



Summary of Legislative Changes

July 15, 2022
Revised 12/6/2022¹

This is a plain-language summary of State tax changes that were enacted in the 2022 session of the Rhode Island General Assembly. Most of the tax changes were enacted in the budget bill for the 2023 fiscal year.² Some of the changes were enacted in stand-alone legislation. The Division has included below a list of topics summarized in this document, along with their page numbers. (Links in the table of contents are live.) Please note: This document may be updated from time to time.

Table of Contents

Child Tax Rebates.....	2
Cannabis tax.....	2
Driver privilege cards and permits.....	3
Modification for military service pensions.....	3
Retirement income exemption increase.....	4
Reduction of interest rate for certain delinquent payments.....	4
Property tax relief.....	5
Sales tax exemptions.....	5
Electronic filing and payment mandate for large business taxpayers.....	6
Historic Preservation Tax Credits.....	6
Motion Picture Production Tax Credits.....	7
‘Qualified Jobs’ tax credits.....	8
‘Rebuild Rhode Island’ tax credits.....	8
‘Wavemaker’ expansion.....	8
Tax increment financing.....	9
Prevailing wage requirements for certain tax credits.....	9
Hospital licensing fee.....	10

¹This document was revised on December 6, 2022. The Summary of Legislative Changes now reflects expanded guidance regarding the periods impacted by the interest rate change.

²House Bill 7123, Substitute A as amended: <http://webserver.rilin.state.ri.us/BillText/BillText22/HouseText22/H7123Aaa.pdf>. The bill was approved by the Rhode Island General Assembly and signed into law by Rhode Island Governor Daniel J. McKee on June 27, 2022 with an effective date of July 1, 2022 unless otherwise provided in the bill.

Child Tax Rebates

During the Fall of 2022, the Rhode Island Division of Taxation will distribute one-time Child Tax Rebates to qualifying Rhode Island residents. There is no separate application for claiming a rebate. The Division will calculate each taxpayer's rebate payment based on the taxpayer's 2021 Rhode Island personal income tax filing.

Eligible taxpayers will be issued a rebate payment of \$250 per child, up to a maximum of three children. For the purposes of this rebate, a child is defined as an individual who is eighteen years of age or under as of December 31, 2021. Rebate payments will be issued for each child validly claimed as a dependent on the taxpayer's 2021 Rhode Island personal income tax return.

Eligible taxpayers are any natural persons domiciled in Rhode Island who have filed their state personal income tax return for the 2021 taxable year by the due date. Taxpayers submitting amended filings must do so by August 31, 2022 to qualify for the rebate. Taxpayers filing their original returns by the extended due date of October 17, 2022 also qualify.

To receive a rebate, taxpayers must meet one of the following income requirements for the 2021 taxable year:

- Single, married filing separately, head of household, or qualifying widow/widower with a federal adjusted gross income of \$100,000 or less; or
- Married filing jointly with a federal adjusted gross income of \$200,000 or less.

Child Tax Rebate payments will not be considered income for the purposes of state personal income tax for tax year 2022. They will also not be included in calculations when determining eligibility for any state program.

This law provides an additional penalty for fraudulent claims. If a taxpayer fraudulently claims a dependent on their Rhode Island personal income tax return they must pay back the rebate amount received. The taxpayer will also be subject to a penalty of \$10,000 for each fraudulently claimed dependent.

Effective: 7/1/2022

Citation: [House Bill 7123, Substitute A as amended](#)

Affects: [Rhode Island General Laws Chapter 44-30](#)

Cannabis tax

With the passage of House Bill 7593, Substitute A as amended, Rhode Island legalized adult recreational use of cannabis in Rhode Island. The new law implements a state and local cannabis excise tax, to be remitted to the Division of Taxation. These taxes are imposed upon the sale of cannabis and cannabis products by a licensed cannabis retailer, and are in addition to other Rhode Island taxes, including sales and use tax. When cannabis is sold by the retailer to anyone other than a cannabis establishment, the cannabis product is subject to state sales and use tax, a 10% state excise tax, and a 3% local excise tax. The State will collect and distribute the local cannabis excise tax on behalf of the municipalities in which the cannabis product is delivered to purchasers.

Every licensed adult use cannabis business must file a tax return on or before the 20th day of the month following the sale of cannabis and cannabis products. If the retailer fails to collect

the tax from the purchaser, the purchaser must file a return and pay the tax directly to the state.

