

## State of Rhode Island – Division of Taxation

### Frequently Asked Questions Regarding 2011 Rhode Island Personal Income Tax Withholding and Revised Personal Income Tax Rates

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As of January 1, 2011 withholding rates, brackets and withholding allowances have been revised in accordance with RI General Law 44-30-2.6. This revision will expand the income tax brackets, lower the top marginal income tax rate from 9.9% to 5.99% and eliminate the use of itemized deductions. The 2011 tax rates, standard deduction amounts and exemption amounts are listed in the tables shown below:

For individuals filing as single, married filing joint, qualifying widow(er), head of household, married filing separate and bankruptcy estates the brackets are:

Table 1. If your taxable income is:			
At least	But not over	Pay + % on Excess	Of the amount over:
\$0.00	\$55,000.00	\$0.00 + 3.75%	\$0.00
\$55,000.00	\$125,000.00	\$2,063.00 + 4.75%	\$55,000.00
\$125,000.00	-----	\$5,338.00 + 5.99%	\$125,000.00

For **estates or trusts**, the tax brackets are as follows:

Table 2. If your taxable income is:			
At least	But not over	Pay + % on Excess	Of the amount over:
\$0.00	\$2,230.00	\$0.00 + 3.75%	\$0.00
\$2,230.00	\$7,022.00	\$84.00 + 4.75%	\$2,230.00
\$7,022.00	-----	\$312.00 + 5.99%	\$7,022.00

<u>Filing Status</u>	<u>Standard Deduction Amount</u>
Single	\$7,500.00
Married filing jointly or qualifying widow(er)	\$15,000.00
Married filing separately	\$7,500.00
Head of Household	\$11,250.00
<u>Exemption</u>	<u>Exemption Amount</u>
Amount allowed per exemption for the taxable year for state income tax purposes	\$3,500.00

For both married and unmarried taxpayers the standard deduction and exemption amounts will begin to phase out when modified adjusted gross income reaches \$175,000. Deductions and exemptions will be fully phased out for modified adjusted gross income exceeding \$195,000.

It is recommended that all individuals estimate their 2011 taxable income and income tax to determine if additional withholding or estimated payments are required. For assistance, the following frequently asked questions and responses have been compiled.

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### **Frequently Asked Questions**

- 1. Who is required to withhold Rhode Island personal income tax?**
- 2. How does an employer register an account for Rhode Island withholding tax purposes?**
- 3. What are the Rhode Island withholding income tax rates for 2011?**
- 4. What is the Rhode Island form equivalent to the Federal W-4 and where do I obtain a form?**
- 5. Do the number of exemptions on my RI W-4 have to equal the number of exemptions on my Federal W-4?**
- 6. As an employer, am I required to determine the correctness of the withholding allowance certificates (Form W-4) furnished to me by my employees?**
- 7. I am a Rhode Island resident, but I work in another state. Is my employer required to withhold Rhode Island income tax from my wages?**
- 8. I am a nonresident employee working in Rhode Island. Is my employer required to withhold Rhode Island income taxes from my wages?**
- 9. Does Rhode Island have a de minimis or minimum rule before Rhode Island income tax is withheld?**
- 10. What do I do if one of my employees wants additional Rhode Island income tax withheld?**
- 11. When should an employee complete a RI W-4 form?**
- 12. Is the employer required to submit the employee's RI W-4 form to the Division of Taxation?**
- 13. I have pension, self-employment and investment income which are not subject to income tax withholding, how do I make estimated payments?**
- 14. I have submitted form RI W-4 to my employer to have additional income tax withheld from my pay. How soon should I see a change in my Rhode Island income tax withholding?**
- 15. What personal income tax credits are available in 2011?**
- 16. I have a carry forward of a credit which is no longer allowed by law. May I continue to use the carry forward portion of the credit on my 2011 personal income tax return?**
- 17. Is the alternative flat tax available in 2011?**
- 18. Will the standard deduction and exemption amounts be adjusted for inflation?**
- 19. What are supplemental income payments and what is the withholding rate?**

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### **1. Who is required to withhold Rhode Island personal income tax?**

Every Rhode Island employer maintaining an office or transacting business within this state and paying wages subject to the Rhode Island personal income tax is required to withhold Rhode Island income tax from these wages. A Rhode Island employer must withhold Rhode Island income tax from the wages of an employee if:

- A. The employees' wages are subject to Federal income tax withholding, and
- B. Any part of the wages is for services performed in Rhode Island.

For more information, please see Regulation PIT 97-15, Employer's Withholding.

The website link for this regulation is: <http://www.tax.ri.gov/regulations/other/pit97-15.php>

### **2. How does an employer register an account for Rhode Island withholding tax purposes?**

An employer must complete a Business Application and Registration Form (BAR). This form is also used for opening a sales tax account and unemployment tax account, if applicable.

The website link for this form is:

<http://www.tax.ri.gov/forms/2010/Excise/TX%20BAR%209%203%202010.pdf>

### **3. What are the Rhode Island withholding income tax rates for 2011?**

The withholding rates, brackets, and withholding allowances have been revised effective January 1, 2011. The 2011 Rhode Island withholding tax tables are currently available. Please use the new withholding rates and tables for all payroll and payments beginning January 1, 2011.

The website link for this form is:

<http://www.tax.ri.gov/forms/2011/Withholding/2011%20Withholding%20Tables.pdf>

### **4. What is the Rhode Island form equivalent to the Federal W-4 and where do I obtain a form?**

The Rhode Island equivalent to the Federal W-4 is Form RI W-4, and it is available at the website <http://www.tax.ri.gov/taxforms/withholding.php> .

