



Interest Rate Changes for January 1, 2023 Frequently Asked Questions

Q1: Which interest rate is changing?

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

Q2: 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% beginning on January 1, 2023 for most taxes administered by the Division.

Q3: 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%.

Q4: 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.

For non-trust fund taxes, all delinquencies existing prior to January 1, 2023 will accrue interest at 18% through December 31, 2022, and will accrue interest at 12% per year beginning on January 1, 2023.

¹ This document was revised on November 25, 2022. The FAQ now reflects expanded guidance regarding the periods impacted by the interest rate change.

See the following table for examples:

	For Period	Due Date	Date Filed	Date Paid	Interest Rate Through 12/31/22	Interest Rate Beginning on 1/1/23
Corporate Return	12/31/2018	4/15/2019	4/15/2019	July 2023	18%	12%
Corporate Return	12/31/2022	4/15/2023	4/15/2023	12/31/2023	N/A*	12%
Corporate Return	12/31/2018	4/15/2019	12/31/2023	12/31/2023	18%	12%
Sales Tax Return	5/31/2020	6/20/2020	12/31/2023	12/31/2023	18%	18%

*Interest on underpayment of estimated payments due in 2022 would accrue interest at 18% through December 31, 2022, and interest at 12% beginning on January 1, 2023.

Q5: 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.

Q6: When does this change take place?

A: This change will go into effect January 1, 2023.

Q7: 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.

Q8: After January 1, 2023, will my previously incurred balance be adjusted to reflect the lower interest rate?

A: No. All outstanding liabilities prior to January 1, 2023 will accrue interest at the 18% rate through December 31, 2022. The change will apply to all tax liabilities existing on January 1, 2023 and after. Thus, if you have a corporate tax liability for tax year ending December 31, 2021 filed and paid on March 30, 2023, interest will accrue at 18% through December 31, 2022 and at 12% from January 1, 2023 through date of payment on March 30, 2023.

Q9: 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: Yes, in part. This change will apply to estimated payments starting on January 1, 2023 and after. Thus, for a fourth quarter payment due January 15, 2023, interest will accrue at 18% through December 31, 2022 and at 12% from January 1, 2023 through the January 15, 2023 due date. This would also be the case if that payment is paid late.

Q10: 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.

Q11: 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](tel:401.574.8941), or any time by email: Tax.Collections@tax.ri.gov.
