



Rhode Island Department of Revenue

Division of Taxation

ADV 2019-05
PERSONAL INCOME TAX

ADVISORY FOR TAX PROFESSIONALS
MARCH 7, 2019

Filing season reminders ahead of next month's tax deadline

Division offers pointers about Schedule E, refunds, Wavemaker credits, other topics

PROVIDENCE, R.I. – Ahead of next month's tax-filing deadline, the Rhode Island Division of Taxation today issued several reminders for tax preparers and taxpayers. Among the topics covered are the new Schedule E for personal income-tax returns, the "Where's my tax refund?" online tool, and the tax treatment of awards from the Wavemaker program.

Schedule E

The Division reminds tax preparers and taxpayers to be sure to include the new Schedule E when filing personal income tax returns on Form RI-1040 (including resident and nonresident returns).

Schedule E -- "Exemption Schedule for RI-1040 and RI-1040NR" -- is mainly for entering information for all the individuals that you can claim as a dependent.

During the last tax-filing season, the Rhode Island Form RI-1040 did not require a separate listing of each dependent and each dependent's Social Security number. Instead, the form instructed taxpayers to enter, in a box on the Rhode Island form, the number of federal exemptions.

But because of changes in the law at the federal and Rhode Island level, the Division of Taxation has created

State of Rhode Island and Providence Plantations
2018 RI Schedule E
Exemption Schedule for RI-1040 and RI-1040NR

1810599990101

Name(s) shown on Form RI-1040 or RI-1040NR Your social security number

Schedule E (see partial screenshot on this page), which must be used by taxpayers and tax preparers beginning with this filing season (covering returns for the 2018 tax year).

On Schedule E, check a box for you, check another box for your spouse (if applicable), and list the required information for all individuals you can claim as a dependent. The completed Schedule E is used to help compute the overall number of exemptions on page 1 of your Form RI-1040.

'Where's my tax refund?'

When you file your Rhode Island personal income tax return, you may be due a personal income tax refund. If you are, you can check the status of your refund by using the "Where's my tax refund?" interactive tool on the Rhode Island Division of Taxation's website. Enter the required information as shown on the screen -- including your Social Security number, filing status (whether you file your return as "married" or "single", for example), and the amount of your expected refund.

Assuming that all data has been correctly entered, the tool should offer a prompt response to your query. The Division updates the online tool every business day during filing season, Monday through Friday.



What if your refund is not available? The Division upgraded the online tool two filing seasons ago, making available a number of separate messages to give taxpayers and tax preparers a better idea of any issue that may be delaying the processing of the return and any associated refund.

That way, fewer taxpayers and tax preparers will need to phone or email the Division of Taxation about the status of a return and any associated refund. The "Where's my tax refund?" tool can be accessed through the home page of the Division of Taxation website, www.tax.ri.gov, or directly, at: <https://www.ri.gov/taxation/refund/>.

Increase in average refund amount

The average Rhode Island personal income tax refund has risen by 7.7 percent compared with the same point a year earlier. The average refund is \$605.39, compared with \$562.13 at approximately the same point a year ago. Overall, the Rhode Island Division of Taxation has issued approximately \$112 million in refunds so far this year, up approximately \$7.8 million compared with the year-earlier period.

So far this season, the Division has issued approximately 185,000 refunds (by direct deposit and paper check), essentially the same amount as last year at this time.

Rhode Island Division of Taxation refunds			
	LAST FILING SEASON*	CURRENT FILING SEASON*	
Total refund amount \$	\$ 104,321,464.18	\$ 112,120,686.68	+7.5%
Number of refunds	185,584	185,205	-0.2%
Average refund amount \$	\$ 562.13	\$ 605.39	+7.7%

* Refunds (before interest and offsets) are for current year returns only, so they are refunds for tax year 2017 issued in early 2018, and refunds for tax year 2018 issued in early 2019. Measuring periods are for filing seasons up to March 2, 2018, and March 1, 2019. Some numbers are rounded.

Most returns are e-filed

Approximately 94 percent of the Rhode Island personal income tax returns filed so far this season have been filed electronically.

The Division of Taxation urges all taxpayers and tax preparers to file electronically. E-filing is faster, results in fewer errors, and generates refunds more quickly. Furthermore, e-filing is the only way a taxpayer can receive a Rhode Island personal income tax refund by direct deposit. (Paper filers must receive refunds by check.) Also, for paid preparers of returns, e-filing is mandated by statute and regulation.

Of the 276,996 personal income tax returns (resident and nonresident returns) filed so far this season, about 94 percent were e-filed. Last year at this time, of the 281,750 returns (resident and nonresident) that were filed, 94 percent were e-filed.

Filing season statistics at a glance		
	LAST FILING SEASON*	CURRENT FILING SEASON*
Number of e-filed returns	265,070	259,776
Number of paper returns	16,680	17,220
Total returns filed	281,750	276,996

* "Current filing season" means Rhode Island personal income tax returns for any tax year filed from January 1, 2019, through March 7, 2019. "Last filing season" means Rhode Island personal income tax returns for any tax year filed from January 1, 2018, through March 7, 2018.

