



Rhode Island Department of Revenue Division of Taxation

Summary of Legislative Changes

July 26, 2021
Revised October 20, 2021¹
Revised January 13, 2022²

This is a plain-language summary of State tax changes that were enacted in the 2021 session of the Rhode Island General Assembly. Most of the tax changes were enacted in the budget bill for the 2022 fiscal year.³ Some of the changes were enacted in stand-alone legislation. The Division has included below a list of topics summarized in this document, along with their page numbers. (Links in the table of contents are live.) Please note: This document may be updated from time to time.

Table of Contents

Paycheck Protection Program (PPP) loans	2
Sales tax permits	5
'Wavemaker' awards	7
'Rebuild Rhode Island' tax credits	8
Motion picture production tax credits	8
Historic preservation tax credits.....	9
'Qualified Jobs' tax credits	9
Tax increment financing.....	10
East Providence and tourism	10
East Providence artists - income tax.....	11
Tobacco	11
Real estate conveyance tax	12
Employer Tax.....	15
Hospital licensing fee.....	16

¹ The summary of the real estate conveyance tax exemption was revised on October 20, 2021. See page 15.

² The real estate conveyance tax summary was revised on January 13, 2022. See page 12.

³ House Bill 6122, Substitute A, as amended: <http://webservice.rilin.state.ri.us/BillText/BillText21/HouseText21/H6122Aaa.pdf>. The bill was approved by the Rhode Island General Assembly and signed into law by Rhode Island Governor Daniel J. McKee on July 6, 2021.

Paycheck Protection Program (PPP) loans

The federal Paycheck Protection Program (PPP) was launched in early 2020 to provide loans, backed by the U.S. Small Business Administration, to help businesses and nonprofits keep their workforces employed during the coronavirus (COVID-19) pandemic. Some borrowers qualified for PPP loan forgiveness. Also, although the PPP program officially closed on May 31, 2021, to new loan guaranty applications, existing borrowers may be eligible for PPP loan forgiveness.

A new Rhode Island law addressed the issue of PPP loan forgiveness as it relates to the Rhode Island income tax on businesses, the bank excise tax, and the income tax on individuals. In summary, if the amount of PPP loan forgiveness exceeds \$250,000, the increment above \$250,000 must be included in income for Rhode Island tax purposes. Details are provided below.

BACKGROUND

The PPP was created by the federal Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act.⁴

The Consolidated Appropriations Act, 2021,⁵ enacted in December 2020, provided that no amount shall be included in the federal gross income of the eligible PPP loan recipient by reason of forgiveness of indebtedness on an original PPP covered loan.

The December 2020 federal law also said that no deduction shall be denied, no tax attribute shall be reduced, and no basis increase shall be denied, by reason of that exclusion from gross income.

As a result of the Rhode Island new law, certain changes have been made involving the Rhode Island income tax on businesses, the bank excise tax, and the income tax on individuals.

CORPORATE INCOME TAX

The new law amends the definition of “net income” under Rhode Island General Laws Chapter 44-11 (“Business Corporation Tax”).⁶ Specifically, under the new law, “net income” means the taxpayer’s federal taxable income plus certain other items, including the following:

- For any taxable year beginning on or after January 1, 2020, the amount of any PPP loan forgiven for federal income tax purposes as authorized by the Coronavirus Aid, Relief, and Economic Security Act and/or the Consolidated Appropriations Act, 2021, and/or any other subsequent federal stimulus relief packages enacted by law, to the extent that the amount of the loan forgiven exceeds \$250,000.

In other words, if the amount of the loan forgiven exceeds \$250,000, the increment above \$250,000 must be added to the taxpayer’s federal taxable income for Rhode Island purposes.

⁴ Became U.S. Public Law 116-136 on March 27, 2020: <https://www.congress.gov/116/plaws/publ136/PLAW-116publ136.pdf>

⁵ Became U.S. Public Law 116-260 on December 27, 2020: <https://www.congress.gov/bill/116th-congress/house-bill/133>

⁶ Also known as the corporate income tax.

Example:

Corporation A's PPP loan forgiveness totaled \$245,000. None of it is treated as income for federal tax purposes. None of it is treated as income for Rhode Island tax purposes, either, as shown in the table below.

