



Rhode Island Department of Revenue

Division of Taxation

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TAX ADMINISTRATION

ADVISORY FOR TAXPAYERS AND TAX PROFESSIONALS
JULY 21, 2021

Tax tips: unemployment benefits

What steps to take to make sure you are in compliance with law

PROVIDENCE, R.I. – The Rhode Island Division of Taxation reminds taxpayers and tax preparers about the tax treatment of unemployment benefits.

Under Rhode Island law, unemployment benefits are treated as income for purposes of the Rhode Island personal income tax. Thus, if someone receives unemployment benefits, the person must report those benefits as income on the Rhode Island tax return.

Under federal law enacted earlier this year, up to \$10,200 in unemployment benefits for certain taxpayers is excluded from the taxpayer's income for federal tax purposes for the 2020 tax year.¹ However, federal and Rhode Island law are not the same in this regard. For Rhode Island tax purposes, all unemployment benefits are counted as income.²

For those who have filed their Rhode Island personal income tax returns already, and for those who have yet to file, the Division provides the following handy table:

The following table shows the Rhode Island tax treatment of unemployment benefits for 2020. What steps to take depend in part on whether an individual has or has not filed a 2020 personal income tax return.

Rhode Island tax treatment of unemployment benefits received in 2020				
SCENARIO:	DO NOTHING	FILE AN INITIAL RETURN	FILE AN AMENDED RETURN	INCLUDE UNEMPLOYMENT BENEFITS ON RETURN
You already filed Rhode Island return for 2020 tax year and included unemployment benefits on Rhode Island return	✓	N/A	N/A	N/A
You already filed Rhode Island return for 2020 tax year but did <u>not</u> include unemployment benefits on Rhode Island return	N/A	N/A	✓	✓
You have not yet filed Rhode Island return for 2020 tax year	N/A	✓	N/A	✓

¹ For details on the federal tax treatment of unemployment compensation (which is not the same as Rhode Island's tax treatment of unemployment compensation), see: <https://www.irs.gov/newsroom/tax-treatment-of-unemployment-compensation>.

² See Rhode Island Public Law 2009, chapter 5, article 9, § 12, codified at Rhode Island General Laws § 44-30-12(b)(6).

More details

Already filed, included unemployment compensation: If you already filed your Rhode Island personal income tax return for 2020 and included your 2020 unemployment benefits as income on that return, you need not take any further steps (assuming you have filed a complete and accurate return). There is no need to file an amended Rhode Island return if your original filing included all of your unemployment compensation.

Already filed, did not include unemployment compensation: If you already filed your Rhode Island personal income tax return for 2020 and did not include your 2020 unemployment benefits as income, you must file an amended Rhode Island personal income tax return for 2020 and include in your income (“add back” to income), for Rhode Island purposes, the amount of your 2020 unemployment benefits. (See “Notes” below for more information.)

Not yet filed: If you have not yet filed your Rhode Island personal income tax return for 2020, remember to include your 2020 unemployment benefits as income for Rhode Island tax purposes -- regardless of how those benefits are treated for federal tax purposes. (See “Notes” below for more information.)

Notes

- The Division revised Schedule M (“RI Modifications to Federal AGI”). Unemployment compensation that was received by the taxpayer but not included in federal adjusted gross income for Rhode Island purposes must be “added back” to one’s Rhode Island income via line 2g of the revised Schedule M. For details, please see the following links:
 - http://www.tax.ri.gov/Advisory/ADV_2021_13.pdf
 - http://www.tax.ri.gov/Advisory/ADV_2021_14.pdf
- A certain number of electronically filed Rhode Island personal income tax returns covering 2020 did not include unemployment benefits as income for Rhode Island tax purposes - even though the taxpayers had received unemployment benefits during the 2020 tax year. The Division set aside these returns -- approximately 5,000 in total -- while the Division awaited resolution on the issue of the State tax treatment of unemployment benefits. Once it became clear that no change would be made during the legislative session with respect to the tax treatment of unemployment benefits, the Division resumed processing those returns. As part of that process, the Division has automatically added back, as income, the unemployment benefits that those taxpayers received. Those taxpayers will be notified, by mail (United States Postal Service), of the result. For example, a taxpayer may end up receiving a smaller refund than what the taxpayer originally claimed on the return. In some cases, a taxpayer may wind up owing additional Rhode Island personal income tax.

The Rhode Island Division of Taxation has normal operating hours 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 <http://www.tax.ri.gov/contact>
