



# Rhode Island Division of Taxation

State of Rhode Island and Providence Plantations  
Department of Revenue

March 2, 2012

ADV 2012-05

**Advisory:**

## Filing season update

Today's filing season update from the Rhode Island Division of Taxation focuses on the following topics:

- A new Tax Division blog and Twitter account;
- The mailing of estimated tax packets for 2012;
- Guidance on increasing the chances that a return is processed smoothly;
- A robust start to the filing season, with increases in returns and refunds;
- Guidance to C corporations on extensions related to combined reporting;
- A new Administrative Decision, on sales tax;
- The list of approved software vendors; and
- A directive involving Temporary Disability Insurance (TDI) tax.

## Tax Division launches blog, Twitter account

You can now read Rhode Island tax updates through the Tax Division's new blog:

<http://RhodeIslandTax.blogspot.com>

You can also now follow us on Twitter:

<http://twitter.com/RhodeIslandTax>

The blog and Twitter complement the Tax Division's website, facebook page, and e-mail distribution list (listserv), said Rhode Island Tax Administrator David M. Sullivan.

"One of our top priorities is to expand and improve the Tax Division's outreach efforts in order to help inform and educate our many groups of stakeholders - including taxpayers, practitioners, and business associations," Sullivan said.

"We plan to use our blog and Twitter in the same way we use our website, facebook page, and listserv: to provide our stakeholders with current tax information on a variety of topics, including their filing obligations, the tax-filing season, new regulations, Administrative Decisions, and refunds," he said.

"Effective use of social media will help ensure that state tax information is available to all our stakeholders in whatever medium and at whatever time they prefer," said Peter McVay, associate director of revenue services. "Our overall outreach effort will also help to encourage high levels of tax compliance."

(Continued on next page)

## Personal income tax: estimates

The Tax Division last week completed its mailing of the form that many taxpayers use to make quarterly estimated payments of personal income tax.

Overall, the Tax Division wound up mailing 40,406 copies of the [2012 version of Form RI-1040ES, "Rhode Island Resident and Nonresident Estimated Payment Coupons."](#) The mailing will give taxpayers plenty of time to plan ahead; the first payment for 2012 isn't due until April 17.

## Personal income tax: reminders

Every tax-filing season the Tax Division winds up having to set aside some personal income tax returns for further review, which can delay processing (and refunds) for the taxpayers involved. This year is no exception. Following are some of the top reasons that some returns have been set aside so far this season, according to leaders in our Personal Income Tax and E-Government sections:

- [Schedule W](#) (for listing certain information from Forms W-2 and Forms 1099) should have been attached to the return but wasn't;
- The Schedule W includes required information from a Form W-2, but lists the wrong federal Employer Identification Number (EIN) for that W-2; and
- Some taxpayers filing a claim on [Form RI-1040H](#), under the statewide property tax relief program, fail to include required documentation, or they list unreasonable income and rental information.

In addition, like the Internal Revenue Service, the Tax Division has put in place additional screens and other tools this season to catch fraudulent returns before they are processed. "It's part of our continuing effort to combat fraud," said Susan Galvin, chief of the Tax Division's E-Government section. Returns and refunds are being held up to scrutiny even more than usual, she said. In relation to this, Galvin reminded practitioners to be sure to perform due diligence when doing returns: Verify the taxpayer's name, address, Social Security number and other information, and be sure to review income and other documentation involving the earned income credit and property tax relief claim, Galvin said.

## More taxpayers file early

Filing season, which began January 18, is off to a strong start. About 227,000 Rhode Island personal income tax returns have been filed so far this season, up 8 percent from the same point last year. More than 91 percent of all returns filed so far this season have been filed electronically, up from 88.6 percent at the same point last filing season.

	Filing season 2011	Filing season 2012
E-filed returns	185,780	207,090
Paper returns	17,468	15,440
2-D barcode returns	6,493	4,362
Total returns:	209,741	226,892

Filing seasons through March 2, 2011, and February 29, 2012.  
Figures for each filing season do not include amended returns or prior-year returns.

