



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 5474 – 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 5474 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 § 44-30-12 (“Rhode Island income of a resident individual”) to gradually phase in modifications reducing federal adjusted gross income (AGI) over a four year period for social security income for tax years beginning on or after January 1, 2026. The modification would start at twenty percent (20%) for the first year, forty percent (40%) for the second year, sixty percent (60%) for the third year, and eighty percent (80%) for the fourth year and beyond. The bill is set to take effect upon passage. However, the proposed amendment provides that the modification would be allowed for tax years beginning on or after January 1, 2026.

As the state modification would be allowable for all social security income, it would include the portion of social security income that is not included in federal AGI. This may be an unintentional consequence as the state modification likely is intended to relate to the amount of social security income included in a taxpayer’s federal AGI, which is the starting point for Rhode Island taxable income.

In addition to the notes above, additional concerns with the bill as drafted include:

- The placement of the amendment in R.I. Gen. Laws § 44-30-12(c)(8)(vi)-(ix) negates the application of the thresholds and age limitations as set forth in R.I. Gen. Laws § 44-30-12(c)(8)(i), which may not be as intended.

- As noted above, the modification for all social security income could result in the modification allowing for reduction in relation to income sources other than social security income if a taxpayer receives social security income that is not included within federal AGI. This could also result in a reduction greater than federal AGI for state purposes, which could result in unintended refunds.
- As currently drafted, for those that meet the threshold requirements in subsection (8)(i), the bill would limit the modification due to the phases starting at twenty percent (20%) for tax year 2026 and capping the modification at eighty percent (80%) for tax year 2029. This would result in an increased tax liability for those taxpayers. This may not have been the intent.
- The bill, as currently drafted, states that the bill would be effective upon passage. The Division is concerned that this language may cause confusion among some taxpayers, tax preparers, and tax software providers. Specifically, some taxpayers, tax preparers, and tax software providers might apply the new modification amount to the returns being prepared during the 2025 and 2026 filing seasons, for returns that involve the 2024 and 2025 tax years. The Division would respectfully request that the bill's language involving the effective date be changed to specify the tax year to which the new increased modification amount would be allowed. The Division believes that such language would make it clear to taxpayers, tax preparers, and tax software providers that this increased modification amount would apply to tax years beginning on or after January 1, 2026, and not to prior tax years.

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

Very truly yours,



Neena S. Savage
Tax Administrator

cc: The Honorable Members of the House Committee on Finance (via: HouseFinance@rilegislature.gov)
The Honorable Mia A. Ackerman (via: rep-ackerman@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