Interest Rate Changes for January 1, 2023
Frequently Asked Questions

Q: Which interest rate is changing?
A: The interest rate on certain Rhode Island delinquent tax payments is changing.

Q: What is the change going to be?
A: The minimum interest rate on delinquent tax payments has been 18% since October of 2006. This change enacted by the budget bill will reduce the rate to 12% for tax periods beginning on or after January 1, 2023, for most taxes administered by the Division.

Q: How is the interest rate calculated?
A: The rate of interest for delinquent tax payments, pursuant to Rhode Island General Laws § 44-1-7, is determined annually and calculated by adding 2% to the prime rate in effect as of October 1 of the previous year. The maximum interest rate of 21% will remain the same, and the minimum interest rate is reduced from 18% to 12%.

Q: Does the interest rate change apply to all tax types?
A: No. The interest rate change only applies to tax types that are not trust fund taxes. Trust fund taxes are those held in trust for the State of Rhode Island and are paid directly by the taxpayer to businesses, who hold the tax in trust, and are required to send the tax to the State.

Q: What are trust fund taxes?
A: “Trust fund taxes” are taxes collected from taxpayers by businesses and remitted by those businesses to the State. For example: sales tax, hotel tax, meals and beverage tax, and withholding tax. Trust fund taxes will continue to accrue interest at 18%. Businesses are required to remit these taxes to the State.
and there are criminal sanctions for those that misuse or misappropriate these taxes, which are the property of the State.

Q: When does this change take place?
A: This change applies to delinquencies for tax periods beginning on or after January 1, 2023.

Q: When will I see the impact of this change?
A: Taxpayers will see the results of this change on their bills for underpaid periods beginning on or after January 1, 2023.

Q: After January 1, 2023, will my previously incurred balance be adjusted to reflect the lower interest rate?
A: No. This change applies to delinquencies for tax periods beginning on or after January 1, 2023. Delinquencies for previous periods, including periods that were filed after January 1, 2023, will continue to accrue at the 18% rate that was in place during that previous period.

Q: For the calculation of underestimated interest, will my estimated payment due 01/15/2023 for tax year 2022 be subject to the new interest rate?
A: As the payment is due for tax year 2022, all underestimated interest will be calculated based on the 18% interest rate. There will be no split year interest rate for underestimated interest.

Q: Does the change in interest rate impact overpayments?
A: No. The interest rate on overpayments is determined separately from the interest rate on underpayments, as determined under Rhode Island General Laws § 44-1-7.1. The interest rate on overpayments of Rhode Island State tax for a given calendar year is computed by reference to the prime rate which was in effect on October 1 of the preceding year.

Q: Who can I contact with questions about the interest rate change?
A: The Rhode Island Division of Taxation Compliance and Collections Section is available to help. Contact the Division by phone Monday - Friday: 8:30 AM - 3:30 PM, at: 401.574.8941, or any time by email: Tax.Collections@tax.ri.gov.

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