



Rhode Island Department of Revenue

Division of Taxation

Via Electronic Mail

May 21, 2025

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

RE: Letter Regarding House Bill 5738 – 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 5738 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 Chapter 44-30 of the Rhode Island General Laws, entitled “Personal Income Tax,” by adding a new section, entitled “Tax credit for alternative fuel motor vehicle conversion,” which would provide a tax credit to individual taxpayers who convert their gas-powered vehicle into a vehicle propelled by an alternative fuel source. The bill is set to take effect on January 1, 2026.

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

- There are several ambiguous or undefined terms, including, but not limited to, “equipment and labor costs” and “seller of alternative fuel.” The Division respectfully suggests that the bill be redrafted to clarify the meaning of these terms and/or define them.
- The Division does not have the data or expertise to determine compliance with material compliance terms in this bill. For instance, the different types of alternative fuel, the reasonable cost for the vehicle conversion, and what constitutes reasonable “equipment and labor costs.” Therefore, this tax credit would essentially be a by-right credit with no compliance.

- It would be difficult to administer this tax credit and its processing would slow down the processing of tax returns. The bill as drafted may result in a high volume of claims that will negatively impact administration, including, but not limited to, requiring significant resources to handle the high volume of claims and difficulty in auditing the claims due to the structure and ambiguity of the process.
- The bill includes the alternative fuel motor vehicle conversion tax credit in R.I. Gen. Laws § 44-30-28. However, R.I. Gen. Laws § 44-30-2.6 would also need to be amended to add the tax credit as an allowable credit against personal income tax.
- Proposed § 44-30-28(a)(2) provides that a “seller of alternative fuel may not receive a credit for converting its own vehicles to the alternative fuel that it sells.” However, it is not feasible for the Division to enforce such provisions as it cannot monitor sales of converted vehicles in case the seller previously claimed the tax credit or in case the vehicle’s owner sells alternative fuels.
- The bill’s effective date is January 1, 2026. However, the Division would respectfully request that the language be changed so that the effective date is tied to a tax year (i.e., effective for tax years beginning on or after January 1, 2026) so that there is no ambiguity that the tax credit applies prospectively to all future tax years as of a date certain.

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 Kathleen A. Fogarty (via: rep-fogarty@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