



Rhode Island Department of Revenue

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 5756 – An Act Relating to Taxation – Real Estate
Conveyance 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 5756 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 amends R.I. Gen. Laws § 44-25-1, entitled (“Real Estate Conveyance Tax – Tax Imposed – Payment – Burden”), to allow a municipality to enact a local ordinance imposing an additional real estate conveyance tax rate for residential properties sold in excess of nine hundred thousand dollars (\$900,000) located in that municipality of not more than ten dollars (\$10.00) for each five hundred dollars (\$500) or fractional part thereof, to be earmarked for the creation and development of affordable housing within the municipality for individuals or families at or below eighty percent (80%) of the area median income or transferred to state housing agencies for use in the community to develop affordable housing. The Act is set to take effect upon its passage.

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

- The Division administers the taxes imposed on all acquired real estate company conveyance transactions, and, therefore, would be responsible for collecting and distributing the tax to municipalities, which is not contemplated in the bill.
- The bill is effective upon passage. However, if the Division were to administer the new tax, the Division respectfully requests that the effective date be prospective and for tax

years beginning on or after January 1, 2026, to allow time for implementation of the new tax, which will require instructions, form, and system updates.

- The bill allows for the change of a tax rate with the passage of a local ordinance, but does not allow for implementation time between the passage of the ordinance and the tax rate effective date. As many parties, including the State of Rhode Island, may have to make technical and business process adjustments with the passage of each ordinance, the Division respectfully requests that the rate be effective no earlier than the beginning of a calendar year quarter that is at least ninety (90) days after the passage of the ordinance.

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 Michelle E. McGaw (rep-mcgaw@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