



Rhode Island Department of Revenue Division of Taxation

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ADVISORY FOR TAXPAYERS AND TAX PROFESSIONALS
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Retirement income changes on the horizon in Rhode Island

Military pensions fully exempted; exemption amount for other retirement income raised

One of the main tenets of the Rhode Island Division of Taxation's mission is to "assist taxpayers by helping them understand and meet their tax responsibilities." To ensure taxpayers and tax professionals understand the impacts of recent law changes, the Division is issuing a series of communications, such as this one, intended to be plain-language summaries for reference and use by taxpayers to aid voluntary compliance.

PROVIDENCE, R.I. – The passage of the Fiscal Year 2023 budget impacts a major aspect of personal income tax – pensions and retirement income. Many Rhode Islanders collecting retirement income will soon see some significant changes to Rhode Island Personal Income Tax modifications.

For tax years beginning January 1, 2023, military service pensions will be exempted from Rhode Island Personal Income tax.

The addition of subsection 11 to [R.I. Gen. Laws § 44-30-12\(c\)](#) allows for a modification reducing federal adjusted gross income for taxpayers receiving military service pensions. When filing Rhode Island personal income taxes, a taxpayer may subtract the amount of the military service pension benefits that were included in their federal adjusted gross income. The balance after the modification would then be their modified federal adjusted income for Rhode Island tax purposes.

For tax years beginning January 1, 2023, an amendment to provisions related to private sector pensions, government pensions, 401(k) plans, 403(b) plans, and other such sources has also been enacted.

This amendment increased the amount of taxable pension and/or annuity income that can be exempted from Rhode Island personal income tax from \$15,000 to \$20,000 starting with tax year 2023. This modification continues to be applied on an individual basis, meaning that joint filers may qualify for a combined total modification of \$40,000.

This means that up to \$20,000 of a taxpayer's federally taxable income from sources such as pensions, 401(k) plans, and annuities, may be excluded as income subject to Rhode Island personal income tax. The income exemption applies to qualified taxpayers with a federal adjusted gross income (AGI) that includes taxable income from sources such as pensions, 401(k) plans, and annuities, who has reached "full retirement age" as defined by the Social Security Administration and has a federal AGI below a certain amount.

Taxpayers may qualify for both pension modifications but are unable to include military pension income in the modification for other various pensions and annuities (as mentioned above). Meaning, a taxpayer cannot include military income toward the modification for other pensions and annuities. This is due to the fact that income cannot be deducted twice.

The Division will provide expanded guidance to taxpayers in the next edition of the “Rhode Island Personal Income Tax Guide: Modification For Income from Pensions, 401(K) Plans, Annuities, And Other Such Sources,” traditionally published during filing season on the Division’s [website](#). This publication includes examples, explanations, and enhanced guidance.

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>.
