



# Rhode Island Department of Revenue

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## Division of Taxation

*Via Electronic Mail*

May 20, 2025

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

**RE: Letter Regarding House Bill 5996 – An Act Relating to State Affairs and Government – Rhode Island Individual Market Affordability 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 5996 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 42 of the Rhode Island General Laws, entitled “State Affairs and Government,” to add Chapter 157.2, entitled “Rhode Island Individual Market Affordability Act of 2025.” The bill would also amend R.I. Gen. Laws § 35-4-27, entitled “Indirect cost recoveries on restricted receipt accounts,” to add an exemption for the “Health Insurance Individual Market Affordability Account.” Finally, the bill would amend R.I. Gen. Laws § 42-7.4-3(a)(1), entitled “Imposition of healthcare services funding contribution. [As amended by P.L. 2024, ch. 423, § 1; See Compiler’s Note.],” to add the “health insurance individual market funding requirement described in § 42-157.2-4,” and R.I. Gen. Laws § 42-7.4-11(b)(4), entitled “Method of payment and deposit of contribution,” to add the health insurance individual market affordability account.” Per the Explanation by the Legislative Council, the bill would create the Rhode Island Individual Market Affordability Act of 2025 “to help reduce out-of-pocket costs for low- and moderate-income consumers enrolled in health insurance coverage through the Rhode Island health benefits exchange [(“HSRI”).]” The bill is set to take effect upon passage.

There are numerous potential issues with the bill that impact tax administration. The below issues are based on the anticipation of substantial revisions and additions to the bill because, in its current form, the bill is not administrable.

The potential administrability issues include, but are not limited to:

- The Division of Taxation cannot administer a state tax credit associated with and solely constructed using the Federal Tax Code as the Division does not have that expertise. All references to the determination of eligibility, calculation of the credit, and application of the credit must be in the Rhode Island General Laws.
- The calculation of the state tax credit must be based solely on verifiable information. Much of Form 8962 is unverifiable by the Division. Even with the creation of a state-equivalent form, this would not be verifiable and would be a likely target for fraudulent activity.
- The process cannot rely on the information as provided on Form 1095-A. After the implementation of R.I. Gen Laws § 44-30-102, the federal government removed the need for employers to supply the Form 1095-B to individuals, thereby removing any source of data validation.
- The process cannot rely on the federal government requirement for Form 1095-A. This form is required to be submitted to individuals by January 31 of each year, after which the individuals must then complete and submit their tax return. Many low income households file earlier in the tax season, so requiring Form 1095-A information would either force them to wait longer for their refunds or force the Division to deny their credit if a Form 1095-A is not provided because the taxpayer filed earlier in the filing season.
- The bill lacks any changes to taxation statutes that are required to allow for an individual to receive a tax credit.
- As drafted, for any administration of the premium state tax credit, including the credit's value, the Division would rely significantly on HSRI. HSRI would need to determine the correct value of the state premium tax credit and inform the Division. This would require the taxpayer to provide information directly to HSRI each year with which to calculate the state tax credit or would require extensive data-sharing, including personally identifiable information and tax information, between the Division and HSRI.

The potential issues with respect to the Division's resources include, but are not limited to:

- The Division would require at least two tax auditors, one supervisor, two tax support resources, and one senior legal resource in order to review and administer any type of premium tax credit for which the Division is responsible for verification of the state tax credit and any subsequent appeals.
- Additionally, there would need to be a secure management and information-sharing system of record, adhering to all state and federal requirements, to import, compare, store, calculate, revise, report, and export information related to the premium tax credit, the health exchange, and individual taxpayers. This system would contain personally identifiable information.
- The Division would require programming changes to accommodate a new credit as well as tax form changes to allow for an individual to claim the state tax credit. This cost would likely be between \$550,000 and \$750,000. The Division also would require additional programming costs to accommodate an enhancement to the system to hold the values of the state tax credits and verify usage, as well as a new interface to safely and securely exchange data with HSRI.

- The Division would need to expend significant resources to work with software providers to incorporate these new requirements into their Form 1040 filing software. The earliest this could be accomplished is for tax year 2026, filed in 2027.

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  
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