



Rhode Island Department of Revenue

Division of Taxation

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WITHHOLDING

ADVISORY FOR TAX PROFESSIONALS
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New withholding-tax changes for 2020

Taxpayers to receive a notice detailing their requirements and due dates

PROVIDENCE, R.I. - The Rhode Island Division of Taxation today announced changes involving employer withholding tax for the 2020 calendar year.

Effective January 1, 2020, Rhode Island will:

- reduce the number of filing frequencies for certain taxpayers, and
- mandate electronic filings for certain taxpayers.

Rhode Island – like the federal government and many states – has a pay-as-you-earn income tax system. Under that system, employers are required to withhold a portion of their employees' wages and to periodically turn over those withheld funds to the Division of Taxation.¹

Rhode Island will be separating an employer's payment frequency from its filing frequency to more closely align Rhode Island's withholding regime with that of the Internal Revenue Service and some states, thus simplifying the process for employers, payroll service providers, bookkeepers, and others.

Those employers that are required to file and pay electronically will receive a notice from the Division in November 2019 providing further clarifying details and requirements.

All employers will receive a "Withholding Account Summary" notice from the Division in December 2019, letting them know about their required due dates for payment of their taxes withheld and their return filings for the 2020 calendar year.

Weekly payment frequency replaces quarter-monthly and daily frequencies

To simplify the filing requirements concerning large withholding taxpayers, effective January 1, 2020, the "weekly" frequency for submitting withheld tax to the Division of Taxation will replace the current "quarter-monthly" and "daily" frequencies.²

¹ Rhode Island General Laws § 44-30-71 ("Requirement of withholding tax from wages").

² There will be no change in remittance schedule for those that remit monthly and those that remit quarterly.

Example:

XYZ Company currently withholds Rhode Island personal income tax from its employees and submits the withheld amount to the Division on quarter-monthly basis (i.e., within three banking days after the last day of the quarter-monthly period). Effective January 1, 2020, XYZ Company will submit its withholding to the Division on a “weekly” basis (i.e., on the Monday following the week in which the payroll is paid).

ABC Company currently withholds Rhode Island personal income tax from its employees and submits the withheld amount to the Division on a “daily” basis (i.e., on the next banking day after the date the payroll is paid). Effective January 1, 2020, ABC Company will submit its withholding to the Division on a “weekly” basis (i.e., on the Monday following the week in which the payroll is paid).³

Under the new filing-frequency requirement, a week will be defined as beginning on Sunday and ending on Saturday. Under the “weekly” filing frequency, all payroll occurring in a given week will be due on the business day following the end of the week. In other words, the withheld tax must be remitted on the Monday (or Tuesday if Monday is a recognized holiday) of the following week.

Example:

XYZ Company currently submits withholding to the Division using the “daily” filing frequency. Under that system, payment is due to the Division the next banking day after the date the payroll is paid. So if the company’s payroll is paid on Thursday, December 12, 2019, payment of withholding to the Division is due on the next banking day, which is Friday, December 13, 2019.

Under the new system, effective January 1, 2020, XYZ Company will submit payment to the Division under the “weekly” filing frequency. As a result, the withheld tax must be submitted to the Division on the Monday (or Tuesday, if Monday is a recognized holiday) of the following week. Thus, if XYZ Company’s payroll is paid on Thursday, January 9, 2020, payment of the withheld tax to the Division is due Monday, January 13, 2020.

| Deadline for submitting Rhode Island withholding tax to Division of Taxation | | |
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| <i>The due date for submitting withholding tax to the Division of Taxation is changing for some employers effective January 1, 2020.</i> | | |
| TYPE OF FILER: | DUE DATE UNDER OLD SYSTEM: | DUE DATE UNDER NEW SYSTEM: |
| Daily* | Next business day after payroll is paid | Monday after payroll is paid |
| Quarter-monthly* | Three business days after payroll is paid | Monday after payroll is paid |
| Monthly | 20 th day of succeeding month | 20 th day of succeeding month |
| Quarterly | Last day of month following end of quarter | Last day of month following end of quarter |
| <p>“Old system” in effect before January 1, 2020. “New system” in effect on and after January 1, 2020. If due date falls on weekend or recognized holiday, due date is next business day. * Daily and quarter-monthly filers must submit withholding to Division via electronic means effective January 1, 2020. For definition of “quarter-monthly”, click here for withholding document and see page 4 of that document.</p> | | |

³ The names of companies used in the examples in this Advisory are for illustration purposes only and are not intended to represent the names of actual companies.

“We are looking to modernize our business processes and embrace best practices for withholding tax,” said Rhode Island Tax Administrator Neena Savage. “Initial feedback from the tax professional community has been encouraging and we hope these changes simplify the rules for our taxpayers.”

Returns required quarterly for all taxpayers

For purposes of the filing of a withholding return, the Division of Taxation will develop a new version of its Form RI-941. It will be due on a quarterly basis, mirroring the regime of the Internal Revenue Service, Massachusetts, and Connecticut. All taxpayers will submit their returns once a quarter. The returns will be due on the last day of the month following each quarter, with the first due date of April 30, 2020.

“Regardless of how often an employer must remit withholding tax to us, the return on Form RI-941 will be due quarterly,” Savage said. More information will be available closer to the due date.

Electronic requirement to file and pay

Beginning on January 1, 2020, every employer that’s required to deduct and withhold Rhode Island personal income tax – and that had an average tax amount of \$200 or more per month for the previous calendar year – must file a return and remit the payments by electronic funds transfer (or by other electronic means as defined by the Division of Taxation).

If the employer fails to pay the tax by electronic means, the employer will be subject to what is, in essence, a penalty, amounting to 5% of the withheld tax payment that was not filed electronically, or \$500, whichever is less (unless there was reasonable cause for the failure – and the failure was not due to negligence or willful neglect).

Also with regard to withholding as described above, beginning on January 1, 2020, if any person fails to file a return by electronic means, there will be added to the amount of tax a sum equal to \$50, unless there was reasonable cause for the failure and the failure was not due to negligence or willful neglect.⁴

The Division of Taxation makes available several methods for remitting payment electronically.

- To pay via the Division’s portal, click [here](#).
- For those with an existing EFT account, click [here](#).
- For those who wish to pay by debit or credit card, start by clicking [here](#).

“Paying electronically is fast, secure, and convenient. Many employers, payroll service providers, and others are already remitting their withholding by electronic means in other states, so they are already accustomed to the procedure,” Savage said.

⁴ Rhode Island General Laws § 44-30-85.1 (“Electronic filing of withholding tax returns and penalties”).

Timely deposits for withheld tax

Legislation enacted in July 2019 amends Rhode Island General Laws § 44-30-84 to say that if an entity fails to remit withheld tax at the times prescribed by the Division of Taxation, there may be interest assessed at the annual rate provided by Rhode Island General Laws § 44-1-7 (“Interest on delinquent payments”), currently 18%, for the period the failure continues until the 31st day of the first month following the close of the taxable year.

The new law says that interest with respect to any failed remittances will be computed as prescribed by the Tax Administrator. The interest assessed is on late payments within a quarterly period and only accrues to the due date for each period.⁵

For more information about the changes involving withholding tax, contact the Division of Taxation at (401) 574-8941.

The Rhode Island Division of Taxation office is at One Capitol Hill in Providence, R.I., diagonally across from the Smith Street entrance of 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.

⁵ Rhode Island Public Law 2019, chapter 88, article 5.