



Rhode Island Department of Revenue

Division of Taxation

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Tax Administration

ADVISORY FOR TAXPAYERS AND TAX PROFESSIONALS
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Division posts updated guide to tax break for pension/annuity income *Tax break also applies to 401(k) plans, military retirement pay, 403(b) plans*

PROVIDENCE, R.I. – The Rhode Island Division of Taxation has posted an updated version of its guide to the personal income tax modification involving income from 401(k) plans, 403(b) plans, profit-sharing plans, private-sector pensions, government pensions, military retirement pay, annuities, and other such sources.

The 26-page guide is intended as an aid to taxpayers and tax preparers during the 2022 tax-filing season, covering tax year 2021 returns. The guide can also be used for future tax-filing seasons.

The modification – which reduces federal adjusted gross income for Rhode Island tax purposes – was signed into law in 2016, and applies for tax years beginning on or after January 1, 2017. “We’ve again revised and updated the guide to continue to reflect changes that taxpayers might encounter during the filing season,” said Neena Savage, Rhode Island Tax Administrator. “We are happy to provide guidance to help those who will be claiming this tax break for the first time, and those who are engaged in tax planning,” she said. The guide is posted under the “Publications” category on the Division’s website: <https://tax.ri.gov/guidance/publications>.

For eligible taxpayers, up to \$15,000 of the person’s income from 401(k) plans, 403(b) plans, Section 457 plans, military retirement pay, private-sector pensions, government pensions, annuities, and other such sources are exempted from Rhode Island personal income tax. This tax break applies on a per-person basis, meaning that if a married couple files a joint return, up to \$15,000 per spouse could be exempt from Rhode Island tax. This could provide a modification for a combined total of up to \$30,000 for that couple.

Assuming, for convenience, a Rhode Island tax rate of 3.75 percent, the break could generate Rhode Island personal income tax savings of up to approximately \$563 for someone who is single, or up to \$1,125 for a married couple filing a joint Rhode Island return. (Actual savings may differ, depending on a taxpayer’s income, tax rates, and other factors.)

For more details see the Division’s 2021 guide. The Division is also available to answer taxpayer questions business days from 8:30 a.m. - 3:30 p.m. The Personal Income Tax - Taxpayer Assistance Section can be reached by email: Tax.Assist@tax.ri.gov, and phone: 401.574.8829, option #3.

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>.
