



Rhode Island Department of Revenue

Division of Taxation

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Tax Administration

ADVISORY FOR TAXPAYERS AND TAX PROFESSIONALS
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Rhode Island Decouples from Recently Enacted Federal Legislation-H.R. 1 *Further Rhode Island Tax Guidance on H.R. 1 (Public Laws No.: 119-21)*

PROVIDENCE, R.I. – The Rhode Island Division of Taxation today provides guidance regarding Rhode Island tax treatment in response to the recent enactment of federal legislation, from which Rhode Island decoupled in its Fiscal Year 2026 Budget.

H.R. 1 (Public Laws No.: 119-21) was enacted on July 4, 2025 and includes tax provisions that impact tax filings for certain filers for Tax Year 2025 as well as retroactive tax provisions that could impact Tax Years 2022, 2023, and 2024. The Division of Taxation issued guidance regarding the retroactive tax impacts in its [Advisory 2025-18](#). This Advisory is aimed at providing guidance for the 2025 Tax Year.¹

Impacts for Individuals

Filing Guidance for Tax Year 2025

With the enactment of H.R. 1, for individuals, the following items are now allowed federally that are not allowed under Rhode Island law:

“Above the line”	“Below the line”
<ul style="list-style-type: none">• Changes to business interest expenses	<ul style="list-style-type: none">• No tax on qualified overtime
<ul style="list-style-type: none">• Changes to research and development expensing	<ul style="list-style-type: none">• No tax on car loan interest for qualified vehicles
<ul style="list-style-type: none">• Increase in cap for depreciation of business assets	<ul style="list-style-type: none">• SALT deduction cap increase
<ul style="list-style-type: none">• Deduction for qualified sound recording equipment	<ul style="list-style-type: none">• Changes to qualified opportunity zone designations

While all of these provisions impact the calculation of Rhode Island income tax, not all have to be added back as a modification to the Rhode Island state income tax return.

Since Rhode Island decoupled from H.R. 1, some of these items (“Above the Line”) will need to be added back for Rhode Island tax purposes. See image on following page:

¹ Please note, for tax years beyond 2025, the FY2026 Budget provided for an advisory working group, which is required to produce a report on or before October 31, 2025 with recommendations and options with respect to the federal changes in H.R. 1 (Public Laws No.: 119-21).

State of Rhode Island Division of Taxation
2025 RI Schedule HR1 - Individual
 Addback of Federal P. L. 119-21, H.R. 1 Provisions

Name	Social security number

The following P. L. 119-21, H.R.1, 119th Cong. (2025) items taken as deductions on your Federal return are to be added back in order to determine your Rhode Island Modified Federal AGI.

1a Business interest expense deduction included on Federal Form 1040, Schedule C, line 16; or RI Schedule K-1, Section II, line 5 [I.R.S. Code 163(j)] (See instructions).....	1a		
b Section 174A Amortization Adjustment for research and development expensing from RI Schedule K-1, Section II, line 6 [I.R.S. Code 174A].....	1b		
c Depreciation of business assets [I.R.S. Code 179(b)].....	1c		
d Qualified sound recording production deduction from RI Schedule K-1, Section II, line 7 [I.R.S. Code 181].....	1d		
e Reserved for future use.....	1e		
f Total amount of P. L. 119-21, H.R. 1 deductions. Add lines 1a - 1e. Enter here and on RI Sch. M, line 2k.....	1f		

The above schedule, RI Schedule HR1-Individual, must accompany the RI-1040 and RI-1040NR to facilitate the addbacks required under Rhode Island law. This schedule will require taxpayers to addback any deductions reported on their RI Schedule K-1 that are allowed federally per H.R. 1.

Any amounts reported on this form will then need to be reported on the RI Schedule M as an increasing modification. Starting with Tax Year 2025, if a taxpayer reports an addback in that tax year for section 174A amortization, the taxpayer will then be allowed a decreasing modification on RI Schedule M in future tax years. Note, the decreasing modification cannot exceed twenty percent of the initial addback each subsequent year as allowed by law. For more information regarding section 174A, please see [Advisory 2025-18](#).

Tax Provisions Allowed on Federal Filings Only

As part of H.R.1, taxpayers may qualify for either no tax on tips, no tax on overtime compensation and no tax on car loan interest for qualified vehicles. Again, these tax provisions are below the line, meaning they are not reflected in federal adjusted gross income, which is the starting point of the RI-1040 and RI-1040NR returns. Rhode Island is decoupled from this tax treatment and will not allow for these exclusions from ordinary taxable income.

