



May 2020 REC Follow-Up

May 4th, 2020



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EITC and Property tax relief credits

Revenue Estimating Question: Q15 & Q16

Issue raised:

Both EITC and Property tax relief credits are lower than they have been in the past at this point in the calendar year. Please break out how many people claim EITC and Property tax relief credits in each month of each year.

Division of Taxation Response:

Below are the number of returns filed claiming Earned Income Tax Credits, by filing year and filing month. There are two charts, the first denoting all EITC claims filed and the second denoting the refundable portion of EITC claims filed. For calendar year 2020, the counts are as of May 5, 2020.

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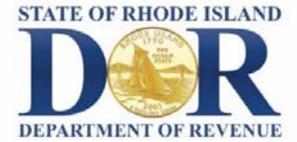
Number of Filers for EITC Filing Month	Filing Year		
	2018	2019	2020
January	18,056	16,366	18,611
February	38,041	38,298	35,886
March	15,175	15,821	14,182
April	12,949	12,902	7,136
May	843	860	
June	448	490	
July	349	389	
August	288	282	
September	250	342	
October	723	777	
November	102	145	
December	68	114	
Grand Total	87,292	86,786	75,815

Number of Filers for Refundable EITC- Filing Month	Filing Year		
	2018	2019	2020
January	14,516	13,078	14,647
February	30,180	30,101	28,063
March	12,060	12,475	11,275
April	10,439	10,430	6,018
May	705	707	
June	357	401	
July	287	313	
August	246	230	
September	197	299	
October	613	635	
November	88	126	
December	58	92	



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Grand Total	69,746	68,887	60,003
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Below are the number of returns filed claiming Property Tax Relief Credits, by filing year and filing month. For Calendar Year 2020, the counts are as of May 5, 2020.

Filing Month	Filing Year		
	2018	2019	2020
Jan	1,899	1,530	1,728
Feb	5,125	4,625	4,270
March	4,258	4,214	2,854
April	3,622	3,318	1,193
May	50	55	1
June	16	20	
July	9	11	
August	10	8	
September	17	10	
October	22	26	
November	2	3	
December	143	113	
Grand Total	15,173	13,933	10,046



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Pass Through Entity Tax Revenue

Revenue Estimating Question: Q24

Issue raised:

Would the revenue in Q24 have shown up in PIT if there was no Pass-Through Entity tax?

Division of Taxation Response:

The Election for Pass-through entities to pay the “income tax” at the entity level was passed in late June 2019 and the Division of Taxation first issued guidance and a method to make this estimated payment at the entity level in September 2019. Many individual filers, who were members of pass-through entities, paid their Rhode Island estimated tax payments on R.I. Form 1040ES before the introduction of the new entity level tax for the first and second quarter estimated payments for Tax Year 2019.

Further, in order to benefit from the pass-through election, the entity is required to make estimated payments for the full amount of the tax at the entity level (and only had a means to do so after September 2019) in order to get the benefit of the pass-through entity election. Therefore, there may have been duplicate tax payments made on behalf of the individual at the entity level.

The amount of the potential overpayment of individual personal income tax is not determinable until personal income tax returns are filed. Finally, there may also have been a reduction in the fourth quarter, Tax Year 2019, estimated personal income tax payments which are due on January 15, 2020.



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Growth in number of entities involved in Sales Block program

Revenue Estimating Question: Q28

Issue raised:

How many of the pending 7,000 taxpayers in the 2020 Sales Tax Block program are the result of newly registered remote sellers?

Division of Taxation Response:

In 2019, the Sales Block program included 5,695 taxpayers. Of these, approximately 1,600 taxpayers (28%) had a location outside Rhode Island.

Once the 2020 Sales Block program begins, it will include 6,972 taxpayers, an increase of 1,277 taxpayers compared with the 2019 program. Of the 6,972 taxpayers, 2,191 taxpayers (31%) have a location outside Rhode Island, representing an increase of 591 out of state taxpayers compared with the 2019 program.