Failure to pay the state cannabis excise tax to the state, or any amount of tax required to be collected and paid to the state, will result in the accrual of interest from the due date of the payment.

The State cannabis excise and local cannabis excise taxes do not apply to the sale of cannabis products by a medical marijuana treatment center to entities that hold a compassion center permit, such as cardholders and caregivers.

As with many other taxes, there are also provisions for inspection of the retail premises, necessary record keeping, and rights to appeal.

The Cannabis Control Commission may make recommendations to the general assembly regarding the rate of taxation, and the General Assembly may adjust the rates of cannabis taxation at any time.

Effective: 5/25/2022

Citation: [House Bill 7593, Substitute A as amended](#)

Affects: Rhode Island General Laws Titles [21](#) and [44](#)

Driver privilege cards and permits

On June 28, 2022, Governor Daniel J. McKee signed into law Senate Bill 2006, Substitute A as amended, allowing the Rhode Island Division of Motor Vehicles (DMV) to issue driving privilege cards and driving privilege permits to applicants unable to establish legal presence in the United States. While the administration of these cards and permits will be undertaken by the DMV, to qualify under the new law, the applicant must have verification from the Division of Taxation that the applicant has either filed, or been claimed as a dependent on, a Rhode Island resident personal income tax return in the prior tax year.

For applicants applying for driver privilege cards and/or permits between July 1, 2023 through December 31, 2023, the applicant must either file, or be claimed as a dependent on, a Rhode Island resident personal income tax return for tax year 2022.

Effective: 7/1/2023

Citation: [Senate Bill 2006, Substitute A as amended](#)

Affects: Rhode Island General Laws Titles [3](#), [31](#), and [44](#)

Modification for military service pensions

The addition of subsection 11 to R.I. Gen. Laws § 44-30-12 allows for a modification reducing federal adjusted gross income for taxpayers receiving military service pensions. This modification takes effect for tax years beginning on or after January 1, 2023. Under this modification, 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.

The modification, alone or in combination, may not exceed the amount of the military service pension received in the tax year for which the modification is claimed. For example, if a taxpayer receives a military pension and no other type of pension or annuity income, the taxpayer should list the full amount of military pension income on the military pension line of Schedule M – RI Modifications to Federal AGI, and list nothing on the line for retirement income from certain pension plans and annuities.

Effective: 7/1/2022

Citation: [House Bill 7123, Substitute A as amended](#)

Affects: [Rhode Island General Laws § 44-30-12](#)

Retirement income exemption increase

A Rhode Island personal income tax modification applies for income from private sector pensions, government pensions, 401(k) plans, 403(b) plans, and other such sources.

For eligible taxpayers, up to \$20,000 of their 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 who:

- Have a federal adjusted gross income (AGI) that includes taxable income from sources such as pensions, 401(k) plans, and annuities;
- Have reached “full retirement age” as defined by the Social Security Administration; and
- Have a federal AGI below a certain amount.

This new law increases the current amount of taxable pension and/or annuity income that can be exempted from \$15,000 to \$20,000 starting with tax year 2023.

Any military pension included in federal adjusted gross income should not be included within this modification. In this case, taxpayers should refer to subsection 11.

Effective: 7/1/2022

Citation: [House Bill 7123, Substitute A as amended](#)

Affects: [Rhode Island General Laws § 44-30-12](#)

Reduction of interest rate for certain delinquent payments

The rate of interest for delinquent tax payments, pursuant to R.I. Gen. Laws § 44-1-7, is determined annually and calculated by adding 2% to the prime rate in effect as of October 1 of the previous year, with a maximum interest rate of 21% and a minimum interest rate of 18%. In recent years, the interest rate on delinquent tax payments has been 18% per year, or the minimum rate, as a result of a low prime rate.

After January 1, 2023, the minimum interest rate will drop to 12% per year for delinquent tax payments of many types going forward. This 12% interest rate applies to all tax types that are

not taxes held in trust for the State of Rhode Island. “Trust fund taxes”, those that are taxes collected from taxpayers by businesses and remitted by those businesses to the State, will continue to accrue interest at 18%. Trust fund taxes include sales tax, hotel tax, meals and beverage tax, and withholding tax.

All outstanding liabilities prior to January 1, 2023 will accrue interest at the 18% rate through December 31, 2022. The change will apply to all tax liabilities of non-trust fund taxes existing on January 1, 2023 and after. For example, if you have a corporate tax liability for tax year ending December 31, 2021 filed and paid on March 30, 2023, interest will accrue at 18% through December 31, 2022 and at 12% from January 1, 2023 until paid.

