



# Rhode Island Division of Taxation

State of Rhode Island and Providence Plantations  
Department of Revenue

October 5, 2012

ADV 2012-23

## **Advisory:**

## **Rhode Island tax update**

Today's Advisory focuses on the following topics:

- An increase in electronic filing of corporate income tax returns;
- More software providers offering the corporate e-file option;
- Tax amnesty results for September;
- Two new Declaratory Rulings – one on sales tax, the other on estate tax; and
- Two new Administrative Decisions – both about tax refunds.

### **Corporate e-file increases**

The number of Rhode Island corporate income tax returns filed electronically so far this year is up 55 percent over last year, according to the latest Rhode Island Division of Taxation figures.

"We're delighted that more and more businesses – and their tax preparers – are embracing the many advantages of e-filing," said Rhode Island Tax Administrator David M. Sullivan.

	<b>Filing season 2011</b>	<b>Filing season 2012</b>	<b>Difference</b>
Total returns processed	31,971	43,546	+ 36.20 %
Returns e-filed	9,807	15,167	+ 54.65 %
E-file as a percentage of total	30.67 %	34.83 %	+ 13.56 %

Figures are for tax year 2010 returns filed on Forms RI-1120C and RI-1120S through September 30, 2011, and tax year 2011 returns through September 30, 2012. Calendar-year corporations generally have a mid-March filing deadline, but many use a six-month extension to move the deadline to mid-September. C corps subject to *pro forma* combined reporting may opt for an additional one-month extension; calendar-year C corps so situated thus have a new deadline of October 15.

Overall, the Tax Division projects that, of the 55,000 or so corporate returns filed annually, about 30 percent will be e-filed this year, up from 20 percent last year.

One reason many returns are still filed on paper is that some software providers formerly did not offer Rhode Island corporate e-file. But that will change next year because of the state's corporate e-file mandate, which the Tax Division plans to start enforcing in January 2013.

## Corporate e-file mandate

Several providers of tax preparation software for practitioners recently notified the Tax Division that they will start offering Rhode Island corporate e-file in the coming filing season. They include some of the most popular and widely used software programs among accountants and other practitioners.

The software providers contacted the Tax Division about their plans to offer corporate e-file after the agency [announced in July](#) that it will enforce the state's corporate e-file mandate starting with the filing season that opens in January 2013.

Legislation approved by the General Assembly and enacted in 2008 requires paid preparers of tax returns to file Rhode Island tax returns for their clients electronically with the Tax Division. The provision applies to each preparer who prepared more than 100 Rhode Island returns in the prior year.

The requirement took effect January 1, 2009. But as a practical matter, it applied at the time only to personal income tax returns; the agency's computers were not accepting e-filed corporate returns. But corporate e-file "went live" at the Tax Division in March 2011, and has been available ever since. As a result, the Tax Division expects that most practitioners will have software in the coming season that allows for the e-filing of business returns – including Forms RI-1120C and Form RI-1120S.

- **Combined Reporting:** The Tax Division has received some corporate returns that include a fully completed Schedule CRS, which is for *pro forma* combined reporting. But the agency has received too few thus far to draw any conclusions for its study on combined reporting. Most returns involving *pro forma* combined reporting aren't expected until later this month.

## Tax amnesty results

Rhode Island's tax amnesty program has generated more than \$3.3 million and has attracted 1,238 applications during its first month of operation.

The largest amounts generated so far by category were \$1.064 million in corporate income tax and interest, \$896,634 in public service corporation tax and interest, and \$848,280 in personal income tax and interest.

The figures are for the month ended September 30, 2012. The amnesty program began September 2, 2012, and runs through November 15, 2012.

Amnesty generally works this way: If your amnesty application is approved and you pay your delinquent state tax, the Tax Division will:

- waive penalties;
- reduce interest by 25 percent;
- agree not to pursue civil or criminal penalties; and
- agree not to block the renewal of your driver's license, professional license, registration, or sales tax permit.

The Tax Division has created a special website – [www.TaxAmnesty.ri.gov](http://www.TaxAmnesty.ri.gov) – which includes the tax amnesty application form, other forms, FAQs, and other information.

More information about the amnesty program is available from the program's call center, at (401) 574-8650, from 8:30 a.m. to 4:00 p.m. business days, or by e-mailing the program: [TaxAmnesty@tax.ri.gov](mailto:TaxAmnesty@tax.ri.gov).

## New Declaratory rulings

The Tax Division has posted two new Declaratory Rulings: one on the sales tax, the other on the estate tax.

□ **Sales Tax:** The Tax Division had previously ruled that the process of creating asphalt for resale is deemed to be manufacturing. Thus, the tangible personal property and utilities that are used to manufacture the asphalt are exempt from sales and use tax. Also, the machinery and equipment and related items used to manufacture the asphalt are exempt from sales and use tax. In [Declaratory Ruling 2012-01](#), the Tax Administrator declared that the taxpayer's subsidiary, which was recently formed, could also claim such exemptions.

□ **Estate Tax:** In [Declaratory Ruling 2012-02](#), the Tax Administrator ruled that a Rhode Island marital deduction is allowable for property passing from a decedent to his or her same-sex surviving spouse to the same extent that property left to a surviving husband or wife is allowable as a marital deduction (provided that certain requirements are met). Same-sex spouses are also allowed to include, in the gross estate of a decedent, one-half the value of certain joint property interests in the same manner that a husband and wife are permitted this treatment under Rhode Island law (provided that certain requirements are met). The ruling applies to partners in a Rhode Island civil union and to couples joined in an out-of-state same-sex marriage.

## New Administrative Decisions

The Tax Division has posted two new Administrative Decisions:

□ **Personal Income Tax:** [Administrative Decision 2012-12](#) focuses on whether claims for refunds of personal income tax were filed on time. (The Decision also provides a helpful explanation of the rules that apply to Rhode Island personal income tax refunds – rules that differ from those that apply to federal personal income tax refunds.)

□ **Corporate Income Tax:** [Administrative Decision 2012-13](#) looks at whether a Rhode Island corporation filed its claim on time for a refund of corporate income tax.

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