



Rhode Island Department of Revenue

Division of Taxation

Via Electronic Mail

May 6, 2025

The Honorable Marvin L. Abney
Chair, House Committee on Finance
Rhode Island State House
Providence, RI 02903

RE: Letter Regarding House Bill 5473 – An Act Relating to Taxation – Personal Income Tax

Dear Chair Abney:

I am writing on behalf of the Rhode Island Department of Revenue, Division of Taxation (“Division”), to: i) express concerns regarding issues with proposed House Bill 5473 as currently drafted; ii) explain the background and current statutory context in order to clarify the intended and unintended consequences of this bill; and iii) make recommendations and request your support in implementing those recommendations.

This letter is not intended as a position in support of or opposition to the bill, but only as recommendations on drafting to provide clarity in the bill and to aid tax administration and compliance.

As you know, the bill would amend R.I. Gen. Laws § 44-30-2.6 (“Rhode Island taxable income - Rate of tax”) to impose an additional three percent (3%) tax on Rhode Island taxable income over four hundred and thirty thousand hundred dollars (\$430,000). As drafted, the tax rate of 5.99% would apply to the taxable income over \$125,000 up to, and including, \$430,000, with a rate of 8.99% applying to the taxable income over \$430,000. The bill states that the additional tax imposed shall “apply only to tax years beginning on or after January 1, 2026 and shall not apply to any tax years prior to January 1, 2026 and shall not apply to any taxable income from prior tax years.” The bill is set to take effect on January 1, 2026.

- A thorough review and study of the interplay between the proposed bill and the relevant federal statutes is needed to ensure the bill is administrable and operates as intended.
- The interplay between the proposed amendment and the rest of § 44-30-2.6 could result in a doubling effect. The Division suggests that it would be cleaner to create a new tax bracket within § 44-30-2.6.
- The bill would require significant updates to existing tax forms and the Division’s integrated tax system to allow for two different tax rates to apply to a single income, which would require substantial resources to implement.

The Division takes no position with respect to the remainder of the proposed legislation. Rather, the Division is concerned solely with the issues of clarity, tax compliance, and tax administration. As such, the Division respectfully suggests that the bill be redrafted for clarity.

I look forward to working with you to address the issues raised in this letter and appreciate your consideration.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Msavage", with a stylized flourish at the end.

Neena S. Savage
Tax Administrator

cc: The Honorable Members of the House Committee on Finance (via:
HouseFinance@rilegislature.gov)
The Honorable Karen Alzate (rep-alzate@rilegislature.gov)
Nicole McCarty, Esquire, Chief Legal Counsel to the Speaker of the House
Lynne Urbani, Director of House Policy
Thomas A. Verdi, Director, Department of Revenue