Corporation A	
Amount of loan forgiveness	\$245,000
Rhode Island's \$250,000 threshold	(\$250,000)
Amount that exceeds \$250,000 threshold	\$0
Amount included in income	\$0

Example:

Corporation B's PPP loan forgiveness totaled \$255,000. None of it is treated as income for federal tax purposes. For Rhode Island tax purposes, \$250,000 of the loan forgiveness is excluded from income, but \$5,000 of the loan forgiveness is treated as income for Rhode Island tax purposes, as shown in the table below.

Corporation B	
Amount of loan forgiveness	\$255,000
Rhode Island's \$250,000 threshold	(\$250,000)
Amount that exceeds \$250,000 threshold	\$5,000
Amount included in income	\$5,000

Example:

Corporation C had two PPP loans. The amount of loan forgiveness on the first loan is \$200,000. The amount of the loan forgiveness on the second loan is \$300,000. None of it is treated as income for federal tax purposes. For Rhode Island tax purposes, the \$250,000 threshold is applied per loan. Thus, in this example, the \$200,000 loan forgiveness on the first loan is excluded from income for Rhode Island tax purposes. In other words, none of it is included in income. Of the \$300,000 in loan forgiveness on the second loan, \$250,000 is excluded from income and \$50,000 is included in income for Rhode Island tax purposes. (See tables below.)

Corporation C, Loan # 1	
Amount of loan forgiveness	\$200,000
Rhode Island's \$250,000 threshold	(\$250,000)
Amount that exceeds \$250,000 threshold	\$0
Amount included in income	\$0

Corporation C, Loan # 2	
Amount of loan forgiveness	\$300,000
Rhode Island's \$250,000 threshold	(\$250,000)
Amount that exceeds \$250,000 threshold	\$50,000
Amount included in income	\$50,000

BANK EXCISE TAX

The new law amends the definition of “gross income” under Rhode Island General Laws Chapter 44-14 (“Taxation of Banks”).⁷ Specifically, under the new law, the taxpayer’s “gross income” for Rhode Island tax purposes is increased as follows:

- For (any) taxable year beginning on or after January 1, 2020, gross income includes the amount of any PPP loan forgiven for federal income tax purposes as authorized by the Coronavirus Aid, Relief, and Economic Security Act and/or the Consolidated Appropriations Act, 2021, and/or any other subsequent federal stimulus relief packages enacted by law, to the extent that the amount of loan forgiven exceeds \$250,000.

In other words, if the amount of the PPP loan forgiven exceeds \$250,000, the increment above \$250,000 must be added to the taxpayer’s gross income for Rhode Island purposes.

PERSONAL INCOME TAX

For Rhode Island personal income tax purposes, the new law amends Rhode Island General Laws § 44-30-12 (“Rhode Island income of a resident individual”) to provide a new modification increasing a taxpayer’s federal adjusted gross income for Rhode Island purposes, as follows:

- For any taxable year beginning on or after January 1, 2020, the amount of any PPP loan forgiven for federal income tax purposes as authorized by the Coronavirus Aid, Relief, and Economic Security Act and/or the Consolidated Appropriations Act, 2021, and/or any other subsequent federal stimulus relief packages enacted by law, to the extent that the amount of the loan forgiven exceeds \$250,000, including an individual’s distributive share of the amount of a pass-through entity’s loan forgiveness in excess of \$250,000.

In other words, if the amount of the loan forgiven exceeds \$250,000, the increment above \$250,000 must be added to the taxpayer’s federal adjusted gross income for Rhode Island purposes. The add-back rule also applies to an individual’s distributive share of the amount of a pass-through entity’s loan forgiveness in excess of \$250,000.

Example

Taxpayer X, an individual, had a \$275,000 PPP loan, all of which was forgiven. None of the forgiven loan amount was included in income for federal tax purposes. For Rhode Island tax purposes, Taxpayer X will have to include \$25,000 of the forgiven loan amount as income.

Taxpayer X (an individual)	
Amount of loan forgiveness	\$275,000
Rhode Island’s \$250,000 threshold	(\$250,000)
Amount that exceeds \$250,000 threshold	\$25,000
Amount included in income	\$25,000

⁷ Also known as the bank excise tax.

WAIVER OF INTEREST, PENALTY

The new law amended Rhode Island General Laws § 44-1-7 (“Interest on delinquent payments”) to require the Division to waive interest and penalty on the taxable portion of each PPP loan that is taxed under the corporate income tax (Rhode Island General Laws Chapter 44-11), the bank excise tax (Chapter 44-14), and the personal income tax (Chapter 44-30) and that is forgiven during the 2020 tax year -- provided that the tax on that portion is paid in full on or before March 31, 2022.

