

Tax changes take effect on Friday, January 1

State tax breaks for some corporations, pass-through entities, Social Security beneficiaries

PROVIDENCE, R.I. – The Rhode Island Division of Taxation today reminded tax professionals that a number of tax changes will take effect on Friday, January 1, 2016, as a result of legislation approved by the General Assembly and signed into law earlier this year by Governor Gina M. Raimondo.

“These changes will benefit a number of businesses and individuals,” said Acting Tax Administrator Neena S. Savage. “The changes will apply for tax years beginning on or after January 1, 2016. Consequently, they do not affect the tax returns that businesses and individuals will be filing over the next few months, covering 2015. They will affect returns filed in future years. Nevertheless, the changes are important to keep in mind for tax-planning purposes throughout the year,” she said. Following are highlights of several of the changes:

- **CORPORATIONS:** The annual corporate minimum tax, which applies to entities treated as C corporations for federal income tax purposes, will drop by 10 percent, to \$450, for tax years beginning on or after January 1, 2016. The tax has been \$500.
- **PASS-THROUGHS:** The reduction in the annual corporate minimum tax noted above will also apply to entities that are treated as pass-through entities for federal income tax purposes. Thus, for tax years beginning on or after January 1, 2016, the annual filing fee, or filing charge, will drop by \$50, to \$450, for limited liability companies (including single-member LLCs), subchapter S corporations, limited partnerships, and limited liability partnerships.
- **SOCIAL SECURITY:** Many of those who must pay federal income tax on their Social Security benefits will pay no Rhode Island income tax on those benefits for 2016 and later tax years. The Rhode Island tax break for Social Security benefits will first appear on tax returns during the filing season that starts in January 2017.
- **EARNED INCOME CREDIT:** Starting January 1, 2016, Rhode Island’s earned income credit – a tax break for the working poor – will increase to 12.5 percent of the federal earned income credit, compared with 10 percent of the federal credit for 2015.

More details about the tax law changes are contained in the Tax Division’s annual “Summary of Legislative Changes,” available on the agency’s website: <http://go.usa.gov/3GtHk>.