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Re: Refunds

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REFUND FRAUD

The Internal Revenue Service, and state tax agencies across the country, are grappling with the scourge of tax-refund fraud and with the related problem of refund-related identity theft.

The term “tax refund fraud” means theft of taxpayer dollars. Fighting fraud is a matter that tax agencies nationwide, including the Rhode Island Division of Taxation, take very seriously.

Significant resources, including staff time, are devoted to fighting this growing menace. In order to combat fraud, the Rhode Island Division of Taxation – just like tax agencies in other states – have assigned additional staff, which slows the processing of returns and refunds.

Here are links to some recent press coverage regarding the issues:

1. <http://krebsonsecurity.com/category/tax-refund-fraud/>
2. http://www.nytimes.com/2016/01/16/your-money/state-tax-refunds-may-be-delayed-by-security-precautions.html?_r=0
3. <http://www.nytimes.com/2015/02/11/your-money/steps-to-protect-your-tax-data-as-refund-fraud-spreads.html>
4. <http://www.npr.org/2016/03/30/472442304/irs-commissioner-details-growing-problem-of-taxpayer-identity-theft>

The Rhode Island Division of Taxation has also seen an increase in the number of tax returns filed this season. More returns, coupled with more refund claims and tighter scrutiny can mean longer times between return filings and the disbursement of refunds. The IRS is taking up to three times longer to review 2015 tax returns than in past years. The situation is similar at the state level as administrators across the country have notified taxpayers of longer processing times.

NEW COMPUTER SYSTEM

Refund fraud is not the only challenge facing the Division of Taxation. The agency is in the process of implementing a new Division-wide computer system. This multi-year task, which is also consuming considerable amounts of staff time, will – when completed next year – result in a more efficient and effective operation, and will provide taxpayers and tax preparers with additional tools to manage their accounts and quickly and conveniently use a number of online tools to complete tasks that now must be attended to manually by staff.

As we transition over to this new system, and as we continue to work through any issues and training related to this major project, it will take a little bit longer than usual to process returns and refunds.

E-FILING

To help ensure that your Rhode Island personal income tax return, and your refund, are processed in the fastest and most efficient manner, take advantage of electronic filing.

Filing electronically – a process known as “e-file” for short – is the quickest way to file your return. There are fewer delays in processing and fewer delays in issuing refunds.

Furthermore, e-filing is the only method that gives you the option to have your refund deposited directly into your bank or credit union account. (Direct deposit is not available for returns that are filed on paper.)

In addition, as we transition to the new agency-wide computer system, it is taking longer to process returns that are filed on paper.

So when preparing to file your Rhode Island personal income tax return, your best bet is to e-file. You can do it yourself, through readily available tax software programs (available in stores or online), or through your tax preparer.

Also, depending on your circumstances, you may be eligible to prepare and e-file your Rhode Island return at no charge through the “Free File” program. The Division of Taxation website lists which Free File programs are available and the requirements of each program, so that you can quickly see whether you may be eligible. For details, please use the following website: <http://www.tax.ri.gov/misc/efile.php>

HOW TO CONTACT THE DIVISION OF TAXATION

■ **BY PHONE:** To contact the Division of Taxation, call (401) 574-8829, and choose Option # 3, from 8:30 a.m. to 3:30 p.m. business days. Call volume is extremely high during filing season – and on Mondays, call volume is typically the heaviest. If you must call, try to call late in the week. (When call volume is high, calls are automatically placed in queue and are answered in the order they arrive. However, only so many calls can be on hold at any one time. To ensure that callers are not placed on hold for an inordinate amount of time, the system automatically will end a call when the queue is too long and the system is overburdened.)

■ **BY EMAIL:** To email the Division of Taxation’s Personal Income Tax section – for information about refunds or related matters, use the following email address: Tax.Assist@tax.ri.gov. Email volume is extremely high during filing season. There can be hundreds of emails in queue at any given time. It could take a number of days to respond to an email, particularly during the peak

filing season and particularly if the email requires detailed research. (For email addresses of other sections at the Division of Taxation, please use the “Contact Us” section of the website: <http://www.tax.ri.gov/contact/>)

■ **WALK-INS:** The Division of Taxation is located at One Capitol Hill in Providence, diagonally across from the State House on Smith Street. (The Division is on the first floor of the Powers Building, also known as the Administration Building.) Walk-ins are served from 8:30 a.m. to 3:30 p.m. business days. Walk-ins take a number and are seen in the order in which they arrive and claim their number. During filing season, the number of walk-ins increases. Therefore, at the busiest time of the week (typically early in the week), visitors may face wait times.

■ **ONLINE TOOL:** The Division of Taxation maintains an online “Where’s My Refund?” tool, which is accessible 24 hours a day, seven days a week, at this address: <https://www.ri.gov/taxation/refund/>

The site can tell you if the Division of Taxation received your return and whether your refund has been processed. The online tool is typically updated once a week, by the close of business each Friday. Thus, fresh information is typically available each Saturday. The tool reports the current status of your refund. If you check back over time and the tool continues to say that your refund is under review, it means that – due to staff limitations and the heavy volume of calls, emails, and walk-ins, especially during filing season – your refund is still awaiting staff review.