Reminder about tax treatment for Wavemaker awards

The "[Stay Invested in RI Wavemaker Fellowship](#)" program is aimed at graduates working at jobs in science, technology, engineering, mathematics, and certain design fields. Applicants selected as Wavemaker Fellows may receive an annual award to help defray the cost of student loan repayments. The award can reach as high as \$6,000 per year for up to four years, and may be issued as a refund, a tax credit certificate, or a combination of the two.

If you meet all of the program's requirements and receive an award under the Wavemaker program, the Division of Taxation reports the amount of the award as a "taxable grant" in Box 6 of Form 1099-G.



Assuming that the amount of the award you received is included in your federal adjusted gross income (AGI), it will be included in your income as a starting point for computing your Rhode Island personal income tax.

However, if you receive your Wavemaker award in the form of a refund, it is not taxable for Rhode Island purposes. So treat your Wavemaker Fellowship income attributable to your refund as a modification decreasing your federal adjusted gross income for Rhode Island purposes. Do this by entering your Wavemaker Fellowship income on Schedule M of your Form RI-1040, on line 1n, "Tax Credit income reported on Federal return exempt for Rhode Island purposes...."

Free File reminder

If you can't afford a paid preparer, one option is to prepare and file your federal and Rhode Island personal income tax returns online at no charge. The free service is made possible from [Free File](#), which is a partnership between the Internal Revenue Service, the Rhode Island Division of Taxation, a number of other states, and the Free File Alliance.

The Free File Alliance is a group of industry-leading private-sector tax preparation companies that have agreed to provide free commercial online tax preparation and electronic filing. The Division of Taxation website includes a listing of Free File offerings. To view, click [here](#).



The offerings include links to the Free File partners' websites. Please read the information on those web sites carefully before you begin the filing process. (If you do not meet the qualifications for Free File, you may be charged a fee for filing your taxes electronically.)

- Don't forget that April 15, 2019, is the deadline for filing Rhode Island personal income tax returns and making personal income tax payments related to the 2018 tax year.

Farmers and Fishermen

The Internal Revenue Service [recently announced](#) that it will waive the tax-related penalty for any qualifying farmer or fisherman who files his or her 2018 federal income tax return and pays any tax due on or before April 15, 2019.

The IRS said it is providing the penalty relief because, due to certain rule changes, many farmers and fishermen may have had difficulty accurately determining their tax liability by the March 1, 2019, deadline that usually applies to them.

- For tax year 2018, an individual who received at least two-thirds of his or her total gross income from farming or fishing during either 2017 or 2018 qualifies as a "farmer" or "fisherman" for federal tax purposes. Qualifying farmers and fishermen who did not make the required estimated tax installment payment by January 15, 2019, are not subject to an addition to tax for failing to pay estimated income tax if they filed their returns and paid the full amount of tax reported on the return by March 1, 2019.

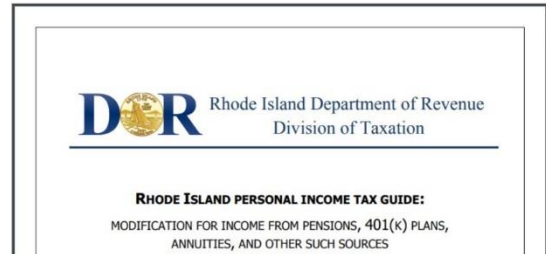
If you were unable to file your Rhode Island return and pay the tax due by the usual deadline, but file and pay on or before April 15, 2019, will you be eligible for penalty relief from the Rhode Island Division of Taxation? The Division will make the determination on a case-by-case basis. To request penalty relief in such circumstances, write a letter to:

Rhode Island Division of Taxation
Attn: Farmer/Fisherman Penalty Relief
Personal Income Tax
One Capitol Hill, 1st Floor
Providence, R.I. 02908

Tax break on income from 401(k) plans, Pensions, Annuities

The Division of Taxation has posted an updated version of its guide to the personal income tax modification involving income from 401(k) plans, 403(b) plans, profit-sharing plans, private-sector pensions, government pensions, military retirement pay, annuities, and other such sources.

The 27-page guide is intended as an aid to taxpayers and tax preparers during the 2019 tax-filing season, covering tax year 2018 returns. The guide can also be used for future tax-filing seasons. For more information, click [here](#).



Preparer Q&A: Reminder notice

Q: My client has a balance due on her Rhode Island personal income tax for 2018. She wants me to e-file her return now, but arrange things so that payment from her bank account to the Division of Taxation won't be made until April 15, or a few days before that date. Will the Division mail her a Notice in the meantime?

A: Yes. Although the Notice is titled "Notice of Deficiency", it is really being used by us to provide a reminder to the taxpayer that she has a balance due for 2018; she has until April 15, 2019, to pay that balance; and if she fails to pay by the deadline, she will be subject to interest and penalty. It is also a reminder that if she has arranged to make payment via automatic withdrawal on a certain date, we will make the withdrawal on that date. Please consider telling your client that if she receives the Notice from us, it is not a bill; it is simply a reminder.

The Rhode Island Division of Taxation office is located at One Capitol Hill in Providence, R.I., diagonally across from the Smith Street entrance to the State House, and is open to the public from 8:30 a.m. to 3:30 p.m. business days. For more information, contact the Division of Taxation at (401) 574-8829 or see <http://www.tax.ri.gov/contact>
