



Rhode Island Department of Revenue

Division of Taxation

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ADVISORY FOR TAX PROFESSIONALS
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Tax changes take effect on Sunday, January 1

New provisions will apply to certain retirees, employers, business entities

PROVIDENCE, R.I. – The Rhode Island Division of Taxation reminds tax professionals that a number of tax changes will take effect on Sunday, January 1, 2017.

The changes, most of which were approved by the General Assembly and signed into law by Governor Gina M. Raimondo, will benefit a number of businesses and individuals, said Tax Administrator Neena S. Savage.

“These changes apply for tax years beginning on or after January 1, 2017. They do not affect the tax returns that businesses and individuals will file over the next few months, covering the 2016 tax year. Nevertheless, the changes are important to keep in mind for tax-planning purposes throughout the 2017 calendar year,” she said.

Following are highlights of several of the changes:

■ **PENSIONS, 401(k) PLANS:** A Rhode Island personal income tax modification for pension and/or annuity income takes effect for tax years beginning on or after January 1, 2017, and will first appear on returns early in calendar year 2018. In general, a taxpayer will qualify for the tax break if the taxpayer meets all three of the following conditions:

- The taxpayer’s federal adjusted gross income includes taxable pension and/or annuity income (as shown on the taxpayer’s federal return);
- The taxpayer has reached “full retirement age” as defined by the Social Security Administration; and
- The taxpayer’s federal adjusted gross income is below a certain amount (\$80,000 for someone who is single, \$100,000 for a married couple filing a joint return).

Assuming the taxpayer qualifies, up to \$15,000 of the taxpayer’s federally taxable pension and/or annuity income will escape Rhode Island tax. The following counts for purposes of this new Rhode Island tax break: taxable distributions from pensions, annuities, 401(k) plans, 403(b) plans, governmental 457(b) plans, military retirement pay, and other income that the taxpayer properly includes in the “taxable amount” box of the “pensions and annuities” line of the taxpayer’s federal return.

■ **C CORPORATIONS:** The \$450 annual corporate minimum tax, which applies to entities treated as C corporations for federal income tax purposes, will drop by \$50, or 11 percent, to \$400 for tax years beginning on or after January 1, 2017.

■ **S CORPORATIONS:** Subchapter S corporations became subject to the annual minimum tax under Rhode Island General Laws § 44-11-2(e) effective for tax years beginning on or after January 1, 2015. Because the \$450 annual minimum tax under that section of the statute will be reduced, subchapter S corporations will also see a reduction of \$50, or 11 percent, in their annual minimum tax, to \$400, effective for tax years beginning on or after January 1, 2017.

■ **PASS-THROUGH ENTITIES:** The \$450 annual filing charge, which generally applies to partnerships and other pass-through entities that file on Form RI-1065, will drop by 11 percent, from \$450 to \$400, for tax years beginning on or after January 1, 2017.

■ **EMPLOYER TAX:** Rhode Island's state unemployment insurance tax system will move to a new tax rate schedule starting January 1, 2017. As a consequence, UI tax rates, which had ranged from 1.69 percent to 9.79 percent for 2016, will drop to a range of 0.99 percent to 9.59 percent for 2017. This will result in savings for a number of employers. (The amount of state unemployment insurance tax that a particular employer pays depends on several factors, including the number of its employees, the taxable wage base, and the tax rate that's assigned to that particular employer.)

■ **EARNED INCOME CREDIT:** Starting January 1, 2017, Rhode Island's earned income credit – a tax break for the working poor – will increase to 15 percent of the federal earned income credit, compared with 12.5 percent of the federal credit for 2016.

■ **INTEREST RATES:** The interest rate on overpayments (refunds), now 3.25 percent, increases to 3.5 percent for 2017. The interest rate on underpayments (delinquencies) remains at 18 percent for 2017.

■ **ESTATE TAX:** The Rhode Island estate tax threshold has increased somewhat for calendar year 2017, meaning that fewer estates potentially will be subject to the tax. For a decedent dying in 2017, a net taxable estate valued at \$1,515,156 or less will not be subject to Rhode Island's estate tax. (That compares with a threshold of \$1.5 million for a decedent dying in calendar year 2016.)

More details about some of the tax law changes are contained in the Tax Division's annual "Summary of Legislative Changes," available on the agency's website: <http://go.usa.gov/xcs4Y>. For details about standard deduction amounts, personal and dependency exemption amounts, tax brackets, and related information for 2017: <http://go.usa.gov/x8vCd>. For more on the Rhode Island estate tax credit and threshold for 2017: <http://go.usa.gov/x8nsc>

FOR MORE INFORMATION

To reach the Rhode Island Division of Taxation, call the Division's main phone line at (401) 574-8829. The Division is normally open to the public from 8:30 a.m. to 3:30 p.m. business days, and is located at One Capitol Hill in Providence, in the Powers Building, which is diagonally across Smith Street from the State House. For forms, instructions, and other information, see the Division website: www.tax.ri.gov. For a list of phone numbers and email addresses of specific sections within the agency, see: www.tax.ri.gov/contact/