Example:

Corporation D’s PPP loan forgiveness totaled \$255,000 during tax year 2020. For Rhode Island tax purposes, \$250,000 of the loan forgiveness is excluded from income, but \$5,000 of the loan forgiveness is treated as income for Rhode Island tax purposes. The Tax Administrator shall not levy interest or penalty on the tax due on that \$5,000 provided that Corporation D pays the tax on that \$5,000 of income in full on or before March 31, 2022.

- *The Division plans to provide further guidance to practitioners, taxpayers, and others about how to go about complying with the new law and its provisions. For example, the Division will make suitable forms with instructions for making tax payments on the taxable portion of such forgiven PPP loans. Therefore, if the amount of a taxpayer’s PPP loan forgiven exceeds \$250,000, that taxpayer should hold off on filing the return until the Division’s guidance is prepared and issued.*

PPP DEDUCTIBLE EXPENSES

On January 6, 2021, the United States Treasury Department and the Internal Revenue Service issued guidance allowing deductions for the payments of eligible expenses when such payments would result (or be expected to result) in the forgiveness of a loan (covered loan) under the federal Paycheck Protection Program.⁸ Thus, to the extent such deductions are allowed for federal tax purposes, they are allowed for Rhode Island tax purposes.

Effective: As described above
Citation: House Bill 6122, Substitute A, as amended
Affects: Rhode Island General Laws Chapters 44-1, 44-11, 44-14, 44-30

Sales tax permits

The new law made changes involving the fee to apply for a sales permit and the fee to renew a sales permit. The changes apply for permit periods that begin on or after July 1, 2022 (i.e., approximately one year from now).

⁸ See Revenue Ruling 2021-2: <https://www.irs.gov/pub/irs-drop/r-21-02.pdf>. See also IR-2021-04: <https://www.irs.gov/newsroom/eligible-paycheck-protection-program-expenses-now-deductible>.

SALES PERMIT - APPLICATION

Under Rhode Island General Laws § 44-19-1(a)(1), every person or entity making sales at retail in Rhode Island (or conducting certain other types of business) must file with the Division of Taxation an application for a permit for each place of business. That requirement has not changed. However, the fee has been eliminated for permit periods that begin on or after July 1, 2022.

Example:

Retailer A applies for a sales permit covering the period of July 1, 2021, through June 30, 2022. In this example, the retailer must pay the \$10.00 application fee.

Example:

Retailer B applies for a sales permit covering the period of July 1, 2022, through June 30, 2023. In this example, the retailer will not be charged the \$10.00 application fee. That is because the fee has been eliminated for permit periods that begin on or after July 1, 2022.

SALES PERMIT - RENEWAL

Under Rhode Island General Laws § 44-19-1(a)(2), every sales permit holder who seeks to continue making sales at retail in Rhode Island (or conducting certain other types of business) must renew that permit with the Division of Taxation annually. That requirement has not changed. However, the fee has been eliminated for permit periods that begin on or after July 1, 2022.

Example:

Retailer A renews its sales permit now, so that the retailer may be issued a permit covering the period of July 1, 2021, through June 30, 2022. In this example, the retailer must pay the \$10.00 renewal fee.

Example:

Retailer B renews its sales permit so that the retailer may be issued a permit covering the period of July 1, 2022, through June 30, 2023. In this example, the retailer will not be charged the \$10.00 renewal fee. That is because the fee has been eliminated for permit periods that begin on or after July 1, 2022.

SALES PERMIT - SUSPENSION/REVOCAATION

Under Rhode Island General Laws § 44-19-2, if a retailer applies for a sales permit, or fails to renew an existing permit, and owes any Rhode Island tax, penalty, or interest, the amount owed must be paid. That requirement has not changed. However, under the new law, a retailer whose permit has been previously suspended or revoked will not be required to pay the \$10.00 fee for the renewal or issuance of a Rhode Island sales permit for permit periods beginning on or after July 1, 2022.