Effective: 7/1/2022

Citation: [House Bill 7123, Substitute A as amended](#)

Affects: [Rhode Island General Laws § 44-1-7](#)

Property tax relief

Rhode Island law provides for a property tax credit for property taxes accrued, including the amount of rent constituting property taxes, on the taxpayer’s homestead based on the taxpayer’s household size and income level. The credit is calculated as the amount of property taxes above a certain percentage of the taxpayer’s total household income with a provision for a maximum credit allowance.

The new law increases the maximum income level for taxpayers to qualify for the credit from \$30,000 to \$35,000 and provides for a maximum credit of \$600 for tax years beginning on or after January 1, 2022. There are also provisions for inflation adjustments.

Effective: 7/1/2022

Citation: [House Bill 7123, Substitute A as amended](#)

Affects: [Rhode Island General Laws § 44-33-9](#)

Sales tax exemptions

As a result of the new law, the following exemptions to sales and use tax were added:

CERTAIN FUNERAL ITEMS: The sales and use tax exemption that includes coffins, caskets, urns, shrouds, and burial garments was expanded to include burial containers, urn liners, urn vaults, grave liners, grave vaults, burial tent setups, and prayer cards.

BREAST PUMPS, BREAST PUMP COLLECTION AND STORAGE SUPPLIES: There is a new sales and use tax exemption for breast pumps and breast pump collection and storage supplies. The exemption from sales and use tax applies to the purchase of these items that are used in connection with a breast pump. Such items include breast shields and breast shield connectors, breast pump tubes and tubing adapters, breast pump valves and membranes, backflow protectors and backflow protector adapters, bottles and bottle caps specific to the operation of the breast pump, breast milk storage bags, and related items sold as part of a breast pump kit pre-packaged by a breast pump manufacturer.

The exemption does not apply to items for general use and other items enumerated in the new law, including bottles and bottle caps not used in connection with a breast pump. Items the new law **does not** exempt from sales and use tax include: breast pump travel bags and other similar carrying accessories; cleaning supplies, ice packs, labels, and other similar products not sold as part of a pre-packed breast pump kit by a breast pump manufacturer; nursing bras, bra pads, breast shells, and other similar products; and creams, ointments, and other similar products used in connection with breast feeding-related symptoms or specified conditions. Please note, while these items are not exempt under this new exemption, the items may qualify under other exemptions pursuant to Rhode Island law.

TRADE-IN VALUE OF MOTORCYCLES: There is a new sales and use tax exemption regarding the trade-in value of motorcycles. With this new law, the amount of the trade-in allowance for a new or used motorcycle is exempt from sales and use tax. Motorcycle is defined such that the exemption does not apply to motorcycles used for hire or other types of motor vehicles.

Effective: 10/1/2022

Citation: [House Bill 7123, Substitute A as amended](#)

Affects: [Rhode Island General Laws Chapter 44-18](#)

Electronic filing and payment mandate for large business taxpayers

Beginning on January 1, 2023, larger business registrant taxpayers are required to file returns and remit taxes to the State of Rhode Island electronically.

A "larger business registrant" is any person who:

- Operates as a business whose combined annual liability for all taxes administered by the Division of Taxation for the entity is or exceeds \$5,000; or
- Operated as a business whose annual gross income is over \$100,000 for the entity.

Penalties will be imposed if a larger business registrant taxpayer fails to file and pay electronically unless there was reasonable cause for the failure and such failure was not due to negligence or willful neglect. These penalties include a \$50 penalty for each failure to file a return by electronic means and 5% of the tax amount or \$500, whichever is less, for each failure to pay electronically.

Effective: 7/1/2022

Citation: [House Bill 7123, Substitute A as amended](#)

Affects: Rhode Island General Laws § 44-1-31.2

Historic Preservation Tax Credits

The "Historic Preservation Tax Credits 2013" program is intended to create economic incentives that stimulate the redevelopment and reuse of Rhode Island's historic structures, and to generate economic and employment activities.

In general, those qualifying under the program may receive a tax credit which can be applied against the Rhode Island corporate income tax (Rhode Island General Laws Chapter 44-11),

public service corporation tax (Chapter 44-13), bank excise tax (Chapter 44-14), the insurance company gross premiums tax (Chapter 44-17), or personal income tax (Chapter 44-30).

