



Rhode Island Department of Revenue

Division of Taxation

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TAX ADMINISTRATION

ADVISORY FOR TAX PROFESSIONALS
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Tax changes take effect on Friday, January 1, 2021

Adjustments involve estate tax, interest rates, UI tax, TDI tax, other items

PROVIDENCE, R.I. – The Rhode Island Division of Taxation reminds tax professionals and others about tax changes that will take effect on Friday, January 1, 2021.

“Many of these changes apply for tax years beginning on or after January 1, 2021, and generally do not affect the tax returns that businesses and individuals will file over the next few months, covering the 2020 tax year,” said Tax Administrator Neena Savage.

“Nevertheless, the changes are important to keep in mind now, for tax-planning purposes throughout the 2021 calendar year,” she said.

Following are highlights of some of the changes:

■ ESTATE TAX

Because of an inflation adjustment prescribed by statute, the Rhode Island estate tax credit amount will be \$70,490 for decedents dying on or after January 1, 2021, up from the current \$69,515.

As a result, the Rhode Island estate tax threshold will be \$1,595,156 for decedents dying on or after January 1, 2021, up from the current threshold of \$1,579,922.

Thus, in general, for a decedent dying in 2021, a net taxable estate valued at \$1,595,156 or less will not be subject to Rhode Island’s estate tax. Due to the inflation adjustment, fewer estates will be subject to Rhode Island’s estate tax in 2021.

Estate tax at a glance		
	2020*	2021**
Estate tax credit amount	\$69,515	\$70,490
Estate tax threshold	\$1,579,922	\$1,595,156

* For decedents dying in calendar year 2020. ** For decedents dying in calendar year 2021.

(In certain circumstances, the Rhode Island estate tax will not apply regardless of the estate’s size: Rhode Island General Laws Chapter 44-22 provides full details on the computation of the tax, including such factors as the marital and charitable deductions.)

■ INTEREST RATES

Interest on overpayments (refunds) for calendar year 2021 will be at the rate of 3.25% per annum, compared with the rate of 5.00% per annum for calendar year 2020.

Interest rates at a glance		
	2020	2021
Overpayments	5.00%	3.25%
Underpayments	18%	18%

Note: Rates are set by formulas set forth in statute.

For calendar year 2021, the interest rate on underpayments (delinquencies) will be 18%, the same as the rate for 2020.

■ STATE UNEMPLOYMENT INSURANCE TAX (UI)

The taxable wage base for Rhode Island's state unemployment insurance tax (UI) will be \$24,600 in 2021 for most employers, compared with \$24,000 in 2020, an increase of \$600, or approximately 2.5%. ("Taxable wage base" generally means the amount of an employee's wages to which the tax rate applies.)

The tax rate schedule employers will use in their calculations will change, ushering in a somewhat higher range of tax rates: In 2020, employers used Schedule F. In 2021, employers will use Schedule H.

Thus, the experience rating schedules, which ranged from 0.69% to 9.19% in 2020 under schedule F, will be increased to 0.99% to 9.59% in 2021 under schedule H. Note: These rate ranges are for the employment security tax (ES) only and do not include the additional Job Development Fund (JDF) assessment of 0.21%.

The schedule change has been made in response to a reduction in the State's unemployment insurance trust fund. The trust fund balance declined in response to an increase in claims for unemployment benefits amid the global coronavirus (COVID-19) pandemic.^[1]

Rhode Island unemployment insurance (UI) tax at a glance		
	2020	2021
Taxable wage base	\$24,000	\$24,600
Tax rate schedule	F	H
Tax rate range	0.69% to 9.19%	0.99% to 9.59%

Tax rate ranges do not include the 0.21% assessment for the Job Development Fund, which is the same for 2021 as it was for 2020.

A separate, higher taxable wage base applies for employers who have experienced considerable unemployment – and who therefore have used the UI system's resources the most and are taxed at the highest state UI tax rate of 9.59%. For those employers, the taxable wage base will be \$26,100 for 2021, up from \$25,500 for 2020, an increase of \$600, or 2.35%. In general, the higher wage base is intended to help offset the large impact that these employers have on the State's unemployment insurance trust fund.