If the Division needs further information to process your return, the tool will advise you which documents to provide – and how to supply them. However, due to staff limitations, and the heavy volume of calls, emails, and walk-ins, especially during the filing season, it could take several weeks to process your refund even after receipt of the necessary documents. Additionally, because a submitted document has to be reviewed, your status in the online tool may not change upon submission.

RESOURCES AVAILABLE FOR TAXPAYERS

■ **FORMS:** Forms, instructions, booklets, and additional information are available for download from the Division of Taxation’s website: <http://www.tax.ri.gov/taxforms/>. Forms, instructions, and booklets can be picked up by visiting the agency’s first-floor lobby, One Capitol Hill, Providence, between 8:30 a.m. and 4:00 p.m. business days.

■ **PAID PREPARERS:** There are many certified public accountants, enrolled agents, public accountants, registered tax return preparers, and other paid preparers in the Rhode Island area who are available to prepare and file your federal and state returns. The IRS has more information on its website: <https://www.irs.gov/Tax-Professionals/Choosing-a-Tax-Professional>

The IRS also has a searchable list of preparers in your area who currently hold professional credentials recognized by the IRS or who hold an Annual Filing Season Program Record of Completion:

<http://irs.treasury.gov/rpo/rpo.jsf>

■ **VOLUNTEER PREPARERS:** For information about locations and times of volunteer tax preparers, call the United Way of Rhode Island's helpline by dialing its three-digit number, 211. For information on the Volunteer Income Tax Assistance (VITA) program, call toll-free at 1-800-906-9887, or use this IRS website: <http://irs.treasury.gov/freetaxprep/> For information on the AARP Tax-Aide program, call toll-free at 1-888-227-7669, or use its website: http://www.aarp.org/money/taxes/aarp_taxaide/

■ **EXTENSIONS:** If you can't file your Rhode Island personal income tax return by the April 18 deadline, you can file for an automatic six-month extension. It'll push your filing deadline out to October 17, 2016. The extension is for resident and nonresident returns. For information about how to make a proper estimate when filing for an extension, please use the following link: <http://1.usa.gov/1VE9vBW>

■ If you are not required to make a payment by April 18 – because your calculations show that you paid in a sufficient amount last year, for example – don't file the Rhode Island extension form, but when you file your Rhode Island return by the October 17 extended due date, attach a copy of your federal extension application.

■ If you have a balance due, you still must pay what you owe by April 18 or face penalty and interest charges. Remember: It's an extension of the time to file, not of the time to pay. If you'll have a balance due, file Form RI-4868 on paper.

■ If you can't pay what you owe by April 18, file anyway to avoid the failure-to-file penalty – and enter into an agreement to pay over time, in installments. To learn more about such payment plans, call the Tax Division's Compliance & Collections section, at (401) 574-8941 from 8:30 a.m. to 3:30 p.m. business days. (Have a copy of your return handy when you call.)

■ **DEADLINE AND PAPER RETURNS:** Paper returns are date-stamped when they arrive at the Division of Taxation. That way, if the arrival date becomes an issue later on, the Division will have evidence (in addition to the envelope) as to when the return arrived. This is an important point to keep in mind this season for paper returns, particularly those involving the property-tax relief credit on Form RI-1040H and the lead abatement credit on Form RI-6238, and those showing a balance due.

EXAMPLE # 1: Taxpayer A is due a property-tax relief credit for 2015. Taxpayer A claims the credit on Form RI-1040H and files the form on paper with the Division of Taxation in early February 2016. The Division of Taxation stamps on the form the arrival date: February 17, 2016. For various reasons, the Division is unable to process the return until early May 2016. Taxpayer A will still be issued the credit (assuming that all eligibility and

other rules are met) even though the definitive deadline for filing Form 1040H is April 18, 2016. The same principle applies for Form RI-6238.

EXAMPLE # 2: Taxpayer B files a paper return showing a balance due. The taxpayer attaches to the return a check for the full amount, and mails the return and the check in an envelope to the Division of Taxation in late March 2016. The Division of Taxation stamps the arrival date: March 28, 2016. For various reasons, the Division is unable to process the return and the check until early May 2016. The Division will treat the return and the check as having arrived on April 18, 2016. No penalty or interest will be levied (assuming that the return filed was accurate and all tax has been paid).

FILING DEADLINE REMINDER

The Division wants to remind people that the filing deadline is late this year – April 18.

April 15 falls on a Friday this year, a date that Washington, D.C., will celebrate Emancipation Day. That pushes the deadline to Monday, April 18. In Massachusetts, it's April 19 (Patriots Day).

We appreciate your patience and understanding during this filing season.