The new law extends the program's sunset from June 30, 2022 to June 30, 2023. No credits can be authorized to be reserved on or after June 30, 2023, or upon the exhaustion of the maximum aggregate credits, whichever comes first.

Per a new law passed this session, Senate Bill 2551, Substitute B, Rebuild Rhode Island tax credits can only be awarded after the Department of Labor and Training certifies compliance with the prevailing wage requirements, if applicable.

An additional \$28 million of funding has also been made available for this program.

Effective: 7/1/2022

Citation: [House Bill 7123, Substitute A as amended](#)

Affects: [Rhode Island General Laws Chapter 44-33.6](#)

Motion Picture Production Tax Credits

The "Motion Picture Production Tax Credits" program encourages development of a capital base for motion picture film, videotape, and television program productions in Rhode Island. The program's goal is to create a more independent, self-supporting motion picture industry in the state.

Those qualifying under the program may receive a tax credit which can be applied against the Rhode Island corporate income tax (Rhode Island General Laws Chapter 44-11), public service corporation tax (Chapter 44-13), bank excise tax (Chapter 44-14), the insurance company gross premiums tax (Chapter 44-17), or personal income tax (Chapter 44-30).

Under former law, a maximum of \$20 million in total tax credits could be issued for motion picture tax credits and/or musical and theatrical production tax credits.³

Last year, the law was changed to provide that, solely for the 2022 tax year, the total amount of motion picture tax credits and/or musical and theatrical production tax credits issued cannot exceed \$30 million.

Under the new law, exclusively for tax years 2023 and 2024, the total amount of motion picture tax credits and/or musical and theatrical production tax credits cannot exceed \$40 million.

This change does not impact the scheduled sunset of this credit program in July 2027. No credits can be issued on or after July 1, 2027, unless the production has received initial certification prior to July 1, 2027.

Effective: 7/1/2022

Citation: [House Bill 7123, Substitute A as amended](#)

Affects: [Rhode Island General Laws Chapter 44-31.2](#)

³ The "Musical and Theatrical Production Tax Credits" program provided for under Rhode Island General Laws Chapter 44-31.3. This program functions similarly to the "Motion Picture Production Tax Credits" program.

‘Qualified Jobs’ tax credits

The “Rhode Island Qualified Jobs Incentive Act of 2015” program is intended to create jobs and stimulate business expansion in Rhode Island. Those qualifying under the program may receive a tax credit which can be applied against the Rhode Island corporate income tax (Rhode Island General Laws Chapter 44-11), public service corporation tax (Chapter 44-13), bank excise tax (Chapter 44-14), the insurance company gross premiums tax (Chapter 44-17), or personal income tax (Chapter 44-30).

The new law extends the program’s sunset from December 31, 2022 to December 31, 2023. All credits must now be authorized to be reserved before December 31, 2023.

Effective: 7/1/2022

Citation: [House Bill 7123, Substitute A as amended](#)

Affects: [Rhode Island General Laws Chapter 44-48.3](#)

‘Rebuild Rhode Island’ tax credits

The “Rebuild Rhode Island Tax Credit” program provides tax credits to qualified commercial, residential, and mixed-use projects. The program exists to stimulate business development. Those qualifying under the program may receive a tax credit for use against the Rhode Island corporate income tax (Rhode Island General Laws Chapter 44-11), public service corporation tax (Chapter 44-13), bank excise tax (Chapter 44-14), or the insurance company gross premiums tax (Chapter 44-17), or may be used as a credit against personal income taxes for owners of pass-through entities such as a partnership, a limited-liability company taxed as a partnership, or multiple owners of property.

Per a new law passed this session, Senate Bill 2551, Substitute B, Rebuild Rhode Island tax credits can only be awarded after the Department of Labor and Training certifies compliance with the prevailing wage requirements, if applicable.

The new law extends the program’s sunset from December 31, 2022 to December 31, 2023. All credits must now be authorized to be reserved before December 31, 2023.

Effective: 7/1/2022

Citation: [House Bill 7123, Substitute A as amended](#)

Affects: [Rhode Island General Laws Chapter 42-64.20](#)

‘Wavemaker’ expansion

The Wavemaker Fellowship, technically known as the “Stay Invested in RI Wavemaker Fellowship” under Rhode Island General Laws Chapter 42-64.26, is available to graduates who have incurred student loan debt during the completion of an associate degree, bachelor’s degree, or graduate degree and are pursuing careers in science, technology, engineering, mathematics, or design-related fields.

