrect Federal identification numbers. ID numbers are used to verify payer exists on Schedule W
- Use the correct code for the document on Sch W (“P” or “G”)
- “Other payments” RI-1040, line 14f; RI-1040NR, line 17e; generally will be used for extension payments; do not include RI-TDI.
- Including Non-resident Real Estate Withholding on Schedule W
- Name Consistency year to year
- Non-resident Allocation indicators and schedules
- Include all schedules with Amended RI-1040, even if nothing has changed
• **RI Social Security Modification and Pension and Annuity Modification Reminders**

1. Social Security modification applies to 2016 tax year and later
2. Pension/annuity modification applies to 2017 tax year and later
3. *Decreasing modification* for Social Security benefits per RIGL 44-30-12(c)(8), and pension and annuity per RIGL 44-30-12(c)(9)
RI Social Security Modification and Pension and Annuity Modification Reminders (continued)

For tax years beginning on or after January 1, 2017

3. Key factors:
   A. Modification is based on full retirement age (born before 01/01/1953)
   B. Filing status, (single, separate, head of household, married joint or widow(er))
   C. Fed adjusted gross income thresholds (less than $80,000 and $100,000) indexed for inflation
   D. Decreasing modification = taxable amount from federal 1040 line 16b up to maximum of $15,000 per person
   E. Once AGI limitations are passed, no modification
   F. Does not include IRAs
   G. $15,000 limitation applies per individual
      ▪ For example, Wife has taxable pension of $17,000 and husband had $8,000. Modification amount would be $15,000 + $8,000 = $23,000. Not $25,000.
RI Social Security Modification and Pension and Annuity Modification Reminders (continued)

4. For a person who has attained the age used for calculating full retirement benefits or unreduced social security retirement benefits who files as an unmarried individual, head of household or married filing separate whose adjusted federal gross income for such taxable year is less than $80,000 an amount not to exceed $15,000 of taxable pension and/or annuity income includable in federal adjusted gross income; or

5. A married individual filing jointly or individual filing qualifying widow(er) who has attained the age used for calculating full or unreduced social security retirement benefits whose federal adjusted gross income for such taxable year is less than $100,000 an amount not to exceed $15,000 of taxable pension and/or annuity income includable in federal adjusted gross income.

6. **Pension and Annuity Guidance document**
Rhode Island EITC reminders

1. The Rhode Island EITC is in addition to the Federal EITC. Rhode Island EITC rate is a percentage of the Federal EITC. 2015 = 10.0%; 2016 = 12.5%; 2017 = 15.0%; 2018 = 15.0%

2. Increased rates allow for an increased dollar amount of credit; increases the refund or lowers the amount of tax due; illustration to follow

3. RI EITC is a refundable credit, which means the credit will be refunded to the taxpayer to the extent it exceeds the taxpayer’s tax liability.

4. RI conforms to federal eligibility and income thresholds.

5. RI tax preparer’s regulation includes guidance on due diligence requirements and records retention for EITC and RI-1040H property tax credit.
   **Tax Preparer's Regulation 280-RICR-20-55-4**

6. If credit ineligibility is suspected, we may need to take extra steps to validate the EITC claim. (Example: requesting documentation of income and expenses)
Driver’s License Information for 2018 returns

1. Broad-based initiative amongst states to authenticate returns and reduce identity theft

2. Added to both electronic and paper returns beginning with tax year 2016

3. Include driver license number and state of issuance

4. If driver’s license number(s) is not included returns will still be accepted. Possibly delay due to identity verification only

5. All state licenses (for example NR use Mass or Conn driver’s license number)

6. Both spouses should be provided whenever possible

7. Only one of many indicators used to verify authenticity of the return
Form RI-1040H, Property Tax Relief Update

1. Maximum Credit for 2018 = $365.00

2. Household income (taxable and nontaxable) = $30,000 or less

3. One credit per household

4. Home or dwelling unit must be subject to property tax

5. Municipal owned public housing is not subject to property tax, therefore credit is disallowed

6. Nonresidents do not qualify, full-year Rhode Island residents

7. Must be age 65 or older or disabled (receiving social security disability, SSI or SSDI qualifies)

8. Responses to previous questions RI-1040H FAQ
Rhode Island Division of Taxation: Corporate Income Tax

Presented by
Marlen Bautista
Chief, Tax Assessment & Review
New Items of Interest

- Form Changes coming
  - Schedule CRS
  - New Subsidiary Schedule

- TCJA
  - Section 965
    - New regulation 280-RICR-20-25-15
    - Details next slide
  - 26 U.S. Code Section 951
    - GILTI
Internal Revenue Code Section 965

- Under federal legislation signed into law on December 22, 2017, taxpayers with untaxed foreign earnings must include, in income for federal tax purposes, their accumulated post-1986 deferred foreign income.

- Such income must be included in income for federal tax purposes, for the 2017 tax year, and is subject to tax at special effective federal tax rates. This is referred to as the one time “repatriation transition tax.”

