

Via Electronic Mail

May 13, 2025

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

RE: Letter Regarding House Bill 5316 – An Act Relating to Taxation – Housing Flexible Spending Account Act of 2025

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 5316 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, this bill would amend Title 44 by adding a new chapter 72, entitled “Housing Flexible Spending Account Act of 2025.” The new chapter would establish a state-administered program for Rhode Island employers to contribute to a housing flexible spending account for qualified housing expenses. The bill would take effect on January 1, 2026.

There are several potential issues with the bill that impact tax administration, including, but not limited to:

- While the bill’s language is placed in Title 44 (Taxation), the administration of the program is either with “the department of revenue or another state-designated entity responsible for program oversight and administration.” This creates ambiguity in the administration of the program and does not establish clear parameters for which state agency would be responsible for administration. The Division of Taxation suggests that the bill be redrafted to clarify that the state agency responsible for other similar accounts also administer the housing flexible spending account (H-FSA) in line with statutory authority for those accounts to benefit from the expertise and existing statutory provisions for similar programs.
- The program structure requires the Department of Revenue (DOR) to establish a secure system for deposits into established H-FSA accounts; however, the Division of Taxation

administers and collects state taxes and neither it nor the DOR has the requisite experience to establish or administer H-FSA contribution accounts.

- The bill, in part, provides for a reduction in the unemployment insurance taxable wage base for participating businesses. The collection and enforcement of employer taxes are overseen by the Department of Labor and Training (DLT), not DOR or the Division of Taxation, and any impacts or enforcement provisions related to employer taxes should be administered by DLT.
- Any exemption from state income tax should be included within existing Title 44 sections, such as within Chapter 44-11 (Business Corporation Tax) and/or Chapter 44-30 (Personal Income Tax).
- There would be significant resources needed to implement the bill as drafted with the DOR/Division of Taxation responsible for administration. This would include developing a new system, public education and outreach, and a number of full-time equivalents. This would also defer resources from Division of Taxation core functions of administering, collecting, and enforcing, state taxes.

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 Alex S. Finkelman (via: rep-finkelman@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