Tax changes take effect on Monday, January 1, 2018
New provisions will apply to businesses, individuals, employers, and estates

PROVIDENCE, R.I. – The Rhode Island Division of Taxation reminds tax professionals of tax changes that will take effect on Monday, January 1, 2018.

A number of the changes will benefit businesses, individuals, and others, said Rhode Island Tax Administrator Neena S. Savage, who oversees the Rhode Island Division of Taxation.

“These changes apply for tax years beginning on or after January 1, 2018. They do not affect the tax returns that businesses and individuals will file over the next few months, covering the 2017 tax year. Nevertheless, the changes are important to keep in mind now, for tax-planning purposes throughout the 2018 calendar year,” she said.

Following are highlights of some of the changes:

- **ESTIMATED TAXES**: Corporations will have new due dates and a new formula for their Rhode Island estimated taxes. Legislation approved by the Rhode Island General Assembly earlier this year contained a proposal by Rhode Island Governor Gina M. Raimondo under which corporations will make their Rhode Island estimated tax payments in accordance with federal statute and regulations. Aligning Rhode Island’s corporate estimated tax system with the federal system will be a convenience for many businesses and their tax advisors, Savage said.

<table>
<thead>
<tr>
<th>Corporate estimated tax – due dates and amounts</th>
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<tbody>
<tr>
<td>OLD SYSTEM (Front-loaded payment in two installments)</td>
</tr>
<tr>
<td>DUE DATE</td>
</tr>
<tr>
<td>1st payment</td>
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<tr>
<td>2nd payment</td>
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<tr>
<td>3rd payment</td>
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</tbody>
</table>

For illustration purposes, table assumes filer is calendar-year C corporation. New system applies for tax years beginning after December 31, 2017. Thus, first installment for calendar-year filer would be due in April 2018. Dates in table do not take into account weekends, holidays.

Under former law, a corporation was required to make two Rhode Island payments of estimated tax: 40 percent of the total, due on the 15th day of the third month of the tax year, and 60 percent of the total, due on the 15th day of the sixth month of the tax year.

⇒ For a calendar-year C corporation, the first payment, of 40 percent, was due March 15. The second payment, of 60 percent, was due June 15.
Under the new law, which applies for tax years beginning after December 31, 2017, a corporation will make four payments of Rhode Island estimated tax in equal instalments of 25 percent apiece. The first payment will be due on the 15th day of the fourth month of the tax year, the second payment on the 15th day of the sixth month of the tax year, the third payment on the 15th day of the ninth month of the tax year, and the fourth payment on 15th day of the twelfth month of the tax year.

Thus, for a calendar-year C corporation, the first payment will be due on April 15, the second on June 15, the third on September 15, and the fourth on December 15. (The dates do not reflect weekends or holidays.)

A calendar-year corporation, for example, will first encounter the new system in calendar year 2018, and its first quarterly estimated payment, 25 percent of the total, will be due on or before April 17, 2018.

- **UNEMPLOYMENT INSURANCE TAX:** The tax rates that apply to employers under Rhode Island's state unemployment insurance program (UI tax), which had ranged from 0.99 percent to 9.59 percent in 2017, will drop to a range of 0.89 percent to 9.49 percent for 2018.

As a result, employers -- who saved about $30 million in the aggregate in calendar year 2017 because of a previous change -- will save about $10 million more in the aggregate in calendar year 2018.

The changes are a result of legislation approved by the General Assembly in 2016, which included a proposal by Governor Raimondo to revise downward the UI trust fund's reserve ratio. The state unemployment insurance trust fund’s balance at September 30, 2017, was $350 million.

- **TEMPORARY DISABILITY INSURANCE (TDI) TAX:** The maximum tax under Rhode Island's temporary disability insurance (TDI) program will be $762.30 for calendar year 2018, down from $817.20 for calendar year 2017, a decrease of 6.7 percent, or $54.90.

The TDI tax, which is paid by employees, has two main components: one is the tax rate itself, the other is the amount of an employee’s wages to which that tax rate applies.

The maximum amount of wages to which the TDI tax rate applies will be $69,300 for 2018, compared with $68,100 for 2017, an increase of 1.8 percent, or $1,200. But because the rate will drop, the maximum tax will drop, too. (Whether the amount of an employee’s TDI tax goes up or down in 2018 will generally depend on how much the employee earns.)
Estate Tax:

The Rhode Island estate tax credit amount will be $66,810 for decedents dying on or after January 1, 2018, up from the current credit amount of $65,370.

As a result, the Rhode Island estate tax threshold will be $1,537,656 for decedents dying on or after January 1, 2018, up from the current threshold of $1,515,156.

Thus, in general, for a decedent dying in 2018, a net taxable estate valued at $1,537,656 or less will not be subject to Rhode Island’s estate tax. In other words, because of the inflation adjustment, fewer estates will be subject to Rhode Island’s estate tax in 2018.

(In certain circumstances, the Rhode Island estate tax will not apply regardless of the estate’s size: Rhode Island General Laws Chapter 44-22 provides full details on the computation of the tax, including such factors as the marital and charitable deductions.)

Interest Rates:

Interest on overpayments for calendar year 2018 shall be at the rate of 4.25 percent per annum, compared with the rate of 3.50 percent per annum for calendar year 2017.

For calendar year 2018, the interest rate on delinquent tax payments shall be 18 percent per annum, the same as the rate for 2017.

However, under the terms of Rhode Island’s amnesty program, if a person or entity pays what is owed in back taxes, the Division of Taxation will eliminate penalties and erase 25 percent of the interest owed. Amnesty runs through February 15, 2018. For more information, see www.TaxAmnesty.ri.gov, or call (401) 574-8829 from 8:30 a.m. to 3:30 p.m. business days.)

For more information

- More details about some of the tax law changes are contained in the Division of Taxation's annual “Summary of Legislative Changes,” available through the following link: https://go.usa.gov/xryn9Z.
- For information about personal income tax standard deduction amounts, personal and dependency exemptions, tax brackets, and related information for the 2018 tax year, use the following link: https://go.usa.gov/xrKvN.
- For more on the Rhode Island estate tax credit and threshold for 2018, use the following link: https://go.usa.gov/xnZq3.
- For more about UI and TDI taxes, see the following links: http://www.dlt.ri.gov/News_Releases/NR120617.htm and http://www.ri.gov/press/view/32033.

Estate tax at a glance

<table>
<thead>
<tr>
<th></th>
<th>2017*</th>
<th>2018**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estate tax credit amount</td>
<td>$65,370</td>
<td>$66,810</td>
</tr>
<tr>
<td>Estate tax threshold</td>
<td>$1,515,156</td>
<td>$1,537,656</td>
</tr>
</tbody>
</table>

* For decedents dying in calendar year 2017. ** For decedents dying in calendar year 2018.

Interest rates at a glance

<table>
<thead>
<tr>
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<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overpayments</td>
<td>3.50%</td>
<td>4.25%</td>
</tr>
<tr>
<td>Underpayments*</td>
<td>18%</td>
<td>18%</td>
</tr>
</tbody>
</table>

* Interest can be reduced under terms of Rhode Island amnesty program.