- **Federal law:**
  - does not defer recognition of the Section 965 income therefore the entire Section 965 income is recognized and included in the taxpayer’s 2017 federal tax return
  - allows certain taxpayers to elect to defer payment of a portion of their repatriation transition tax
Rhode Island Division of Taxation

RI’s Treatment of Repatriated Section 965 Income

- Under RI regulation, C corporations:
  - must include, as income for tax year 2017, the amount of their net Section 965 income – that is, Section 965 income less federal deductions provided under Section 965
    - must file a RI Schedule 965 (“965 Transition Tax Statement”) with their 2017 RI return
  - are allowed a dividends-received deduction against net Section 965 income as well as apportionment relief in some cases
  - are not allowed a deferral of payment on recognized income

- Individuals and Pass-Through Entities:
  - are not required to file a RI Schedule 965 with their 2017 return as the Section 965 income is included in federal adjusted gross income
    - must file amended 2017 return if original return filed did not include Section 965 income
XYZ is a combined group that is engaged in a unitary business. The combined group includes MNO Corp., which is a C corporation with headquarters in Rhode Island. MNO Corp. serves as the group’s designated agent, responsible for filing returns and is a calendar year end filer.

| Federal taxable income for RI purposes: | $75,000,000.00 |
| Less net of RI additions/deductions:   | ($25,000,000.00) |
| MNO Corp's adjusted taxable income:    | $50,000,000.00 |

XYZ has $20 million in Rhode Island sales, and $300 million in sales everywhere (“everywhere sales”), its RI corporate income tax is:

| Apportionment factor ($20 mil / $300 mil) | 0.0666667 |
| Apportioned RI taxable income (0.066667 * $50 mil) | $3,333,350.00 |
| RI corporate income tax ($3,333,350 * 0.07) | $233,334.00 |
XYZ includes a 100% owned foreign subsidiary. The group has $500 million in untaxed foreign earnings from that subsidiary in 2017, which under the TCJA is deemed to represent repatriated dividends for federal tax purposes for the 2017 tax year. That $500 million in repatriated dividend income consists of $400 million in cash and $100 million in intangibles.

<table>
<thead>
<tr>
<th>Cash:</th>
<th>$400,000,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal deduction ($400 mil * 0.557142857)</td>
<td>($222,857,143.00)</td>
</tr>
<tr>
<td>Income after deduction:</td>
<td>$177,142,857.00</td>
</tr>
<tr>
<td>Income from intangibles:</td>
<td>$100,000,000.00</td>
</tr>
<tr>
<td>Federal deduction ($100 mil * 0.771428571)</td>
<td>($77,142,857.00)</td>
</tr>
<tr>
<td>Income after deduction:</td>
<td>$22,857,143.00</td>
</tr>
<tr>
<td>Federal Section 965 income overall:</td>
<td>$500,000,000.00</td>
</tr>
<tr>
<td>less combined federal deductions:</td>
<td>($300,000,000.00)</td>
</tr>
<tr>
<td>Section 965 income after combined federal deductions:</td>
<td>$200,000,000.00</td>
</tr>
</tbody>
</table>
EXAMPLE CONTINUED: TOTAL RI TAX (INCLUDING TAX ON REPATRIATED INCOME)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original federal taxable income:</td>
<td>$75,000,000.00</td>
</tr>
<tr>
<td>+ net section 965 income:</td>
<td>$200,000,000.00</td>
</tr>
<tr>
<td>Subtotal:</td>
<td>$275,000,000.00</td>
</tr>
<tr>
<td>Less net RI additions/deductions:</td>
<td>($25,000,000.00)</td>
</tr>
<tr>
<td>RI income before apportionment:</td>
<td>$250,000,000.00</td>
</tr>
</tbody>
</table>

Apportionment relief: RI will require that the Section 965 income be included only in the denominator of the apportionment formula, not the numerator.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original everywhere sales:</td>
<td>$300,000,000.00</td>
</tr>
<tr>
<td>+ net Section 965 income:</td>
<td>$200,000,000.00</td>
</tr>
<tr>
<td>Subtotal:</td>
<td>$500,000,000.00</td>
</tr>
<tr>
<td>Apportionment factor (20 mil / $500 mil)</td>
<td>0.040000</td>
</tr>
<tr>
<td>Apportioned RI taxable income (0.040000 * $250 mil)</td>
<td>$10,000,000.00</td>
</tr>
<tr>
<td>RI corporate income tax ($10,000,000 * 0.07)</td>
<td>$700,000.00</td>
</tr>
</tbody>
</table>
EXAMPLE CONTINUED: DIFFERENCE IN RI TAX

On $500 million in repatriated dividends, the business pays $466,666 in Rhode Island tax. The Rhode Island tax is less than one-tenth of 1 percent of the repatriated dividend income.
New Filing Deadlines:

Due March 15 or the 15th day of the 3rd month:
- General partnerships
- Limited partnerships
- Limited liability partnerships
- Single-member LLCs (owned by a passsthrough)
- Subchapter S corporations

Due April 15 of the 15th day of the 4th month:
- C corporations
- Public service gross earnings tax
- Bank excise tax
- Insurance gross premiums tax
- Single-member LLCs (owned by an individual or C corp)

