



## Rhode Island Department of Revenue

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### Division of Taxation

*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 5534 – An Act Relating to Taxation – Property Subject to Taxation**

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 5534 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 § 44-3-3 (“Property Subject to Taxation – Property exempt”) to add to the list of property exempt from taxation: 1) a proposed Subsection (a)(88) to include “[r]eal and tangible personal property of urban farmers and urban farmland, including one building per lot” if eligible and 2) a proposed Subsection (a)(89) to include “[r]eal and tangible personal property of small farmers and small farmland.” The bill would also amend R.I. Gen. Laws § 44-11-11 (“Business Corporation Tax – ‘Net Income’ defined”) to exempt from net income subject to the business corporation tax “[i]ncome from the production of food by urban farmers and small farmers.” The bill also proposes to amend R.I. Gen. Laws § 44-18-30(32) (“Farm equipment”) to exempt urban farmers from any annual, gross sales amount thresholds and § 44-18-30(44) (“Farm structure construction materials”) to add any other structures used in connection with urban farming as qualifying items for the sales and use exemption. Additionally, the bill would amend R.I. Gen. Laws § 44-18-30 (“Gross receipts exempt from sales and use taxes”) to add to the list of sales and use tax exemptions “farm products used to grow food by urban farmers and small farmers.” The proposed amendments also include several definitions pertaining to urban farmers and small farmers. The bill is set to take effect upon passage.

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

- Based on the definitions of “urban farmland” and “small farmland,” an urban farm could potentially also qualify as a small farm. The Division respectfully suggests that the language be clarified to ensure that a farm only qualify under one definition.
  - The proposed amendment to R.I. Gen. Laws § 44-11-11 should be redrafted to include the definition of “production of food” to determine the income that is subject to deduction.
- The proposed amendment to R.I. Gen. Laws § 44-18-30(32) as to the sales tax exemption broadly encompasses all sales tax on farm equipment. The Division respectfully suggests that the bill be redrafted to narrow the exemption applicability so that it applies to purchases used directly in the “production of food by urban farmers and small farmers.”
- The proposed sales and use tax exemption in R.I. Gen. Laws § 44-18-30(69) is ambiguous as to “farm products used to grow food.”
- The effective date of the bill is upon passage. With respect to the proposed amendment to R.I. Gen. Laws § 44-18-30, the State of Rhode Island Division of Taxation is a signatory to the Streamlined Sales and Use Tax Agreement (“SSUTA”) pursuant to R.I. Gen. Laws § 44-18.1-1. The SSUTA mandates that a member state must comply with its numerous terms, including notification requirements. As such, the Division recommends that the proposed amendment to R.I. Gen. Laws § 44-18-30 be redrafted to include an implementation date of October 1, 2025, to allow for reasonable notice under the SSUTA and to ensure proper implementation of the rate change for all stakeholders.
- Regarding the proposed amendment to R.I. Gen. Laws § 44-11-11, the Division respectfully requests that the bill’s language involving the effective date be changed to specify the tax year(s) to which the proposed amendment would apply by including language in the bill that it applies to tax years beginning on or after January 1, 2026. The Division believes that such language would make it clear to taxpayers, tax preparers, and tax software providers that the proposed amendment would apply to tax years beginning on or after a specific date. Furthermore, setting the effective date at a future point would provide taxpayers, tax preparers, and tax software providers sufficient time to plan.

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.

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](mailto:HouseFinance@rilegislature.gov))  
The Honorable Michelle E. McGaw ([rep-mcgaw@rilegislature.gov](mailto:rep-mcgaw@rilegislature.gov))

Nicole McCarty, Esquire, Chief Legal Counsel to the Speaker of the House  
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