- *Note: Although the new law eliminates the sales permit fee as described above, other obligations for retailers will remain in full effect. For example, the requirement to obtain, hold, and renew a sales permit will continue to apply - even after the fee is eliminated. The requirement to remit sales tax on a prescribed schedule will continue to apply, as will the requirement to submit an annual report, known as an annual reconciliation, on or before January 31 of each year.*
- *Note: Although the fee is eliminated as described above, there is no change to the Division's authority to take enforcement action involving those who fail to comply with Rhode Island's sales/use tax statutes. (For example, the Division may block the renewal of a sales permit if the permit-holder is delinquent on State taxes.)*

Effective: Permit years beginning on or after July 1, 2022
Citations: House Bill 6122, Substitute A, as amended
House Bill 5214, Substitute A
Senate Bill 974
Affects: Rhode Island General Laws Chapter 44-19

'Wavemaker' awards

The Wavemaker Fellowship is available to graduates who have incurred student loan debt during the completion of an associate degree, bachelor's degree, or graduate degree, and are pursuing careers in science, technology, engineering, mathematics, or design-related fields -- including life, natural, or environmental sciences; computer, information, or software technology; advanced mathematics or finance; engineering; industrial design, or other commercially related design field; or medical or medical device technology in the state.

Any resident or nonresident with higher education loan debt who is employed in Rhode Island in one of the fields mentioned above may apply. The maximum annual Rhode Island personal income tax credit awarded under the Wavemaker program is \$6,000 for graduate degree holders, \$4,000 for bachelor's degree holders, and \$1,000 for holders of an associate degree.⁹

Technically known as the "Stay Invested in RI Wavemaker Fellowship" under Rhode Island General Laws Chapter 42-64.26, the program was scheduled to sunset on June 30, 2021. Under the new law, the sunset has been extended: No incentives or credits shall be authorized after December 31, 2022.

- *The new law also makes it clear that any award issued under the program after January 1, 2021, is exempt from Rhode Island personal income tax.¹⁰*

Effective: As described above
Citation: House Bill 6122, Substitute A, as amended
Affects: Rhode Island General Laws Chapter 42-64.26

⁹ At the election of the recipient, the award may be taken in the form of a tax credit or a direct payment.

¹⁰ The new law also makes it clear that the credits cannot exceed 100% of the education loan repayment expenses paid by the taxpayer during each service period completed for up to four consecutive service periods. (Prior law used the word "incurred" rather than "paid".)

'Rebuild Rhode Island' tax credits

In general, the "Rebuild Rhode Island Tax Credit" program, under Rhode Island General Laws Chapter 42-64.20, is aimed at commercial, residential, and mixed-use projects. The program is intended to stimulate business development; retain and attract new business and industry to Rhode Island; create jobs; assist with commercial and industrial real estate development; and generate revenues for necessary State and local governmental services.

Those qualifying under the program may receive a tax credit for use against the corporate income tax (Rhode Island General Laws Chapter 44-11), public service corporation tax (Chapter 44-13), bank excise tax (Chapter 44-14), or the insurance company gross premiums tax (Chapter 44-17), or may be used as a credit against personal income taxes for owners of pass-through entities such as a partnership, a limited-liability company taxed as a partnership, or multiple owners of property.

Under former law, the program was scheduled to sunset June 30, 2021. Under the new law, the sunset has been extended: No credits shall be authorized to be reserved after December 31, 2022. Also, additional funds have been allocated to the program.

Effective: As described above
Citation: House Bill 6122, Substitute A, as amended.
Affects: Rhode Island General Laws Chapter 42-64.20.

Motion picture production tax credits

The "Motion Picture Production Tax Credits" program, under Rhode Island General Laws Chapter 44-31.2, is intended to encourage development in Rhode Island of a capital base for motion picture film, videotape, and television program productions, in order to achieve a more independent, self-supporting industry. (A similar program is the "Musical and Theatrical Production Tax Credits" program under Rhode Island General Laws Chapter 44-31.3.)

Those qualifying under the program may receive a tax credit which can be applied against the Rhode Island corporate income tax (Rhode Island General Laws Chapter 44-11), bank excise tax (Chapter 44-14), insurance company gross premiums tax (Chapter 44-17), or the personal income tax (Chapter 44-30).

Under former law, no more than \$20 million in total could be issued for motion picture tax credits and/or musical and theatrical production tax credits. Under the new law, solely for the 2022 tax year, the total amount of motion picture tax credits and/or musical and theatrical production tax credits issued cannot exceed \$30 million.

- *The sunset remains unchanged: No credits can be issued on or after July 1, 2027, unless the production has received initial certification prior to July 1, 2027.*

Effective: As described above
Citation: House Bill 6122, Substitute A, as amended.
Affects: Rhode Island General Laws Chapter 44-31.2.

