



Rhode Island Department of Revenue

Division of Taxation

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TAX ADMINISTRATION

ADVISORY FOR TAX PROFESSIONALS
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Tax changes take effect on Wednesday, January 1, 2020 *Adjustments involve health insurance mandate, withholding, UI tax, TDI tax*

PROVIDENCE, R.I. – The Rhode Island Division of Taxation reminds tax professionals and others about tax changes that will take effect tomorrow: January 1, 2020.

“Many of these changes apply for tax years beginning on or after January 1, 2020, and generally do not affect the tax returns that businesses and individuals will file over the next few months, covering the 2019 tax year,” said Tax Administrator Neena Savage.

“Nevertheless, the changes are important to keep in mind now, for tax-planning purposes throughout the 2020 calendar year,” she said.

Following are highlights of some of the changes:

■ HEALTH COVERAGE MANDATE

Starting January 1, 2020, all Rhode Islanders must have sufficient health coverage (also known as “minimum essential coverage”). If you do not have such coverage in 2020, and do not have an exemption, you will face a Rhode Island personal income tax penalty in 2021 (when you file your Rhode Island return for the 2020 tax year).

Most people have minimum essential coverage (through employer-sponsored health insurance, Medicaid, Medicare, TRICARE, or some other means) and will not have to pay the penalty. Rhode Island residents who don’t have such coverage can learn more about their health insurance options from Rhode Island’s health insurance exchange -- [HealthSource RI](#). To learn more about Rhode Island’s new health coverage mandate (sometimes called the health insurance mandate or individual mandate), click [here](#).

■ WITHHOLDING

PAYMENT FREQUENCY

Changes involving employer withholding tax take effect in January 2020. Rhode Island will reduce the number of filing frequencies for certain taxpayers, and mandate electronic filings for certain taxpayers. The changes are intended to more closely align Rhode Island’s withholding regime

with that of the Internal Revenue Service and some states, thus simplifying the process for employers, payroll service providers, bookkeepers, and others.

To simplify the requirements concerning large withholding taxpayers, effective January 2020, the “weekly” payment frequency for submitting withheld tax to the Division of Taxation will replace the current “quarter-monthly” and “daily” frequencies.

Under the “weekly” filing frequency, all payroll occurring in a given week will be due on the business day following the end of the week. In other words, the withheld tax must be remitted on the Monday (or Tuesday, if the Monday is a recognized Rhode Island holiday) of the following week. There will be no change in the remittance schedule for those that remit monthly and those that remit quarterly. (For a listing of official Rhode Island holidays in 2020, click [here](#).)

Deadline for submitting Rhode Island withholding tax to Division of Taxation		
<i>The due date for submitting withholding tax to the Division of Taxation is changing for some employers effective January 1, 2020.</i>		
TYPE OF FILER:	DUE DATE UNDER OLD SYSTEM*	DUE DATE UNDER NEW SYSTEM*
Daily**	Next business day after payroll is paid	Monday after payroll is paid
Quarter-monthly**	Three business days after payroll is paid	Monday after payroll is paid
Monthly	20 th day of succeeding month	20 th day of succeeding month
Quarterly	Last day of month following end of quarter	Last day of month following end of quarter
<p>“Old system” in effect before January 1, 2020. “New system” in effect on and after January 1, 2020. * If due date falls on weekend or recognized Rhode Island state holiday, due date is next business day. ** Daily and quarter-monthly filers must submit withholding to Division via electronic means effective January 1, 2020. For definition of “quarter-monthly”, click here for prior year’s withholding document and see page 4 of that document.</p>		

PAYING ELECTRONICALLY

Beginning in January 2020, every employer that’s required to deduct and withhold Rhode Island personal income tax – and that had an average tax amount of \$200 or more per month for the previous calendar year – must file a return and remit the payments by electronic funds transfer (or by other electronic means as defined by the Division of Taxation). To pay via the Division’s portal, click [here](#).

FILING RETURNS

Starting in 2020, the withholding tax return that employers file with the Division, known as Rhode Island Form RI-941, will be due on a quarterly basis, mirroring the regime of the Internal Revenue Service, Massachusetts, and Connecticut. All employers – regardless of how often they must remit withholding – will submit their returns on Form RI-941 once a quarter. The returns will be due on the last day of the month following each quarter, with the first due date of April 30, 2020.