### **5. Do the number of exemptions on my RI W-4 have to equal the number of exemptions on my Federal W-4?**

Given the changes in the Rhode Island Personal Income Tax system, the Division of Taxation will allow the number of exemptions on the RI W-4 to be different from the Federal W-4.

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### **6. As an employer, am I required to determine the correctness of the withholding allowance certificates (Form W-4) furnished to me by my employees?**

No. An employer may rely upon the number of state withholding exemptions claimed on the RI W-4 by the employee.

### **7. I am a Rhode Island resident, but I work in another state. Is my employer required to withhold Rhode Island income tax from my wages?**

An employee who is a resident of Rhode Island is subject to Rhode Island withholding for wages earned in Rhode Island. If a Rhode Island resident works in another state, such as Massachusetts or Connecticut, the wages will be taxed in the state where the wages are earned. The Rhode Island resident may claim a credit for income tax paid to the other state on the RI-1040 resident income tax return.

### **8. I am a nonresident employee working in Rhode Island. Is my employer required to withhold Rhode Island income taxes from my wages?**

Yes. A nonresident employee is subject to Rhode Island withholding tax on any part of his or her wages paid for services performed in Rhode Island.

### **9. Does Rhode Island have a de minimis or minimum rule before Rhode Island income tax is withheld?**

No. Rhode Island does not have a de minimis or minimum rule. Accordingly, wages are taxed on the first dollar earned.

### **10. What do I do if one of my employees wants additional Rhode Island income tax withheld?**

When an employee wants additional Rhode Island income tax to be withheld, he or she should submit a RI W-4 to the employer. The additional amount of Rhode Island income tax withholding will be entered on line 2 of Form RI W-4.

### **11. When should an employee complete a RI W-4 form?**

An employee should complete Form RI W-4 at the start of employment. In addition, the RI W-4 needs to be completed if the employee needs to adjust the amount of Rhode Island income tax withholding. Adjustments can be made to your RI W-4 form at any time throughout the year.

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### **12. Is the employer required to submit the employee's RI W-4 form to the Division of Taxation?**

No. The employer must maintain the RI W-4 as part of the employer's payroll records. The employer must keep Form RI W-4 in its payroll records and make them available to the Division of Taxation upon request.

### **13. I have pension, self-employment and investment income which are not subject to income tax withholding, how do I make estimated payments?**

Estimated payments are required when the Rhode Island personal income tax can reasonably be expected to exceed \$250.00 after allowing for withholding and/or credits. Estimated income tax payments are made on Form RI-1040ES which has instructions for computing the estimated tax payments.

The website link for this form is <http://www.tax.ri.gov/taxforms/personal.php>

### **14. I have submitted form RI W-4 to my employer to have additional income tax withheld from my pay. How soon should I see a change in my Rhode Island income tax withholding?**

You would have to make this inquiry to your employer. It is the employer's responsibility to make the change in withholding.

### **15. What personal income tax credits are available in 2011?**

The only personal income tax credits allowed in 2011 are:

1. Income taxes paid to other states – RIGL 44-30-18
2. Property tax relief – Form RI-1040H – RIGL 44-33-1
3. Lead Paint Abatement – Form RI-6238 – 44-30.3-1
4. Earned Income Tax Credit – RIGL 44-30-2.6(c)(2)(N)
5. Child and Dependent Care Credit – 25% of Allowable Federal Credit
6. Historic Structures Tax Credit – RIGL 44-33.2-1
7. Motion Picture Production Tax Credit – RIGL 44-31.2-1
8. Tax Credits for Contributions to Scholarship Organizations - RIGL 44-62
9. Credit for Tax Withheld – RIGL 44-30-71

### **16. I have a carry forward of a credit which is no longer allowed by law. May I continue to use the carry forward portion of the credit on my 2011 personal income tax return?**

No. For personal income tax purposes, there is no carry forward of any credits which are no longer allowed by law in 2011. The last year to use the credit is in 2010.

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### **17. Is the alternative flat tax available in 2011?**

No. The alternative flat tax is eliminated for tax years beginning on or after January 1, 2011.

### **18. Will the standard deduction and exemption amounts be adjusted for inflation?**

Yes. There is a provision in the Rhode Island General Laws to allow for inflation adjustments to the standard deduction and exemption amounts.

### **19. What are supplemental income payments and what is the withholding rate?**

Supplemental wages are compensation paid in addition to an employee's regular wages. They include, but are not limited to, bonuses, commissions, overtime pay, payments for accumulated sick leave, severance pay, awards, prizes, backpay and retroactive pay increases for current employees, and payments for nondeductible moving expenses. Other payments subject to the supplemental wage rules include taxable fringe benefits and expense allowances paid under a nonaccountable plan. How you withhold on supplemental payments depends on whether the supplemental payment is identified as a separate payment from regular wages. The supplemental withholding rate is 5.99%.

### **Division of Taxation Contact Information**

Employer Registration: For inquiries related to how to obtain a withholding tax account number, how to register for withholding, how to submit withholding payments and filing frequency for withholding: 401-574-8938

Personal Income Tax: For inquiries related to how to make estimated payments, questions on RI W-4 and questions on the 2011 income tax rates: 401-574-8829 option 3

Rhode Island Tax Forms: 401-574-8970