Anyone with higher education loan debt who is employed in Rhode Island, either full-time or with an offer of full-time employment, in one of these fields may apply. Recipients of a Wavemaker award may elect to take the award in the form of a tax credit or a direct payment

as a method to defray the cost of student loan repayments. However, credits cannot exceed 100% of the education loan repayment expenses paid by the taxpayer during each service period completed for up to four consecutive service periods.

The new law expands the Wavemaker Fellowship Program to include health care professionals, including high-demand healthcare practitioners or mental health professionals, clinical social workers, and mental health counselors, licensed by the department of health. Funding for healthcare professionals will administered from a dedicated fund distinct from the fund used to provide the credit to STEM and design awardees.

The new law extends the program's sunset from December 31, 2022 to December 31, 2023. No incentives or credits shall be authorized after December 31, 2023.

Effective: 7/1/2022

Citation: [House Bill 7123, Substitute A as amended](#)

Affects: [Rhode Island General Laws Chapter 42-64.26](#)

Tax increment financing

The "Rhode Island Tax Increment Financing" program, under Rhode Island General Laws Chapter 42-64.21, is intended to stimulate business development and create new jobs in Rhode Island.

In general, under a tax increment financing (TIF) agreement, the Division of Taxation pays to the developer the incremental State revenues directly realized from projects or businesses operation in the TIF area. The taxes involved include the Rhode Island corporate income tax (Rhode Island General Laws Chapter 44-11), public service corporation tax (Chapter 44-13), bank excise tax (Chapter 44-14), the insurance company gross premiums tax (Chapter 44-17), sales, use, and meals and beverage taxes (Chapters 44-18 and 44-19), and the personal income tax (Chapter 44-30).

The new law extends the program's sunset from December 31, 2022 to December 31, 2023. The Rhode Island Commerce Corporation shall enter into no tax increment financing agreement after December 31, 2023.

Effective: 7/1/2022

Citation: [House Bill 7123, Substitute A as amended](#)

Affects: [Rhode Island General Laws Chapter 42-64.21](#)

Prevailing wage requirements for certain tax credits

On July 2, 2022, Senate Bill 2551, Substitute B, became effective without the Governor's signature. The new law adds provisions to both the Rebuild Rhode Island Tax Credit program and the Historic Preservation Tax Credits 2013 program in relation to construction projects and the wages of construction workers. For construction projects over \$10,000,000, construction workers must be paid wages and benefits as set forth in Rhode Island General Laws Chapter 37-13. Tax credits under these two programs can only be awarded after DLT certifies compliance with the prevailing wage requirements, if applicable. DLT is primarily responsible for administering the new provisions and will work with the Commerce Corporation and the

Division on regulations for the Rebuild Rhode Island Tax Credit and the Division on regulations for the Historic Preservation Tax Credits 2013.

The law will take effect on January 1, 2023.

Effective: 1/1/2023

Citation: [Senate Bill 2551, Substitute B](#)

Affects: Rhode Island General Laws Chapters [42-64.20](#) and [44-33.6](#)

Hospital licensing fee

As a result of the new law, Rhode Island's hospital licensing fee under Rhode Island General Laws § 23-17-38.1 is as follows:

STATE FISCAL YEAR 2022: The hospital licensing fee for the State's fiscal year 2022 was changed from 5.725% to a fee equal to 5.656% of the net patient services revenue of every hospital for the hospital's first fiscal year ending on or after January 1, 2020, except that the license fee for all hospitals located in Washington County, Rhode Island, shall be discounted by 37%. Every hospital shall pay the licensing fee to the Division of Taxation on or before July 13, 2022.

STATE FISCAL YEAR 2023: The hospital licensing fee for the State's fiscal year 2023 is equal to 5.42% of the net patient services revenue of every hospital for the hospital's first fiscal year ending on or after January 1, 2021, except that the license fee for all hospitals located in Washington County, Rhode Island, shall be discounted by 37%. Every hospital shall pay the licensing fee to the Division of Taxation on or before June 30, 2023.

Effective: 7/1/2022

Citation: [House Bill 7123, Substitute A as amended](#)

Affects: Rhode Island General Laws Chapter [23-17](#)



This document is an informal summary of recently enacted Rhode Island legislation and is for general information purposes only. It is not a substitute for Rhode Island General Laws, or for Rhode Island Division of Taxation regulations, rulings, or notices. Citations listed in this document are from the original legislative text and are subject to revision. Some of the citations included in this publication refer to existing statutes that have been amended.

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