



# Rhode Island Division of Taxation: Seminar for Funeral Directors

November 26, 2018

Warwick, R.I.

# Rhode Island Division of Taxation



- 1) Greetings: Tax Administrator Neena Savage
- 2) Overview: Asst. Tax Administrator Michael Canole
- 3) Presentation: Patrick Gengarella, Chief of Audit

# Rhode Island Division of Taxation



## Origin of Sales Tax

- Sales tax enacted 1947
  - ❖ Was 1%
  - ❖ Everything was taxable
  - ❖ Manufacturing/goods economy



## Origin of Use Tax

- Use tax enacted 1947
  - ❖ Also was 1%
  - ❖ Everything was taxable
  - ❖ Use tax complements sales tax
  - ❖ 45 states, plus the District of Columbia, have a sales tax, and every one of them has a use tax

# Rhode Island Division of Taxation



## Rhode Island sales/use tax

- Exemptions

- ❖ As years went by, exemptions were added
- ❖ See Rhode Island Gen. Laws § 44-18-30
- ❖ Exemption for coffins added in 1950s

# Rhode Island Division of Taxation



“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 General Laws § 44-18-30(12)  
“Gross receipts exempt from sales and use taxes.”



## Rhode Island sales/use tax

- Funeral services

- ❖ What's taxable (partial list)

- ❖ Urns

- ❖ Vaults (also known as “liner” or “box”)

- ❖ Prayer cards

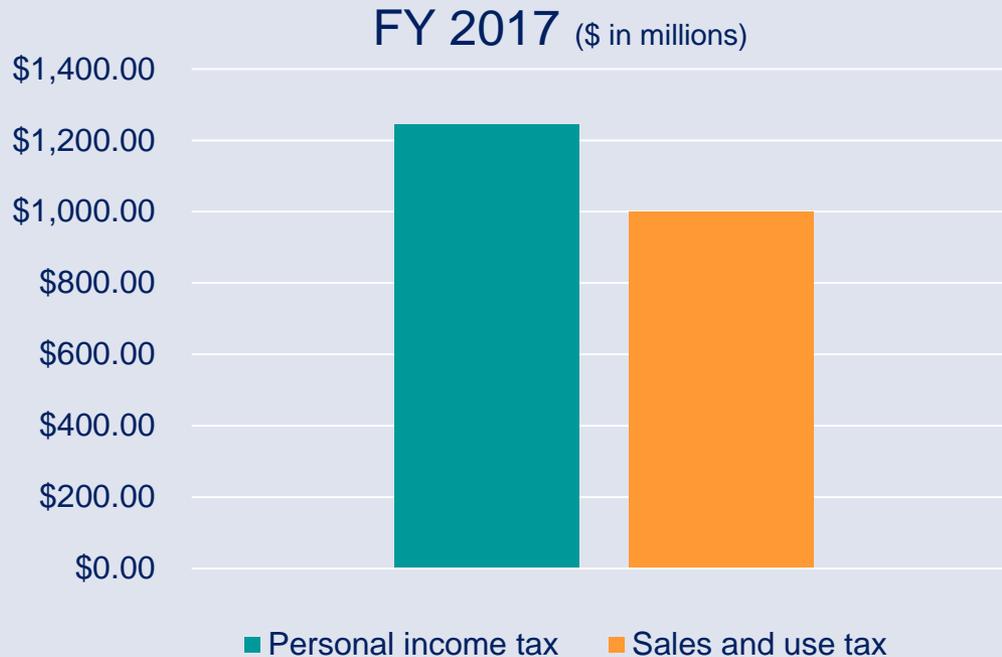
- ❖ Guest books

- ❖ Office and administrative supplies

# Rhode Island Division of Taxation



Sales/use tax is second-largest source of Rhode Island General Fund revenue





## Rhode Island sales/use tax

### ■ Funeral services

#### ❖ What's not taxable

❖ Coffins

❖ Caskets

❖ Burial clothes

❖ Hair and makeup service (but only the tangible personal property is subject to use tax)

❖ Embalming service (fluids are subject to use tax)



## Rhode Island sales/use tax

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



## Rhode Island sales/use tax:

### Lump sum vs. itemization

- Lump sum:
  - ❖ If funeral home invoices consumer on a lump-sum 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.



## 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:

### 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 of tax



## Rhode Island sales/use tax

- 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)



## Rhode Island sales/use tax

- 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
- ❖ IRS's "pizza" audits



## 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)



## Rhode Island sales/use tax

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



## Rhode Island sales/use tax

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



## Rhode Island sales/use tax

### ■ 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.

# Rhode Island Division of Taxation



## Rhode Island sales/use tax

- Self-audits

- ❖ See our self-audit webpage for details

- <http://www.tax.ri.gov/Tax%20Website/TAX/self%20audit/index.php>

# Rhode Island Division of Taxation



## Rhode Island sales/use tax

- Self-audit webpage

The screenshot shows the website header with the RI.gov logo and navigation links for R.I. Government Agencies, Privacy Policy, and Search. The main header features the State of Rhode Island Division of Taxation logo and the Department of Revenue. Below this is a navigation bar with social media icons for Facebook and Twitter, and links for Contact Us, Related Links, and Search Taxation. The left sidebar contains a menu with Home, Administrative Decisions, Advisories, and Combined. The main content area shows the breadcrumb Home > Self-Audits and the title Self-Audits. The content includes two bullet points: a welcome message and a description of the self-audit process.

RI.gov | R.I. Government Agencies | Privacy Policy | Search

State of Rhode Island  
**Division of Taxation**  
DEPARTMENT OF REVENUE

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[Home](#) > [Self-Audits](#)

## Self-Audits

- Welcome to the Rhode Island Division of Taxation's self-audit program!
- With a self-audit, you examine your own books and records to see if you owe Rhode Island's 7% use tax.



## Rhode Island sales/use tax

- Legislation

- ❖ We don't make the law; we implement the law
- ❖ If tax legislation is enacted, it's typically effective "upon passage" – or at a later, specified date
- ❖ As a general rule, tax legislation is not retroactive

# Rhode Island Division of Taxation



## 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.