Historic preservation tax credits

The “Historic Preservation Tax Credits 2013” program, under Rhode Island General Laws Chapter 44-33.6, is intended to create economic incentives for the purpose of stimulating the redevelopment and reuse of Rhode Island’s historic structures, and to generate economic and employment activities.

In general, those qualifying under the program may receive a tax credit which can be applied against the Rhode Island corporate income tax (Rhode Island General Laws Chapter 44-11), public service corporation tax (Chapter 44-13), bank excise tax (Chapter 44-14), insurance company gross premiums tax (Chapter 44-17), or the personal income tax (Chapter 44-30).

Under former law, the program was scheduled to sunset on June 30, 2021. Under the new law, the sunset has been extended: No credits can be authorized to be reserved on or after June 30, 2022, or upon the exhaustion of the maximum aggregate credits, whichever comes first.

- *The new law also allocates \$20 million of additional funds to the program. (When the program was launched in 2013, the credits were oversubscribed and, as a consequence, a drawing was held. This time around, the Division will award the tax credits to qualifying applicants in queue. The Division will provide further guidance as needed.)*

Effective: As described above
Citation: House Bill 6122, Substitute A, as amended.
Affects: Rhode Island General Laws Chapter 44-33.6.

‘Qualified Jobs’ tax credits

The “Rhode Island Qualified Jobs Incentive Act of 2015” program, under Rhode Island General Laws Chapter 44-48.3, is intended to stimulate business expansion and attraction, create jobs, and generate revenues for necessary State and local governmental services.

Those qualifying under the program may receive a tax credit which can be applied against the Rhode Island corporate income tax (Rhode Island General Laws Chapter 44-11), public service corporation tax (Chapter 44-13), bank excise tax (Chapter 44-14), insurance company gross premiums tax (Chapter 44-17), or personal income tax (Chapter 44-30).

Under former law, the program was scheduled to sunset on June 30, 2021. Under the new law, the sunset has been extended: No credits can be authorized to be reserved after December 31, 2022.

Effective: As described above
Citation: House Bill 6122, Substitute A, as amended.
Affects: Rhode Island General Laws Chapter 44-48.3.

Tax increment financing

The “Rhode Island Tax Increment Financing” program, under Rhode Island General Laws Chapter 42-64.21, is intended to stimulate business development; retain and attract new business and industry to Rhode Island; create jobs; assist with business, commercial, and industrial real estate development; and generate revenues for necessary State and local governmental services.

In general, under a tax increment financing (TIF) agreement, the Division of Taxation pays to the developer the incremental State revenues directly realized from projects or businesses operating in the TIF area. The taxes involved include the corporate income tax (Rhode Island General Laws Chapter 44-11), public service corporation tax (Chapter 44-13), bank excise tax (Chapter 44-14), insurance company gross premiums tax (Chapter 44-17), sales, use, and meals and beverage taxes (Chapters 44-18 and 44-19), and the personal income tax (Chapter 44-30).

Under former law, the program was scheduled to sunset on June 30, 2021. Under the new law, the sunset has been extended: The Rhode Island Commerce Corporation shall enter into no tax increment financing agreement after December 31, 2022.

Effective: As described above
Citation: House Bill 6122, Substitute A, as amended.
Affects: Rhode Island General Laws Chapter 42-64.21.

East Providence and tourism

Under Rhode Island General Laws Chapter 42-63.1 (“Tourism and Development”) as amended, there are seven regional tourism districts in Rhode Island. One of these is the northern Rhode Island district, which is administered by the Blackstone Valley Tourism Council and includes the following communities:

- Pawtucket
- Woonsocket
- Lincoln
- Central Falls
- Cumberland
- North Smithfield
- Smithfield
- Glocester
- Burrillville.

Under the new law, the northern Rhode Island district is broadened to include East Providence. The new law also states that, upon proper notice to the Division of Taxation from the City of East Providence and the Blackstone Valley Tourism Council that the City has elected to become a member of the northern Rhode Island tourism district, all funds previously generated in the City of East Providence and held in escrow by the Division of Taxation shall be allocated fully and in their entirety to the Blackstone Valley Tourism Council for the direct benefit and support of tourism activities within the city of East Providence.

Effective: Upon passage
Citation: Senate Bill 881, House Bill 5361
Affects: Rhode Island General Laws Chapter 42-63.1.

East Providence artists - income tax

Rhode Island allows special income tax treatment for writers, composers, and artists who reside in certain cities or towns (or with certain specified sections of certain cities and towns), including, for example, Providence, Pawtucket, and Woonsocket.