The job development assessment will remain at 0.21% for 2021.

^[1] The fund balance was approximately \$202.18 million as of September 30, 2020, compared with approximately \$525.79 million on the same date in 2019.

■ STATE TEMPORARY DISABILITY INSURANCE TAX (TDI)

The taxable wage base for Rhode Island's temporary disability insurance (TDI) tax will be \$74,000 for 2021, compared with \$72,300 for 2020, an increase of \$1,700, or 2.35%.

The "taxable wage base" is the amount of an employee's wages to which the TDI tax is applied. For 2021, the TDI tax rate will be 1.3%, the same as for 2020. Thus, the maximum TDI tax will be \$962.00 for 2021, up from \$939.90 for 2020, an increase of \$22.10, or 2.35%.

Temporary disability insurance (TDI) tax at a glance		
	2020	2021
Tax rate	1.3%	1.3%
Taxable wage base	\$72,300	\$74,000
Maximum tax	\$939.90	\$962.00

(Whether the amount of TDI tax goes up or down – or stays the same – for any particular individual will generally depend on how much the individual earns.)

Revenue from the TDI tax covers not only the TDI program but also Rhode Island's temporary caregiver insurance (TCI) program. In general, TCI can provide eligible claimants with up to four weeks of caregiver benefits to care for a seriously ill child, spouse, domestic partner, parent, parent-in-law, or grandparent, or to bond with a newborn child, newly adopted child, or new foster-care child.

■ TAX CREDITS EXTENDED

Several Rhode Island tax credit, incentive, and related programs were scheduled to sunset on December 31, 2020. However, as a result of legislation approved by the Rhode Island General Assembly and signed into law by Rhode Island Governor Gina M. Raimondo, the sunset for each has been extended by six months, to June 30, 2021.¹ The programs whose sunsets have been extended out to June 30, 2021, include the following:

- The "Rebuild Rhode Island Tax Credit" program, under Rhode Island General Laws Chapter 42-64.20, was originally scheduled to sunset on December 31, 2020. Instead, under the new law, no credits shall be authorized to be reserved after June 30, 2021.
- The "Rhode Island Tax Increment Financing" program, under Rhode Island General Laws Chapter 42-64.21, was originally scheduled to sunset on December 31, 2020. Instead, under the new law, no agreement under the program can be entered into after June 30, 2021.
- The "Stay Invested in RI Wavemaker Fellowship" program, under Rhode Island General Laws Chapter 42-64.26, was originally scheduled to sunset on December 31, 2020. Instead, under the new law, no incentives or credits can be authorized under the program after June 30, 2021.

¹ House Bill 7171, Substitute A: <http://webserver.rilin.state.ri.us/BillText/BillText20/HouseText20/H7171A.pdf>.

- The “Rhode Island Qualified Jobs Incentive Act of 2015” program, under Rhode Island General Laws Chapter 44-48.3, was originally scheduled to sunset on December 31, 2020. Instead, under the new law, no credits can be authorized to be reserved after June 30, 2021.

PROGRAM:	RHODE ISLAND GEN. LAWS:	NEW SUNSET:
Rhode Island Qualified Jobs Incentive Act of 2015	Chapter 44-48.3	June 30, 2021
Rebuild Rhode Island Tax Credit	Chapter 42-64.20	June 30, 2021
Rhode Island Tax Increment Financing	Chapter 42-64.21	June 30, 2021
Stay Invested in RI Wavemaker Fellowship	Chapter 42-64.26	June 30, 2021

FOR MORE INFORMATION

For details about personal income tax standard deduction amounts, exemptions, tax brackets, and related information for the 2021 tax year, click [here](#).

For more on the Rhode Island estate tax credit and threshold, click [here](#).

For more about interest rates, click [here](#).

For more about UI and TDI taxes, click [here](#) and [here](#).

For employer withholding tax tables for 2021, click [here](#).

For the employee withholding certificate for 2021 (Form RI W-4), click [here](#).

The Rhode Island Division of Taxation office is open to the public 8:30 a.m. to 3:30 p.m. business days. To learn more, see the agency's website: www.tax.ri.gov, or call (401) 574-8829.
