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PERSONAL INCOME TAX

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Division of Taxation posts guide to tax break for pension/annuity income

Break also is for income from 401(k) plans, military retirement pay, 403(b) plans, other sources

PROVIDENCE, R.I. – The Rhode Island Division of Taxation today posted a guide to the personal income tax modification which applies for income from 401(k) plans, 403(b) plans, private-sector pensions, government pensions, military retirement pay, annuities, and other such sources.

The 22-page guide is intended as an aid to taxpayers and tax preparers during the 2018 tax-filing season – the first filing season in which the new tax break applies. To view the guide, use either of these links: <https://go.usa.gov/xn3v4> or <http://www.tax.ri.gov/notice/>.

“We are posting this plain-language guide well in advance of the filing season in order to give taxpayers and tax professionals plenty of time to get accustomed to the new personal income tax modification and how it works,” said Rhode Island Tax Administrator Neena S. Savage, who oversees the Division of Taxation, which is part of the Rhode Island Department of Revenue. “Given that the new modification first applies for the 2017 tax year, the guide may also come in handy for tax-planning purposes for the balance of this calendar year.”

The new modification – which reduces federal adjusted gross income for Rhode Island tax purposes – was authorized under legislation approved by the Rhode Island General Assembly and signed into law by Rhode Island Governor Gina M. Raimondo on June 24, 2016. It applies for tax years beginning on or after January 1, 2017.¹

Assuming a taxpayer meets the rules involving eligibility, up to \$15,000 of the person’s federally taxable income from 401(k) plans, 403(b) plans, military retirement pay, private-sector pensions, government pensions, annuities, and other such sources will escape Rhode Island personal income tax. The tax break applies on a per-person basis, so for a married couple filing a joint return, up to \$15,000 per spouse could escape Rhode Island tax, for a combined total of up to \$30,000.

Assuming a Rhode Island tax rate of 3.75 percent, the break could generate Rhode Island personal income tax savings of up to approximately \$563 for someone who is single, or up to \$1,125 for a married couple filing a joint Rhode Island return.²

The Rhode Island Division of Taxation office is at One Capitol Hill in Providence, R.I., diagonally across from the Smith Street entrance to the State House, and 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 the agency at (401) 574-8829.

¹ Codified at Rhode Island General Laws § 44-30-12.

² Amounts shown for tax savings are estimates, for illustration purposes only. Actual savings may differ, depending on income, tax rates, and other factors.