The new law expands the special income tax treatment to those who reside within the section of the economic development zone designated as the arts and entertainment district in the downtown area of East Providence -- and who derive the income exempted from within the district while a resident of the zone.

Under the law, qualifying writers, composers, and artists may exempt from Rhode Island personal income tax any profit or gain from the publication, production, or sale of a work. A “work” means an original and creative work, whether written, composed, created, or executed for “one-of-a-kind, limited” production, which falls into one of the following categories:

- a book or other writing;
- a play, or the performance of the play;
- a musical composition, or the performance of the composition;
- a painting or other like picture;
- a sculpture;
- traditional and fine crafts;
- the creation of a film, or the acting of that film; or
- the creation of a dance, or the performance of that dance.

➤ *For reporting purposes, qualifying writers, composers, and artists claim the tax break as a modification reducing their federal adjusted gross income for Rhode Island tax purposes.¹¹ The modification is claimed on Schedule M of the Rhode Island personal income tax return.*

Effective: Upon passage
Citation: Senate Bill 575
Affects: Rhode Island General Laws § 44-30-1.1.

Tobacco

Former law forbade the Division of Taxation to issue a retail tobacco products dealer license or electronic nicotine-delivery system license to any individual, business, firm, association, or corporation whose license has been revoked or suspended. That continues to be the case, but under the new law, the list of entities is broadened to include any fiduciary, partnership, or trust.

Furthermore, the new law adds to the definition of “license” any license issued under Rhode Island General Laws Chapter 44-20 (“Cigarette and Other Tobacco Products Tax”) or Chapter 23-1 (“Department of Health”).

¹¹ Ordinarily, modifications are listed under Rhode Island General Laws § 44-30-12 (“Rhode Island income of a resident individual”). However, the modification for qualifying writers, composers, and artists is codified at Rhode Island General Laws § 44-30-1.1 (“Exemption from tax for writers, composers and artists”) and referenced at § 44-30-12.

In addition, in general, the new Rhode Island law prohibits the sale of tobacco products, little cigars, electronic nicotine-delivery system products, and certain other items to anyone under age 21. (The minimum age was formerly 18 for Rhode Island state law purposes.) The new Rhode Island law also requires that a conspicuous sign notifying persons of the new (higher) smoking age must be prominently posted where tobacco products are sold.

- *On December 20, 2019, federal legislation was enacted to raise the federal minimum age of sale of tobacco products from 18 to 21 years. Thus, under federal law, it is illegal for a retailer to sell any tobacco product – including cigarettes, cigars, and e-cigarettes – to anyone under age 21.*

Effective: Upon passage
Citation: House Bill 5571, Substitute A
Affects: Various chapters of Rhode Island General Laws

Real estate conveyance tax

In general, Rhode Island’s real estate conveyance tax applies when real estate changes hands. The tax is collected and remitted by the cities and towns.¹²

Under current law, the tax is equal to \$2.30 for each \$500.00 or fractional part thereof that is paid for the purchase of real estate or the interest in an acquired real estate company.

Under the new law, effective January 1, 2022, an additional \$2.30 tax will apply for each \$500.00, or fractional part thereof, in consideration that is paid above \$800,000.00 for the purchase of the property or the interest in an acquired real estate company.¹³

Rhode Island real estate conveyance tax at a glance* (effective January 1, 2022)	
TAX RATE:	APPLIES TO:
\$2.30 for each \$500.00 of the entire consideration paid
\$2.30 for each \$500.00 of the consideration paid in excess of \$800,000.00

* No tax applies if the consideration is \$100.00 or less. If the consideration exceeds \$100.00, tax applies to the entire amount. See Rhode Island General Laws Chapter 44-25 ("Real Estate Conveyance Tax") as amended in General Assembly 2021 session.

The following pages provide examples of how the tax will apply, as well as details on how the revenue will be allocated, and information about exemptions.¹⁴

¹² Municipalities retain a portion of the tax collected.

¹³ The additional tax rate applies only to residential real property. (Revised for clarification: January 13, 2022).

¹⁴ Dollar amounts are rounded in some examples.

Example:

If real estate is sold for \$300,000.00, the Rhode Island real estate conveyance tax under the new law will be \$1,380.00, the same as under prior law: $(\$300,000.00 \div \$500.00) \times \$2.30 = \$1,380.00$.¹⁵

Example:

Under the old law, if real estate sold for \$900,000.00, the Rhode Island real estate conveyance tax was \$4,140.00, calculated as follows:
 $(\$900,000.00 \div \$500.00) \times \$2.30 = \$4,140.00$.