Please note that an undeterminable part of the increase in the number of taxpayers included in the 2020 Sales Tax block is due to a combination of many factors, including, but not limited to, maturity of Taxation business practices, refinement of tax records, and more frequent billing.

Potential Insurance Tax liability reduction

Revenue Estimating Question: Q48

Issue raised:

Some insurance companies are offering customers “rebates” that reduces their payments for coverage. How would this impact Insurance tax?

Division of Taxation Response:

During the current pandemic several insurance companies have announced they will rebate a portion of the premiums collected, particularly for auto insurance as people are driving less than usual. A return of premium results in a decrease in gross receipts consistent with R.I. Gen. Laws § 44-17-2. Therefore, it is likely that there will be a corresponding reduction in the Insurance Gross Premiums Tax under R.I. Gen. Laws § 44-17-1 *et. seq.*

The Division of Taxation does not possess adequate information to make an informed estimate of the potential lost revenue.

Impact of due date change on TY2019

Revenue Estimating Question: Q53

Issue raised:

Please provide the number of returns filed each month for each tax type impacted by the due date change.

Division of Taxation Response:

Below are the number of returns that were filed for each month of each filing year, denoted by Tax Type.

Filing Month	Filing Year			
	2017	2018	2019	2020
January	54,681	60,416	53,811	63,736
BANK DEPOSITS	7	7	8	6
BANK EXCISE	3		1	1
COMPOSITE INCOME	57	36	33	33
CORPORATE	2,114	3,800	3,715	4,637
FIDUCIARY	80	87	137	208
INSURANCE	82	81	93	60
PERSONAL INCOME	52,337	56,392	49,808	58,782
PUBLIC SERVICE CORP GROSS EARNINGS	1	13	16	9
February	194,151	208,648	208,970	215,631
BANK EXCISE	2	1	11	2
COMPOSITE INCOME	3	66	58	68
CORPORATE	4,668	6,747	6,568	6,796
FIDUCIARY	89	223	248	434
INSURANCE	792	651	517	502
PASS-THROUGH ENTITY TAX				38
PERSONAL INCOME	188,514	200,904	201,552	207,770
PUBLIC SERVICE CORP GROSS EARNINGS	83	56	16	21
March	198,030	187,453	197,138	177,366



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BANK DEPOSITS	4	1		1
BANK EXCISE	3	6	1	1
COMPOSITE INCOME	2	768	836	826
CORPORATE	18,336	18,081	18,020	17,384
FIDUCIARY	45	1,513	1,025	2,378
INSURANCE	744	683	766	721
PASS-THROUGH ENTITY TAX				358
PERSONAL INCOME	178,857	166,366	176,452	155,637
PUBLIC SERVICE CORP GROSS EARNINGS	39	35	38	60
April	198,135	212,807	213,614	95,081
BANK EXCISE	2	3	3	
COMPOSITE INCOME	55	359	229	221
CORPORATE	9,675	11,878	11,500	4,034
FIDUCIARY	45	4,208	5,002	2,295
INSURANCE	257	473	508	519
PASS-THROUGH ENTITY TAX				48
PERSONAL INCOME	188,053	195,822	196,266	87,884
PUBLIC SERVICE CORP GROSS EARNINGS	48	64	106	80
May	18,276	15,356	14,061	3,878
BANK DEPOSITS		1		
BANK EXCISE	3		1	
COMPOSITE INCOME	935	249	229	4
CORPORATE	2,377	2,547	2,526	181
FIDUCIARY	1,724	2,529	1,745	90
INSURANCE	11	13	7	
PERSONAL INCOME	13,200	10,005	9,529	3,603
PUBLIC SERVICE CORP GROSS EARNINGS	26	12	24	
June	17,649	11,582	9,491	1
BANK DEPOSITS	4	6	3	
BANK EXCISE	4	2	2	
COMPOSITE INCOME	364	103	111	
CORPORATE	3,868	3,575	2,665	1