(Continued on next page)

"We are pleased that more taxpayers are recognizing the benefits of e-filing, which include fewer errors and faster refunds," Sullivan said.

As returns have risen, so have refunds: The Tax Division has issued about 160,000 personal income tax refunds so far this season, up 10 percent compared with the same period a year ago. The aggregate dollar amount of refunds is up 41.7 percent, to \$87.67 million. The average refund is \$550 compared with \$427, an increase of 28.8 percent.

Figures involving refunds are up compared with last year's filing season partly because last year's season was delayed: Last-minute changes in federal tax law by Congress required a retooling of IRS computers. As a result, millions of taxpayers nationwide, mainly itemizers, were forced to file later in the 2011 season.

Another reason refunds are up so far this year is because of Rhode Island personal income tax withholding changes last year that resulted from revisions to the state's personal income tax system that took effect in January 2011.



**Note:** The following refund figures are from early in the filing season and are therefore preliminary. They do not reflect the experience of a full filing season. So far, the Tax Division has issued less than half of the refunds that it normally issues on an annual basis. A complete picture of Rhode Island personal income tax refunds will not be available until substantially all returns for tax year 2011 are received and processed, probably in November.

	Filing season 2011	Filing season 2012
Number of refunds so far	144,864	159,509
Cumulative dollar amount:	\$61.86 million	\$87.67 million
Average refund:	\$427	\$550

Filing seasons through February 25, 2011, and February 24, 2012.  
Each set of refund figures is for current year only, and before interest and offset.



## Combined reporting

The Tax Division provides the following guidance for C corporations that are subject to the new filing requirement involving *pro forma* combined reporting and that wish to obtain an extension of the time to file:

First, make sure you file the [Form RI-7004](#) for the usual six-month extension. Your Form RI-7004 is due on or before March 15, 2012 (assuming you're a calendar-year taxpayer).

(Continued on next page)

After the March 15 deadline, but before September 15, the Tax Division will make available a new form on which you may file for an additional one-month extension.

The new form, to be called RI-7004-CRS, is not available yet; it is under development and will be posted at some point after March 15 but before September 15.

It is not necessary to send a letter to the Tax Division seeking an extension related to the filing requirement involving combined reporting. Just file the Form RI-7004 by March 15, and the Form RI-7004-CRS when available.

For more information about pro forma combined reporting, including the additional one-month extension, please see Rhode Island Division of Taxation [Regulation CT 11-15, "Combined Reporting \(pro forma\)."](#)

## **New Administrative Decisions**

The Tax Division has [posted on its website all of the Administrative Decisions adopted so far this year](#) by Tax Administrator Sullivan.

The [latest decision](#) focuses on whether a taxpayer had collected the correct amount of sales tax and whether the taxpayer failed to collect applicable sales tax on transportation costs.

## **List of approved software vendors**

Note to practitioners: The Tax Division has posted [a list of approved software vendors](#) on its website. It's a listing of the tax preparation software that has completed and passed acceptance testing for tax year 2011. It will be updated periodically as software is approved.

## **Massachusetts directive on TDI**

The Massachusetts Department of Revenue has issued [a final directive that deals with the treatment of tax paid by workers into Rhode Island's Temporary Disability Insurance \(TDI\) program.](#)

Massachusetts law generally allows a credit against Massachusetts personal income tax for taxes paid to another state. The directive makes it clear that, for purposes of the Massachusetts credit, TDI taxes count as taxes paid to another state.

Directive 12-1, "Credit for Taxes Paid to Another Jurisdiction: Insurance Fund Payments Made Pursuant to Rhode Island Law," was issued February 29. It replaces a draft directive on the topic issued January 25. It will be of interest mainly to people who work in Rhode Island, live in Massachusetts, and pay TDI tax.

---

Contact:

Neil Downing  
Chief Revenue Agent  
Rhode Island Division of Taxation  
(401) 574-8115  
[Neil.Downing@tax.ri.gov](mailto:Neil.Downing@tax.ri.gov)