Under the new law, effective January 1, 2022, the tax will be \$4,600.00, calculated in two steps:

A) A tax rate of \$2.30 (applied using the usual formula) on the entire consideration of \$900,000.00¹⁶, and

B) A tax rate of \$2.30 (applied using the usual formula) on the consideration above \$800,000.00.¹⁷

Thus, in this example, the tax under letter A above is \$4,140.00. The tax under letter B above is \$460.00. Therefore, the combined total tax is \$4,600.00. (Please see table below.)

Tax on \$900,000.00 sale (under new law effective January 1, 2022)		
First step:	$(\$900,000.00 \div \$500.00) \times \$2.30 =$	\$4,140.00
Second step:	$(\$900,000.00 - \$800,000.00) \div \$500.00 \times \$2.30 =$	\$460.00
Total		\$4,600.00

Example:

Under the old law, if real estate sold for \$2,000,000.00, the Rhode Island real estate conveyance tax was \$9,200.00, calculated as follows:
 $(\$2,000,000.00 \div \$500.00) \times \$2.30 = \$9,200.00$.

¹⁵ The term "new law" as used in this document means the existing statutes -- Rhode Island General Laws Chapter 44-25 -- as amended in the General Assembly's 2021 session.

¹⁶ Tax rate is applied for each \$500.00, or fractional part of it, of the entire consideration paid for the purchase of property or the interest in an acquired real estate company.

¹⁷ Tax rate is applied for each \$500.00, or fractional part of it, of the consideration in excess of \$800,000.00 that is paid for the purchase of property or the interest in an acquired real estate company.

Under the new law, effective January 1, 2022, the tax will be \$14,720.00, which is calculated in two steps:

A) A tax rate of \$2.30 (applied using the usual formula) on the entire consideration of \$2,000,000.00, and

B) A tax rate of \$2.30 (applied using the usual formula) on the consideration above \$800,000.00.

Thus, in this example, the tax under letter A above is \$9,200.00. The tax under letter B above is \$5,520.00. Therefore, the combined total tax is \$14,720.00. (Please see table below.)

Tax on \$2 million sale (under new law effective January 1, 2022)		
First step:	$(\$2,000,000.00 \div \$500.00) \times \$2.30 =$	\$9,200.00
Second step:	$(\$2,000,000.00 - \$800,000.00) \div \$500.00 \times \$2.30 =$	\$5,520.00
Total		\$14,720.00

DISTRIBUTION OF FUNDS

As described on the first page of this notice, the new law sets forth the tax as follows:

A: The tax of \$2.30 for each \$500.00 or fractional part thereof is applied to the entire consideration paid on the purchase of real estate or the interest in an acquired real estate company.

B: A tax of \$2.30 for each \$500.00, or fractional part thereof, in consideration that is paid above \$800,000.00 for the purchase of the property or the interest in an acquired real estate company.

Revenue collected by the Division of Taxation under “A” above will continue to be distributed as under existing law. The “incremental” revenue, collected by the Division of Taxation under “B” above, will be distributed to a new State account, known as the Housing Production Fund. The money in the fund will be administered by the Rhode Island Housing and Mortgage Finance Corporation to provide affordable housing for certain people based on income, and for certain other purposes. The distribution is summarized in the following table.

Rhode Island real estate conveyance tax - distribution*	
TAX:	DISTRIBUTION:
Of the \$2.30 per \$500.00 of entire consideration paid:	\$1.10 to municipality collecting the tax
	\$0.60 for State use
	\$0.30 to Distressed Communities Relief Fund
	\$0.30 to Housing Resources Commission
TAX:	DISTRIBUTION:
Of the \$2.30 per \$500.00 of consideration paid >\$800,000.00	\$2.30 to Housing Production Fund
* Effective January 1, 2022.	

EXEMPTION FROM TAX

Effective immediately, the new law created an exemption from the real estate conveyance tax where the transfer takes place among owners, members, or partners in a real estate company with respect to an affordable housing development where:¹⁸

- the housing development has been financed, in whole or in part, with federal low-income tax credits under Internal Revenue Code (IRC) § 42, or
- at least one of the owners, members, or partners of the company is a Rhode Island nonprofit corporation or an entity exempt from tax under IRC § 501(c)(3), or is owned by a Rhode Island nonprofit corporation or an entity that is exempt from tax under IRC § 501(c)(3), and the housing development is subject to a recorded deed restriction or declaration of land use restrictive covenants in favor of the Rhode Island Housing and Mortgage Finance Corporation, the State of Rhode Island Housing Resources Commission, the Federal Home Loan Bank or any of its members, or any other state or local government instrumentality under an affordable housing program. No such real estate company shall be an “acquired real estate company”.