■ STATE UNEMPLOYMENT INSURANCE TAX (UI)

The taxable wage base for Rhode Island's state unemployment insurance tax (UI) will be \$24,000 in 2020 for most employers, compared with \$23,600 in 2019, an increase of \$400, or approximately 1.7 percent. ("Taxable wage base" generally means the amount of an employee's wages to which the tax rate applies.)

However, the tax rate schedule which employers will use in their calculations will change, ushering in a reduced range of tax rates: In 2019, employers used Schedule G. In 2020, employers will use Schedule F. Thus, the experience rating schedules, previously ranging from 1.1% to 9.7% in 2019 under schedule G (including the assessment and adjustment for the Job Development Fund), will be reduced to 0.9% to 9.4% in 2020 under schedule F.

A separate, higher taxable wage base applies for employers who have experienced considerable unemployment – and who therefore have used the UI system's resources the most and are taxed at the highest state UI tax rate.

Rhode Island unemployment insurance (UI) tax at a glance		
	2019	2020
Taxable wage base	\$23,600	\$24,000
Tax rate schedule	G	F
Tax rate range	1.1% to 9.7%	0.9% to 9.4%

Tax rate ranges include the 0.21% assessment for Job Development Fund. The 0.08% Job Development Adjustment was in effect for 2019 but not for 2020.

For those employers, the taxable wage base will be \$25,500 for 2020, up from \$25,100 for 2019, an increase of \$400, or 1.59%. In general, the higher wage base is intended to help offset the large drain that these employers have on the state's unemployment insurance trust fund.

The job development assessment will remain at 0.21% for 2020.

■ STATE TEMPORARY DISABILITY INSURANCE TAX (TDI)

The taxable wage base for Rhode Island's temporary disability insurance (TDI) tax will be \$72,300 for 2020, compared with \$71,000 for 2019, an increase of \$1,300, or 1.83%.

The "taxable wage base" is the amount of an employee's wages to which the TDI tax is applied. For 2020, the TDI tax rate will be 1.3%, compared with 1.1% for 2019. Thus, the maximum TDI tax will be \$939.90 for 2020, compared with \$781 for 2019, an increase of \$158.90, or 20.35%.

Temporary disability insurance (TDI) tax at a glance		
	2019	2020
Tax rate	1.1%	1.3%
Taxable wage base	\$71,000	\$72,300
Maximum tax	\$781.00	\$939.90

(Whether the amount of TDI tax goes up or down – or stays the same – for any particular individual will generally depend on how much the individual earns.)

Revenue from the TDI tax covers not only the TDI program but also Rhode Island's temporary caregiver insurance (TCI) program. In general, TCI can provide eligible claimants with up to four weeks of caregiver benefits to care for a seriously ill child, spouse, domestic partner, parent, parent-in-law, or grandparent, or to bond with a newborn child, newly adopted child, or new foster-care child.

■ ESTATE TAX

Because of an inflation adjustment prescribed by statute, the Rhode Island estate tax credit amount will be \$69,515 for decedents dying on or after January 1, 2020, up from the current credit amount of \$68,350.

As a result, the Rhode Island estate tax threshold will be \$1,579,922 for decedents dying on or after January 1, 2020, up from the current threshold of \$1,561,719.

Thus, in general, for a decedent dying in 2020, a net taxable estate valued at \$1,579,922 or less will not be subject to Rhode Island's estate tax. Due to the inflation adjustment, fewer estates will be subject to Rhode Island's estate tax in 2020.

Estate tax at a glance		
	2019*	2020**
Estate tax credit amount	\$68,350	\$69,515
Estate tax threshold	\$1,561,719	\$1,579,922

* For decedents dying in calendar year 2019. ** For decedents dying in calendar year 2020.

(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 (refunds) for calendar year 2020 will be at the rate of 5.00% per annum, compared with the rate of 5.25% per annum for calendar year 2019.

Interest rates at a glance		
	2019	2020
Overpayments	5.25%	5.00%
Underpayments	18%	18%

Note: Rates are set by formulas set forth in statute.

