



## Federal Tax Tip

### Increased IRS Scrutiny of Auto mileage substantiation

Recently, the IRS has been more closely examining taxpayers who take a deduction for business automobile expenses, requesting they provide substantiation for the mileage used to determine the deductions. The IRS has been enforcing strict substantiation requirements which do not allow for a deduction based on any estimates.

The best way to be prepared is to maintain a detailed log which should include the date of each use, the amount (i.e., mileage) of each use, and the business purpose of each use of your automobile. There have been a number of recent cases where mileage deductions have been *disallowed* in their entirety because adequate records were not maintained or estimated mileage amounts were used.

## Rhode Island Tax Tips

### Electronic Payment Requirement

As of January 1, 2010, the Rhode Island Division of Taxation has mandated that anyone with an average monthly sales and use tax liability of \$200, or a tax liability of \$10,000 or more in connection with the filing of any return, will be required to remit their tax payments electronically using the ACH system. Payment of personal income taxes by individuals will **not** be subject to this requirement. This will apply to corporate income tax or required withholding on non-resident shareholders or partners.

The penalty for failing to remit the required payments electronically will be the lesser of 5% of the amount that was due with the transfer, or \$500.

### Estate Tax

As of January 1, 2010, the estate tax exemption had been increased from \$675,000 to \$850,000 in the state of Rhode Island. This amount will be indexed for inflation each year. In general, tax will only be due on a decedent's estate when their net estate, the gross value of the estate's assets after all liabilities and deductions, exceeds \$850,000.