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FIDUCIARY	7,059	233	252	
INSURANCE	45	16	7	
PERSONAL INCOME	6,295	7,628	6,444	
PUBLIC SERVICE CORP GROSS EARNINGS	10	19	7	
July	8,991	13,123	9,732	
BANK DEPOSITS			1	
BANK EXCISE	6	2	5	
COMPOSITE INCOME	85	91	110	
CORPORATE	3,950	5,221	3,218	
FIDUCIARY	189	227	308	
INSURANCE	12	7	20	
PERSONAL INCOME	4,745	7,573	6,068	
PUBLIC SERVICE CORP GROSS EARNINGS	4	2	2	
August	11,552	10,316	9,765	1
BANK DEPOSITS			2	
BANK EXCISE	5	6	5	
COMPOSITE INCOME	137	186	166	
CORPORATE	4,329	4,589	4,046	1
FIDUCIARY	286	315	311	
INSURANCE	5	8		
PERSONAL INCOME	6,770	5,203	5,224	
PUBLIC SERVICE CORP GROSS EARNINGS	20	9	11	
September	27,239	29,140	25,952	
BANK EXCISE	15	9	8	
COMPOSITE INCOME	951	1,069	514	
CORPORATE	17,615	16,328	16,309	
FIDUCIARY	906	710	410	
INSURANCE	4	18	5	
PERSONAL INCOME	7,735	10,991	8,694	
PUBLIC SERVICE CORP GROSS EARNINGS	13	15	12	
October	54,800	65,462	45,852	
BANK DEPOSITS	1	1	1	



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BANK EXCISE	25	31	40	
COMPOSITE INCOME	77	67	778	
CORPORATE	32,480	41,424	17,156	
FIDUCIARY	1,140	1,392	2,074	
INSURANCE	5	2	18	
PERSONAL INCOME	21,062	22,527	25,763	
PUBLIC SERVICE CORP GROSS EARNINGS	10	18	22	
November	5,990	5,906	6,415	
COMPOSITE INCOME	19	22	25	
CORPORATE	2,999	3,592	1,959	
FIDUCIARY	106	176	107	
INSURANCE	1	16	9	
PERSONAL INCOME	2,864	2,091	4,313	
PUBLIC SERVICE CORP GROSS EARNINGS	1	9	2	
December	4,593	6,005	4,174	
BANK EXCISE	2	2	5	
COMPOSITE INCOME	35	38	37	
CORPORATE	2,155	2,438	1,973	
FIDUCIARY	86	127	77	
INSURANCE	1	8	5	
PERSONAL INCOME	2,307	3,389	2,077	
PUBLIC SERVICE CORP GROSS EARNINGS	7	3		
Grand Total	794,087	826,214	798,975	555,694

As of 5/5/2020

Methodology of CARES Act analysis

Revenue Estimating Question: Q54

Issue raised:

Please have ORA detail the methodology used for analysis of the CARES Act provision that removes the requirement for a taxpayer to take a minimum required distribution

Division of Taxation Response:

Response provided by the Office of Revenue Analysis to the Conferees on 5/4/2020 at 4:30pm via email:

Hi Tom, Sharon and Steve,

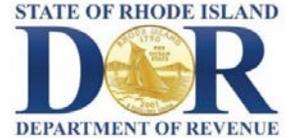
Sharon expressed surprise at how large the impact was from the CARES Act provision which waives required minimum distributions from individual retirement arrangements (IRAs), 401(a) plans (which includes pensions and 401(k) plans), 403(b) plans, and 457(b) plans. She was right to do so as was the Director and others when they expressed the same puzzlement last week. It turns out, I forgot to allocate the tax burden to Rhode Island. Basically once you convert the federal fiscal year impacts to tax year impacts and share these tax year impacts to Rhode Island you need to convert them to Rhode Island tax impacts which I forgot to do. Stupid mistake on my part. Once I allocated the tax burden to Rhode Island, using a 25% federal marginal tax rate and a 4.75% or a 5.99% Rhode Island marginal tax rate depending on the provision in question, I got the following state revenue impacts for Rhode Island:

1. Special Rules for Use of Retirement Funds: FY 2021, \$(334,376) and FY 2022, \$(1,330,470)
2. Temporary Waiver of Required Minimum Distributions From Retirement Accounts: FY 2021, \$(6,624,018) and FY 2022, \$(2,799,594)
3. Allowance of Partial Above the Line Deduction of Charitable Contributions: FY 2021, \$(260,587) and FY 2022, \$(446,874)
4. Exclusion for Certain Employer Payments of Student Loans: FY 2021, \$(176,328) and FY 2022, \$(145,619)



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I would note that there is no issue with the Modifications for Net Operating Losses or the Modification of Limitation on Business Interest as the current estimates were based on final estimates produced by Chainbridge for the Tax Cuts and Jobs Act and they properly converted the initial provisions in 2018 to Rhode Island Tax impacts.

I apologize for any confusion this may have caused you, Neena and/or the Director.

Let me know if you have any other questions.

Paul

Further response provided by Paul Dion, Office of Revenue Analysis, via email on 5/5/2020:

Here is the general approach I used with the specific application to the waiver of required minimal distributions from retirement plans. It worked very similarly for the other three items.

The CARES Act provision which waives required minimum distributions from individual retirement arrangements (IRAs), 401(a) plans (which includes pensions and 401(k) plans), 403(b) plans, and 457(b) plans.

- According to the Joint Committee on Taxation, the federal impact from this provision will reduce federal revenues in federal fiscal year (FFY) 2020 by \$10.620 billion, reduce federal revenues in FFY 2021 by \$1.104 billion and increase federal revenue by \$923.0 million in FFY 2022.
- I took the 2017 IRS Statistics of Income and used the amount of taxable IRA distributions and the amount of pensions and annuities in AGI for both Rhode Island and the United States as a whole.
- For RI, total taxable IRA distributions were \$948.799 million and pensions and annuities in AGI (which include pensions, 401(k), 403(b), and 457(b) plans) were \$2.447350 billion. I summed these two figures together to get \$3.396149 billion of RI distributions from IRAs, pensions, 401(k), 403(b) and 457(b) plans.
- For the US, the comparable figures are \$283.187706 billion and \$729.165320 respectively for a total of \$1,012.353008 billion.
- I took the ratio of the combined RI figures to the combined US figures and calculated a percentage of 0.3355%.
- I converted the FFY to the tax year using the following formula: $TY\ 2020 = (FFY\ 2020 * \frac{3}{4}) + (FFY\ 2021 * \frac{1}{4})$ and $TY\ 2021 = (FFY\ 2021 * \frac{3}{4}) + (FFY\ 2022 * \frac{1}{4})$. I then multiplied these tax year amounts by the 0.3355%. This allocated the tax year revenues to Rhode Island.

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- I then took the tax year amounts of the federal revenue allocated to Rhode Island and divided them by a federal marginal tax rate of 25% to get the taxable income amount allocated to Rhode Island.
- I then multiplied the taxable income amount allocated to Rhode Island by 5.99% to get the Rhode Island revenue impact from the provision.

CCU referred debts

Revenue Estimating Question: Q51

Issues raised:

Please explain the collectability of RI Traffic Tribunal Cases and Why are the HHS debts not reported as referred to CCU for Collections?

Division of Taxation Response:

Response provided separately to Conferees by Director Furcolo.

Withholding on Unemployment Checks

Revenue Estimating Question: Q55

Issue raised: What is the count of the withholding referenced?

Division of Taxation Response:

Awaiting Response from Department of Labor and Training.