



# Rhode Island Department of Revenue

## Division of Taxation

NOTICE 2020-01

FEBRUARY 26, 2020

### **Tax Status of Interest Received From Federal, State and Local Obligations**

#### **I. General**

This Notice provides guidance to determine whether interest from certain obligations is taxable in Rhode Island.

#### **II. Federal Obligations**

A. Under federal law the State of Rhode Island is precluded from taxing interest received from obligations of the United States.

B. While it is clear that interest from United States obligations is not taxable by Rhode Island, there are many obligations issued under various designations that do not clearly indicate whether they are United States obligations. Examples of commonly known obligations are provided in this notice. It should be stressed, however, that this notice does not provide an exhaustive listing of all obligations. If an obligation is not referred to in this notice, the burden will be on the taxpayer to show that the obligation is an obligation of the United States

C. Since interest on obligations of the United States is included in federal adjusted gross income, or federal taxable income in the case of a corporation, a subtraction modification is provided in RIGL §44-30-12(c)(1).

#### **III. State and Local Obligations**

A. Rhode Island does not tax interest on obligations of the State of Rhode Island or any of its political subdivisions. With regard to interest received from the State of Rhode Island or its political subdivisions, since such interest is not included in federal adjusted gross income or taxable income, no subtraction modification is needed.

B. Interest or dividends on obligation or other securities of a state or political subdivision of a state other than Rhode Island are taxable by Rhode Island.

C. Since interest on obligations of state or political subdivisions other than Rhode Island are not included in federal adjusted gross income, or federal taxable income in the case of a corporation, an addition modification is provided in RIGL §44-30-12(b)(1).

D. Disclaimer: The lists on the following pages are intended solely to provide examples and are not all-inclusive. Also, the lists were originally compiled in 2010; some of the entities and/or investment securities listed may no longer be available and/or may no longer be paying interest. They are included on the lists for illustration purposes only.

Rhode Island Tax Status of Interest Paid on  
Certain Governmental Securities  
As of January 1, 2010

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**Exempt:**

1. Banks for Cooperatives (Bonds)
2. Consolidated Federal Farm Loan Banks
3. District of Columbia Bonds
4. Federal Deposit Insurance Corporation
5. Federal Farm Credit Banks:  
    Federal Land Banks  
    Federal Intermediate Credit Banks  
    Banks for Cooperatives
6. Federal Financing Bank
7. Federal Home Loan Banks
8. Federal Intermediate Banks
9. Federal National Mortgage Association – Guaranteed Participation Certificates
10. Federal Savings and Loan Insurance Corporation (FSLIC)
11. General Service Administration – Participation Certificates
12. Guam Bonds
13. Indian Nations – Notes and Bonds
14. Puerto Rico Bonds
15. Resolution Funding Corporation
16. Small Business Administration Debentures
17. Student Loan Marketing Association (Sallie Mae)
18. Tennessee Valley Authority Bonds and Notes
19. United States Postal Service Bonds
20. United States Treasury Bonds, Bills and Notes
21. The Virgin Islands Bonds

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**Taxable:**

1. Export-Import Bank of the United States
  - (a) Certificates of Beneficial Interest (CBI)
  - (b) Participation Certificates (PC)
2. Farmers Home Administration (FHA)  
Certificates of Beneficial Ownership (CBO)
3. Federal Home Loan Mortgage Corporation – Bonds
4. Federal National Mortgage Association (Fannie Mac)  
Bonds and Debentures
5. Government National Mortgage Association (Ginnie Mac)
6. Inter-American Development Bank
7. International Bank for Reconstruction & Development
8. New Communities Debentures
9. Washington Metropolitan Area Transit Authority – Bonds
10. NRTA-AARP – U.S. Government Money Market Trust