



Tax Practitioner Seminar

January 27, 2017

House Bill 5 Changes Impacting Tax Year 2016

HB 5 Background

- **Signed** by the Governor December 14, 2014.
- **Effective** for tax years beginning on or after January 1, 2016, except Net Operating Loss Carryforward rules.
- **Updated ordinances** for RITA member municipalities are available on RITA's website, along with any Special Notes that apply to those municipalities.
- **RITA Rules and Regulations** have been updated for tax years beginning on or after January 1, 2016.

Estimated Payments

- **Quarterly payment** of estimated tax is not required unless the estimated tax liability (amount due after withholding and credits) is \$200 or more.
 - ❖ Due: April 15th, June 15th, September 15th and December 15th.
- **Taxpayers who declare an estimate** will receive quarterly bills from RITA, no matter the amount, as a courtesy.

3

Uniform Deadlines – Annual Return

- **Annual Tax Return – Individuals:** Annual tax returns are due on the same due date that applies for state personal income tax purposes – this coming filing season will be April 18, 2017.
- **Annual Tax Return – Non-Individuals:** Annual tax returns are due on the 15th day of the fourth month following the end of the taxpayer's taxable year.

4

Filing on Extension

- **Federal Extension:** If a taxpayer has a federal extension, the municipal return is automatically extended to October 15th. No notice or request to the municipal tax administrator is required by the annual due date. A copy of the federal extension must be submitted with the extended filing.
 - ❖ For electronic filers, select extension flag/box when filing.
- **No Federal Extension:** Taxpayers that do not have a federal extension shall receive a six month extension at the municipal level if requested by the annual due date.
- **An extension to file is not an extension to pay.**

5

Filing on Extension

- **New RITA Form 32-EXT:** Individual taxpayers will use this form to request an extension when no federal extension has been requested or received, and/or to pay tax due by the annual return filing date, whether on federal extension or municipal extension.
- **RITA Form 20-EXT:** Net profit taxpayers will use Form 20-EXT to update estimates and/or allocations, to request a municipal extension if no federal extension is in place, and to pay the tax due by the annual return filing date.

6

Uniform De Minimis Thresholds

- **All Taxpayer Types:** Refunds will not be issued for \$10 or less.
 - ❖ RITA will allow overpayments of \$10 or less on the Form 37 (individuals) and the Form 27 (net profit) to be carried forward as a credit toward the next tax year.
- **All Taxpayer Types:** Municipalities may not “short” a refund by \$10. Example – taxpayer is due a \$192 refund, municipality cannot issue \$183 and keep the rest.

9

Uniform Penalty, Interest, Late Fees

For tax years beginning on or after January 1, 2016:

- **Penalty:**
 - ❖ Flat 15% of unpaid tax for individuals and net profit filers.
 - ❖ Flat 50% of unpaid tax for employer withholding.
- **Late Filing:**
 - ❖ \$25 per month, up to \$150, regardless of the amount due.
- **Interest:**
 - ❖ Federal short-term rate plus 5% (2017 – 6%).
 - ❖ Same interest to be paid on late refunds.

10

Uniform Penalty, Interest, Late Fees

- **Uniform penalty, interest and late fees** must be imposed for tax years beginning on or after January 1, 2016.
- **Pre-HB 5 rates** of penalty, interest and late fees will be charged for **taxes that were due prior to January 1, 2016**, even if paid after that date.
- **Abatements** of penalty, interest and late fees are permitted at the **discretion of the tax administrator**.

11

Residency/Domicile

- **Prior to HB 5**, domicile was determined under common law (that place to which, whenever one is absent, he always intends to return).
- **HB 5** lists 25 factors that may be considered when determining domicile in a municipal corporation.
 - ❖ **Examples:**
 - Location of law/accounting firms and medical caregivers;
 - Voter registration and driver's license;
 - Number of contact periods in the municipality (but no measurement provided); and
 - Location of abodes and of employment.

12