For calendar year 2020, the interest rate on underpayments (delinquencies) will be 18%, the same as the rate for 2019.

■ REMOTE SELLERS

In August 2017, Rhode Island enacted a law involving non-collecting retailers, such as out-of-state online retailers. In general, you had to comply with that law if – in the preceding calendar year – you had \$100,000 in gross revenue from the sale of taxable goods/services delivered in Rhode Island, or 200 or more transactions of taxable goods/services delivered in Rhode Island. If you were subject to the law, you had a choice:

- Register with the Division of Taxation and collect and remit Rhode Island sales and use tax, or
- Provide a series of notices to each of your Rhode Island customers who have cumulative annual taxable purchases from you totaling \$100 or more for the prior calendar year. (The notices are intended to help taxpayers determine their Rhode Island use tax obligation.)

However, as a result of a new law enacted earlier this year, the notice option is no longer available. Effective July 1, 2019, you must register, collect, and remit.

The requirement applies to remote sellers with no physical presence in Rhode Island who sell products/services into Rhode Island, marketplace facilitators with no physical presence in Rhode Island who facilitate the sale of products/services into Rhode Island, and referrers with no physical presence in Rhode Island who refer the sale of products/services into Rhode Island, if:

- The remote seller, marketplace facilitator, or referrer in the previous calendar year had gross revenue from sales into Rhode Island of \$100,000 or more, or
- The remote seller, marketplace facilitator, or referrer in the previous calendar year had sales into Rhode Island in 200 or more separate transactions.

However, for sales in 2019 (before July 1, 2019), you still must provide notices to consumers according to the terms of the law involving non-collecting retailers. Further, you must send customers with \$100 or more in annual purchases an “annual notice” by January 31, 2020, and provide the Division of Taxation, on or before February 17, 2020, an attestation that the notice requirements were fulfilled. (Details of the annual notice requirement and the attestation requirement can be found on the Division’s [webpage for remote sellers, marketplace facilitators, and referrers.](#))

■ TAX CREDITS EXTENDED

Several Rhode Island tax credit, incentive, and related programs were scheduled to sunset on June 30, 2020. However, as a result of legislation approved by the Rhode Island General Assembly and signed into law by Rhode Island Governor Gina M. Raimondo, the sunset for each of the following has been extended by six months, to December 31, 2020. The programs whose sunsets have been extended out to December 31, 2020, include the following:

- The “Rhode Island Tax Increment Financing” program, under Rhode Island General Laws Chapter 42-64.21.
- The “Stay Invested in RI Wavemaker Fellowship” program, under Rhode Island General Laws Chapter 42-64.26.
- The “Rhode Island New Qualified Jobs Incentive” program under Rhode Island General Laws Chapter 44-48.3.

■ SURPLUS LINES

In general, a “surplus lines broker” or “surplus lines licensee” means someone who is licensed to sell, solicit, or negotiate insurance on properties, risks, or exposures that are located, or to be performed, in Rhode Island. The holder of a surplus lines broker license has tax obligations that are set forth in statute and administered by the Rhode Island Division of Taxation.

A Rhode Island tax return must be filed each year on behalf of surplus lines brokers/licensees. The return must be filed with the Rhode Island Division of Taxation and is due on or before April

1. Effective in 2020, the tax return and any associated payment due for surplus lines brokers/licensees may be paid via the Division's portal by clicking [here](#). Estimated payments for surplus lines in 2020 may be made [via the portal](#) or by clicking [here](#).

FOR MORE INFORMATION

For more details about some of the tax law changes, see the Division of Taxation's annual "Summary of Legislative Changes" by clicking [here](#).

For details about personal income tax standard deduction amounts, exemptions, tax brackets, and related information, click [here](#).

For more on the Rhode Island estate tax credit and threshold, click [here](#).

For more about UI and TDI taxes, click [here](#) and [here](#).

The Rhode Island Division of Taxation office is at One Capitol Hill in Providence, R.I., diagonally across from the Smith Street entrance to the State House, and is open to the public 8:30 a.m. to 3:30 p.m. business days. To learn more, see the agency's website: www.tax.ri.gov, or call (401) 574-8829.
