



Rhode Island Department of Revenue

Division of Taxation

Via Electronic Mail

May 6, 2025

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

RE: Letter Regarding House Bill 5761 – 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 5761 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 seeks to amend R.I. Gen. Laws § 44-30-12(c)(9) (“Modification of taxable retirement income from certain pension plans or annuities”), to allow a modification for all taxable pension and/or annuity income includible in a taxpayer’s federal adjusted gross income. The bill’s effective date is upon passage. However, the proposed amendment provides that the modification would be allowed for tax years beginning on or after January 1, 2026.

The Division notes that the proposed language in House Bill 5761 does not specify that the current modification amount of \$50,000 is only for the tax year beginning January 1, 2025. This creates a lack of parity in the language with prior increases in the modification amount, which could result in cumulative modification amounts being claimed and the potential for amended returns and refund claims for prior tax years. This does not appear to be the intent of the bill and creates unintended statutory gaps and consequences in the administration of the modification.

Section 2 of 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.

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,



Neena S. Savage
Tax Administrator

cc: The Honorable Members of the House Committee on Finance (via:
HouseFinance@rilegislature.gov)
The Honorable William W. O'Brien (via: rep-obrien@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