Estimated Payment Due Dates:
- 15th Day of 4th Month
- 15th Day of 6th Month
- 15th Day of 9th Month
- 15th Day of 12th Month
• **Annual Reconciliations**
• **Current law changes**
  • Investigation, Guard, Armored Car services
  • Kegs and barrel containers
  • Software as a service
• **Individualized account numbers**
• **Use tax**
• **Real Estate Conveyance Tax**
• **Estate Tax & Excise Tax sections merger**
• **Section contacts:**
  Email: [Tax.Excise@tax.ri.gov](mailto:Tax.Excise@tax.ri.gov) or Tel: 401-574-8955
Annual Reconciliations

- Annual Reconciliation billings were issued and were used for:
  - Assisting various taxpayers in identifying errors, understanding and completing the return to minimize future mistakes.
  - Clearing past discrepancies and questions

- New forms for 2018 will be published the last week of Dec 2018

- Links for last years (2017) various annual reconciliations:
  
  Class A alcohol filers T204-A [2017 Annual Rec Alcohol](#)
  Writers, Composers and Artists T204-W [2017 Annual Rec Artist](#)
  ALL other filers T204-R [2017 Annual Rec all others Filers](#)
Current law changes

• Investigation, Guard, Armored Car services [Advisory ADV 2018-05]
• Kegs and barrel containers [Advisory ADV 2018-25]
• Software as a service [Advisory ADV 2018-38]
• BAR form Business Application & Registration [BAR FORM]
Rhode Island Division of Taxation

**Individualized account numbers**

- Improved consistency and security
- Allowed the Division to process and post taxpayers’ information timely and efficiently
- Electronic filers: limited impact
- Paper filers with pre-printed documents: limited impact
- Individualized account numbers for holders of sales permits
  *Advisory ADV 2017-18*
Use Tax

• Use tax is due on ALL taxable purchases made out of state where the vendor did not charge RI sales tax [What is Use Tax Link]
  ❖ Delivered in this state, 7% Use Tax is due (regardless of how the item was purchased, online, catalogue, phone order...etc.).
  ❖ Picked up in other states, Use Tax is due on the variance between RI 7% Use Tax due & the sales tax collected.

• The use tax filing requirement can be fulfilled one of 2 ways:
  ❖ Use tax return T-205 [Use Tax Return Link]
  ❖ By including RI Schedule U to the 1040 Resident or 1040 Non-Resident personal income tax returns [2017 RI Schedule U]
Acquired Real Estate Company Conveyance Tax

- Law was effective 07/01/2015 [RIGL 44-25-1](#)

- Division issued a notice notifying taxpayers of the law change [Notice 2015-13](#)

- Form is available on the division’s website [CVYT-2 Form](#)

- For questions in regards to this return or the implementation of the tax, please call Theriza Iafrate 401-574-8934 or Loriann Baccari directly 401-574-8762.
Estate Tax Update

• Credit has increased for decedents dying on or after January 1, 2019.

  Old credit = $66,810
  New credit = $68,350

• Thus, threshold has increased for 2019. In general, a net taxable estate whose value is below the threshold amount will escape Rhode Island estate tax.

• Estate threshold amount for 2019 will be $1,561,719.
Estate Tax & Excise Tax sections merger

Section contacts:

Tax.Excise@tax.ri.gov

401-574-8955 Excise Tax questions

401-574-8829 Option 5 for Excise Tax questions

Tax.Estate@tax.ri.gov

401-574-8829 Option 8 for Estate Tax questions
Rhode Island Division of Taxation: Software as a Service (SaaS)

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Vendor-hosted prewritten computer software

- Vendor-hosted prewritten computer software – also known as software as a service (SaaS) – became subject to Rhode Island’s 7 percent sales and use tax as of October 1, 2018.
Software as a Service (SaaS)

- The sale, storage, use, or other consumption of vendor-hosted prewritten computer software (SaaS) is subject to the 7% tax.
Software as a Service (SaaS)

- If you pay to access or use such software available via the Internet, it is taxable.
- Tax applies regardless of whether the access to, or use of, the software is permanent or temporary, and regardless of whether any downloading occurs.
Software as a Service (SaaS)

- Under SaaS, in general, software may be licensed on a subscription basis and may be hosted at a central location – “in the cloud” (cloud computing). Tax applies nevertheless.
SaaS platforms subject to tax include software for:

- accounting and invoicing, human resource functions
- payroll
- tracking sales
- planning
- performance monitoring.
Software as a Service (SaaS)

- Vendor must register with Division
- Vendor must collect sales/use tax on taxable transactions
- Vendor must remit sales/use tax
Vendor-hosted prewritten computer software

- If vendor does not collect tax, consumer must pay – whether consumer is business or individual
Software as a Service (SaaS)

**Sourcing:** To determine the point at which tax is imposed, the Division will look to the end user. Thus, if the end user is in Rhode Island, the Rhode Island sales and use tax will apply.
Software as a Service (SaaS)

**NOT TAXABLE:** Under the new law, the purchase of e-books, digital videos, and/or digital music products – whether by download or by stream – will continue to be tax-free.
Sales/use tax on SaaS

Questions?