



Rhode Island Division of Taxation

State of Rhode Island and Providence Plantations
Department of Revenue

July 30, 2012

ADV 2012-17

Advisory:

Rhode Island tax update

This update for practitioners and taxpayers includes information about the following topics:

- A tax filing and payment deadline for employers;
- The Streamlined Sales and Use Tax Agreement;
- A drawing involving the scholarship tax credit;
- Preparations for the annual Tax Credit and Incentive Report; and
- The latest Administrative Decision, this one focusing on software.

Tax deadline for employers

Tax Administrator David M. Sullivan reminds employers that the deadline is tomorrow night for filing their second-quarter wage and tax report for 2012 and paying the tax due. About 32,000 employers have until midnight on July 31 to file and pay their state unemployment insurance tax (also known as the Employment Security, or ES, tax) and Job Development Fund tax, and to file and remit the amount of Rhode Island Temporary Disability Insurance (TDI) tax withheld from employees' wages.

This will be the second payment of state unemployment insurance tax using [the new taxable wage base that applies for 2012](#). To file employer tax reports, tax payments, and wage reports, some employers will use the paper version of [Form TX-17](#) as updated for 2012. For more information about filing and paying online, [click here](#). Employers with 25 or more employees must submit wage data electronically. For more information, call the Tax Division's Employer Tax section at (401) 574-8700 (select option 2).

Streamlined agreement

The Tax Division recently took the first steps required for recertification under the Streamlined Sales and Use Tax Agreement. The purpose of the agreement is to simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax compliance. Rhode Island became a full member of the agreement on January 1, 2007.

Certain out-of-state retailers that have no physical presence in a given state are not required to collect that state's sales tax and remit it to that state. But because Rhode Island is a member of the Streamlined pact, some of those out-of-state retailers have voluntarily agreed

to collect and remit Rhode Island sales tax – generating about \$1.8 million in annual revenue that Rhode Island might not otherwise receive.

To get the recertification ball rolling, the Tax Division posted an updated [taxability matrix](#) and [certificate of compliance](#), and has sent copies of both documents to the [Streamlined Sales Tax Governing Board](#). The matrix lists various items defined in the agreement and how each is treated for Rhode Island tax purposes (for example, whether something is included in, or excluded from, the sales price when computing tax).

This year's version notes a change involving clothing and footwear: Effective October 1, 2012, the portion of the sales price greater than \$250 per item will be taxable. In his letter to the Streamlined Sales Tax Governing Board, Tax Administrator Sullivan noted that Rhode Island will not be in compliance with the agreement once the change in the tax treatment of clothing takes effect – but Rhode Island will be working with the State and Local Advisory Council (SLAC) Workgroup on the matter and is hopeful that the agreement will be amended so that Rhode Island remains in compliance. Peter McVay, associate director of revenue services, is leading Rhode Island's effort to obtain recertification.

Drawing held for scholarship credit

The Tax Division held a drawing July 26 for the [Credit for Contributions to Scholarship Organizations program](#). This year's application period opened on July 2 and had 62 entities applying for \$671,400 in available credit. Because the amount of credit applied for exceeded the amount of credit available, the Tax Division held a drawing to determine the order of approval. In front of a small group of observers, numbers were drawn. In the end, 24 of the 62 applicants were picked before the available amount of credit was accounted for. A list showing the drawing results is posted on [the program's web page](#). By the end of July, all applicants will be sent official notification of their approval or denial.

Tax credit reporting due

The Tax Division has mailed out [Form TC-100](#) to recipients of certain credits and incentives. It must be completed and returned to the Tax Division by August 15. The form lists the type and amount of credit an entity has received during the year that ended June 30.

Along with the TC-100, a recipient must also file an employee information report, which provides basic information about all of an entity's employees. The employee information report is due by September 1.

The Form TC-100 and each applicable employee information report are [on the Tax Division's website](#), under "Reporting Forms," and can be filled out on screen and printed out.

Administrative Decision: Software

The [latest Administrative Decision](#) issued by the Tax Division involves the sales and use tax. A taxpayer sought refunds of sales and use tax, saying that the software was eligible for manufacturing exemptions. The Tax Division denied the claims – and was upheld.

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