SALT Deduction Cap Increase

Starting with Tax Year 2025, H.R.1 increases the SALT deduction cap from \$5,000 to \$20,000 for individuals filing separately and \$10,000 to \$40,000 for married filing jointly taxpayers. In response to the initial SALT cap, Rhode Island established a Pass-Through Entity Tax starting in Tax Year 2019. Rhode Island will continue to administer the Pass-Through Entity Tax and any individual who elects to participate is required to comply with the addback on the RI-1040 or RI-1040NR return.

Impacts for Entities

Filing guidance for Tax Year 2025

For businesses, H.R. 1 includes the below provisions that are now allowed at the Federal level that are not allowed under Rhode Island law:

- Changes to business interest expenses;
- Changes to research and development expensing;
- Increase in cap for depreciation of business assets;
- Deduction for qualified sound recording equipment;
- Changes to qualified opportunity zone designations.

Similar to the adjustments required for individuals, some of these will need to be added back for Rhode Island tax purposes:

State of Rhode Island Division of Taxation	
2025 RI Schedule HR1 - Entity	
Addback of Federal P. L. 119-21, H.R. 1 Provisions	
Name	Federal employer identification number
The following P. L. 119-21, H.R.1, 119th Cong. (2025) items taken as deductions on your Federal return are to be added back in order to determine your Rhode Island Taxable Income.	
1a Business interest expense deduction included on Federal Form 1065, line 15; Federal Form 1120, line 18; or Federal Form 1120-S, line 13 [I.R.S. Code 163(j)].....	1a
b Section 174A Amortization Adjustment for research and development expensing [I.R.S. Code 174A].....	1b
c Depreciation of business assets [I.R.S. Code 179(b)].....	1c
d Qualified sound recording production deduction [I.R.S. Code 181].....	1d
e Reserved for future use.....	1e
f Total amount of P. L. 119-21, H.R. 1 deductions. Add lines 1a - 1e. Enter here and on Form RI-1041, Sch. M, line 2k; Form RI-1065, Sch. C, line 1f; Form RI 1120C, Sch. C, line 1e; or Form RI-1120S, Sch. C, line 1f.....	1f

The above schedule, RI Schedule HR1-Entity, must accompany and be reported on the RI-1041, RI Schedule M or the RI-1065, RI-1120S, RI-1120C, or T-74, Schedule C as an addition.

The RI Schedule 174A, the RI Schedule HR1-Individual, and the RI Schedule HR1-Entity should accompany a taxpayer's electronic or paper filing. For original or amended return filings for Tax Years 2022, 2023, or 2024, the RI Schedule 174A, the RI Schedule HR1-Individual and the RI Schedule HR1-Entity should be submitted as an attachment along with electronic filings. If the preparer's software does not support submissions along with attachments, the supporting schedules must be submitted to the Division via email. Taxpayers may email tax.assist@tax.ri.gov to submit forms for personal or fiduciary returns and may email tax.corporate@tax.ri.gov to submit forms for partnership or corporate returns. For Tax Year 2025, the RI Schedule 174A, the RI

Schedule HR1-Individual and the RI Schedule HR1-Entity may be submitted as part of the electronic filing and will not need to be submitted as an attachment. For all tax years, if a taxpayer files a paper return, the required schedules must accompany the paper filing. Taxpayers are reminded that businesses meeting certain criteria are subject Rhode Island's Electronic Filing Mandate. For more information about the Mandate and which businesses it applies to, please visit the Division's [Electronic Filing Mandate webpage](#).

Further Assistance

For questions about this tax update, contact the Rhode Island Division of Taxation's Personal and Corporate Income Tax Section by email at tax.assist@tax.ri.gov (Individual or Fiduciary inquires) or tax.corporate@tax.ri.gov (Partnership, Corporate or Bank Excise inquiries), or by phone at (401) 574-8829 option 3 (Individual or Fiduciary inquires) or option 6 (Partnership, Corporate, or Bank Excise inquiries) between 8:30 a.m. and 3:30 p.m. on business days.

The Rhode Island Division of Taxation, part of the Rhode Island Department of Revenue, is open to the public from 8:30 a.m. to 3:30 p.m. business days. For more information, contact the Division of Taxation at (401) 574-8829 or see <https://tax.ri.gov/about-us/contact-us>.
