

Rhode Island Division of Taxation: Presentation for Funeral Directors

January 28, 2019 Warwick, R.I.



Meeting agenda

Greetings/Welcome

Tax Administrator Neena Savage or Asst. Tax Administrator Michael Canole

Basics of sales/use tax, and how to comply

Chief Revenue Agent Theriza lafrate / Excise

Audits, including self-audits

Patrick Gengarella, Chief, Audit & Assessment

Q&A and contact information



- Funeral services
 - What's taxable (partial list)
 - **❖**Urns
 - ❖Vaults (aka "liner" or "box")
 - Prayer cards
 - Guest books
 - Office and Administrative supplies



- Funeral services
 - ❖What's <u>not</u> taxable
 - Coffins
 - Caskets
 - Burial clothes
 - Hair and Makeup service (only the tangible personal property is subject to use tax)



- Exemption for coffins/caskets:
 - Exemption applies only if consumer buys it from the funeral director



Rhode Island sales/use tax

Rhode Island General Laws § 44-18-30:

Gross receipts exempt from sales and use taxes.

There are exempted from the taxes imposed by this chapter the following gross receipts:

Coffins, caskets, and burial garments. From the sale and from the storage, use, or other consumption in this state of coffins or caskets, and shrouds or other burial garments that are ordinarily sold by a funeral director as part of the business of funeral directing.



Rhode Island sales/use tax:

Lump sum vs. itemization

- Lump sum:
 - If funeral home invoices consumer on a lumpsum basis, funeral home is acting as service provider.
 - ❖Therefore, funeral home does not charge sales tax. Instead, funeral home pays use tax on its purchases – calculated based on actual cost.



- Lump sum:
 - Funeral home pays use tax on its purchases calculated based on actual cost.
 - ❖Use Form T-205





Rhode Island sales/use tax:

Lump sum vs. itemization

- Itemize:
 - If funeral home bill for consumer is itemized, showing all charges broken out, funeral home must register with Division of Taxation, charge sales tax, and remit sales tax revenue to Division.
 - But tax applies only to items that are taxable.
 Most items/services are not taxable.

(continued on next slide)



Rhode Island sales/use tax:

Register online: Online registration BAR form



Welcome.

Welcome to the RI Division of Taxation Combined Online Registration Service

IMPORTANT NOTICE:

This online registration process has been designed to register **NEW BUSINESS ONLY!** To make changes or correction (Option 1).



Rhode Island sales/use tax:

Register via paper form: <u>Paper format BAR form</u>





Rhode Island sales/use tax:

Lump sum vs. itemization

- Itemize (continued):
 - Rhode Island 7% sales tax is calculated on price that funeral home charges to customer.
 - Funeral home must issue resale certificate to vendors who provide taxable items (such as prayer cards, urns, vaults).
 - No double charging (e.g., funeral home pays use tax to vendor, then charges sales tax to customer).



Rhode Island sales/use tax:

Sign up so you can remit online:
 Online remittance of Sales Tax





Rhode Island sales/use tax:

Remit online after you've signed up:
 Online filers log-in page





- Your tax professional
 - Tax pro does your corporate taxes
 - Tax pro does your employer taxes
 - Tax pro does your personal income taxes
 - Ask him/her about sales/use taxes
 - ❖Can also help in representation (Form 2848 POA)



- Audits
 - Our main Audit section oversees:
 - Field Audit
 - Office Audit
 - Special Investigation Unit



Rhode Island sales/use tax

Audit selection

- •We use various means to determine what, when, and whom to audit
- Like IRS and many other states, we use tip line, past audit results, re-audits, industry audits.
- We also may use invoices found at other audits; taxpayer referrals and internal reports



Rhode Island sales/use tax

Audits

If we find one or more common issues after auditing multiple companies in the same industry, we may decide to audit most or all of the companies in that industry



Rhode Island sales/use tax

Audits

- ❖We do more than 1,300 audits per year
- We do field audits (on-site audits) not only in Rhode Island, but all across the country
- We also do "correspondence" audits (office audits, by mail)



- Statute of limitations
 - ❖How far back can we go?
 - ❖What are the limits?
 - What might you owe
 - \circ Tax
 - Penalty
 - o Interest



- Your response to audit findings
 - ❖Ask your tax professional for guidance
 - ❖You can pay in full
 - You can pay in installments
 - You can appeal



- Self-audits
 - ❖Voluntary
 - Also called "managed audits"
 - You examine your business's books and records to see if you owe tax
 - If self-audit is approved, and you pay what you owe, we can waive penalties and some interest.

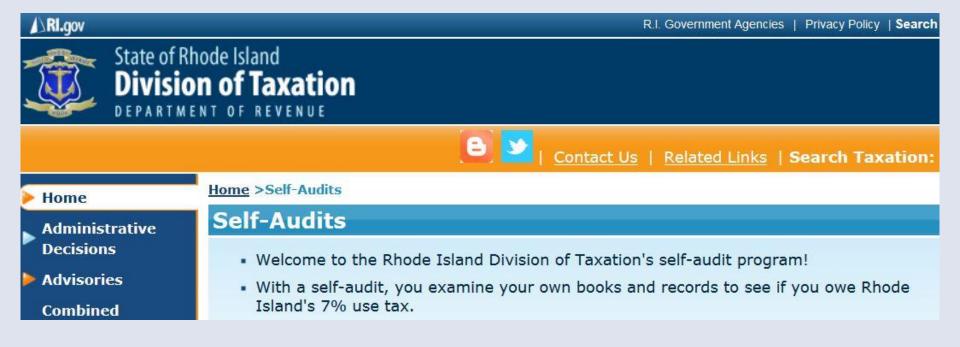


- Self-audits
 - See our self-audit webpage for details
 http://www.tax.ri.gov/Tax%20Website/TAX/self%20a
 udit/index.php



Rhode Island sales/use tax

Self-audit webpage





Rhode Island sales/use tax

Legislation

- ❖We don't make the law; we implement the law
- Legislation to exempt urns has now been introduced in each of the last six legislative sessions and has not been enacted
- ❖If legislation is ever enacted, it's typically effective "upon passage" – or at a later, specified date
- ❖As a general rule, tax legislation is not retroactive



Rhode Island sales/use tax

• Questions?

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Note: This presentation is an informal summary of sales/use tax provisions as they apply to funeral homes and funeral services. This presentation is for general information purposes only and is not a substitute for Rhode Island General Laws, or for Rhode Island Division of Taxation regulations, rulings, or notices.