➤ *The new exemption is effective immediately. However, the new tax and the new distribution formula take effect January 1, 2022.*

Effective: New tax and distribution formula effective January 1, 2022. New exemption effective immediately.
 Citation: House Bill 6122, Substitute A, as amended
 Affects: Rhode Island General Laws Chapter 44-25

Employer Tax

The new law allows for the transfer of the Employer Tax unit from the Division of Taxation to the Rhode Island Department of Labor and Training (DLT). This includes the equivalent of approximately 35 full-time employees. The goal of the transfer is to centralize, within the DLT, the work that is related to unemployment insurance, temporary disability insurance (or TDI, and the related temporary caregivers’ insurance, or TCI), and the Job Development Fund.

The Division of Taxation is working with DLT on an implementation plan to gradually transition the Employer Tax unit to DLT. For the time being, however, the Employer Tax unit will continue to be located at the Division of Taxation, One Capitol Hill, Providence, Rhode Island. Its phone numbers will remain the same. So, too, will its forms, its email addresses, and its website: <http://www.uitax.ri.gov/>.

¹⁸ This sentence was revised on October 20, 2021, to more accurately reflect statute involving the scope of the real estate conveyance tax exemption. The new language in the sentence is underlined.

The transfer will not happen immediately. Rather, the transfer will take place gradually, over time, to allow for as smooth a transition as possible with minimum disruption. The Division of Taxation, which is part of the Rhode Island Department of Revenue (DOR), will work cooperatively with the DLT to keep stakeholders informed about key stages of the transfer. Further guidance will be issued in due course.

The Rhode Island Division of Taxation's Employer Tax unit processes all quarterly tax and wage reports (on Form TX-17), and accompanying tax payments, that are submitted by Rhode Island employers. These payments include all required state unemployment insurance taxes, Job Development Fund assessments, and TDI taxes.

- *The new law authorizes and empowers the law revision director of the Joint Committee on Legislative Services to make appropriate changes in Title 28, Chapters 39, 40, 42, and 43, and any other section of the laws to carry out the intent of the law. (For example, any reference in the statutes to the Tax Administrator when it comes to the collection of TDI, employment security taxes, or job development fund revenues will be construed to refer to the director of DLT.)*
- *Reminder: The Employer Tax unit will not be transferred immediately. Thus, for the foreseeable future, nothing will change: The Employer Tax unit's phone numbers, email addresses, forms, instructions, policies, procedures, and website all will remain the same.*

Effective: As described above
Citation: House Bill 6122, Substitute A, as amended
Affects: Various sections of Rhode Island General Laws

Hospital licensing fee

As a result of the new law, Rhode Island's hospital licensing fee under Rhode Island General Laws § 23-17-38.1 is as follows:

STATE FISCAL YEAR 2021: The hospital licensing fee for the State's fiscal year 2021 is equal to 5.0% of the net patient services revenue of every hospital for the hospital's first fiscal year ending on or after January 1, 2019, except that the license fee for all hospitals located in Washington County, Rhode Island, shall be discounted by 37%. Every hospital shall pay the licensing fee to the Division of Taxation on or before July 13, 2021.

STATE FISCAL YEAR 2022: The hospital licensing fee for the State's fiscal year 2022 is equal to 5.725% of the net patient services revenue of every hospital for the hospital's first fiscal year ending on or after January 1, 2020, except that the license fee for all hospitals located in Washington County, Rhode Island, shall be discounted by 37%. Every hospital shall pay the licensing fee to the Division of Taxation on or before July 13, 2022.

Effective: As described above
Citation: House Bill 6122, Substitute A, as amended.
Affects: Rhode Island General Laws Chapter 23-17.



This document is an informal summary of recently enacted Rhode Island legislation and is for general information purposes only. It is not a substitute for Rhode Island General Laws, or for Rhode Island Division of Taxation regulations, rulings, or notices. Citations listed in this document are from the original legislative text and are subject to revision. Some of the citations included in this publication refer to existing statutes that have been amended.

-- Neena S. Savage
Rhode Island Tax Administrator