ADV 2026-02
Tax Administration

ADVISORY FOR TAXPAYERS AND TAX PROFESSIONALS
January 14, 2026

2026 Tax Changes

Division reminds taxpayers of new year changes

PROVIDENCE, R.I. – The Rhode Island Division of Taxation reminds taxpayers and tax professionals of the tax changes that took effect on Thursday, January 1, 2026.

Some of these changes impact taxation immediately upon their effective date. Such changes impact *calendar years* beginning on or after January 1, 2026, and have immediate impacts. Such changes should be kept top of mind moving into 2026.

Some of the changes apply for *tax years* beginning on or after January 1, 2026, and generally do not affect the tax returns that businesses and individuals will file over the next few months related to Tax Year 2025. Those changes can be used for tax-planning purposes throughout the 2026 calendar year.

■ Short-term Rentals

Increase to local hotel tax rate - Applies to all short-term rentals
All short-term rentals, including hotels, in Rhode Island are subject to a 1% "local" hotel tax. Effective January 1, 2026, Rhode Island's local hotel tax rate increased from 1% to 2%.

New Whole Home Short-term Rental Tax - Applies only to a residential dwelling rented in its entirety
Effective January 1, 2026, a new whole home short-term rental tax is imposed at the rate of 5% on any residential dwelling rented in its entirety.

The tax is calculated based on the total charge for a short-term rental of a residential dwelling rented in its entirety. Generally, rentals that will be subject to the tax are short-term rentals including houses, condos, mobile homes, and other residential dwellings, and will include vacation rentals and/or rentals offered through online hosting platforms.

For more information about the changes to the taxation of short-term rentals effective January 1, 2026, please see ADV 2025-16 and the Division's Whole Home Short-Term Rental Tax FAQs.

■ Tax Credits Changes

Research and Development Expense Credit adjusted
Effective January 1, 2026 and starting with Tax Year 2026, the carryforward of the Research and Development Expense Credit will increase from 7 years to 15 years.

Tax Credit Sunsets Imposed or Updated
Starting January 1, 2026, the following tax credit sunset changes will become effective:

Credit	Change
Jobs Growth Act Tax Credit	Eliminates any tax credits for tax years beginning on or after 1/1/26.
Tax Increment Financing	The Rhode Island Commerce Corporation shall enter into no tax increment financing agreement after December 31, 2026.
Specialized Investment Tax Credit	Eliminates any tax credits for tax years beginning on or after 1/1/26.
Elective Deduction for Research and Development Facilities	Eliminates any deductions for tax years beginning on or after 1/1/26 with carry forward for deductions allowed for tax years ending on or before 12/31/25.
Research and Development Property Tax Credit	Eliminates any tax credits for tax years beginning on or after 1/1/26 with carry forward for credits allowed for tax years ending on or before 12/31/25.
Employment Tax Credit	Eliminates any tax credits for tax years beginning on or after 1/1/26.
Tax Incentives for Capital Investment in Small Businesses	Eliminates any tax credits, deductions, or modifications for tax years beginning on or after 1/1/26.

■ Annual Report Requirement Removed for Alcoholic Beverages Sales

Effective January 1, 2026, there is no longer the requirement for the filing of the Form RI T-204A, the annual reconciliation form for alcoholic beverages, filed by liquor stores and wholesalers. This change also removed the requirement for the State to publish an annual report regarding the Sales Tax Exemption for Alcoholic Beverages.

■ Real Estate Conveyance Tax – Threshold

Starting January 1, 2026, Tier 2 of the real estate conveyance tax will be adjusted annually based on the Consumer Price Index for all Urban Consumers (CPI-U). This annual adjustment, set forth in statute, applies when "Residential Real Property" is conveyed with a total consideration paid more than a certain amount. The Tier 2 rate is imposed in addition to the Tier 1 rate. The Tier 2 threshold amount for Calendar Year 2026 is $824,000, up from $800,000. The Tier 2 tax rate is $3.75 per $500 of consideration paid for the purchase of the residential real property over the $824,000 threshold**.**

For more information about the adjustment to Tier 2 of the Rhode Island real estate conveyance tax, please see ADV 2026-01.

■ Estate Tax – Credit, Threshold

Because of an inflation adjustment prescribed by statute, the Rhode Island estate tax credit amount is $87,940 for decedents dying on or after January 1, 2026. This represents an increase from the credit amount of $85,375 which applied for decedents dying in Calendar Year 2025.

As a result, the Rhode Island Estate Tax threshold is $1,838,056 for decedents dying on or after January 1, 2026, up from the threshold of $1,802,431 for decedents dying in Calendar Year 2025.

In general, for a decedent dying in 2026, a net taxable estate valued at $1,838,056 or less will not be subject to Rhode Island's Estate Tax. In certain circumstances, the Rhode Island Estate Tax will not apply regardless of the estate's size – R.I. Gen. Laws § 44-22 provides full details on the computation of the tax, including such factors as the marital and charitable deductions.

Estate tax update		
	2025*	2026**
Estate tax credit amount	$85,375	$87,940
Estate tax threshold	$1,802,431	$1,838,056
*For decedents dying in Calendar Year 2025. ** For decedents dying in Calendar Year 2026.		

For more information about the Rhode Island estate tax credit and threshold, please see ADV 2025-27.

■ Interest Rates

Interest on overpayments (refunds) for Calendar Year 2026 is at the rate of 7.25% per annum, a decrease of .75% from the rate for Calendar Year 2025. For Calendar Year 2025, the interest rate on underpayments (delinquencies) remains at 18% for Trust Fund taxes, and 12% for all other taxes.

Interest rates update		
	2025	2026
Overpayments	8%	7.25%
Underpayments – Trust Fund Taxes	18%	18%
Underpayments – Non-Trust Fund Taxes	12%	12%
Note: Rates are determined by formulas set forth in statute.		

For more details regarding interest rates please see ADV 2025-23.

■ Personal Income Tax

The Personal Income Tax inflation-adjusted amounts have been calculated for 2026. These amounts apply for **Tax Year** 2026. This means the adjusted amounts will not appear on tax returns filed in 2026 covering Tax Year 2025. They are important to know now for tax-planning purposes and will be the amounts on tax returns seen in early 2027 for Tax Year 2026.

For details about personal income tax standard deduction amounts, exemptions, tax brackets, and related information for Tax Year 2025, please see ADV 2025-22.

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.