

**DOR** Rhode Island Department of Revenue  
Division of Taxation

*Via Electronic Mail*

May 7, 2026

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

**RE: Letter Regarding House Bill 8438 – 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 8438 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 R.I. Gen. Laws § 44-30-12(c) to allow a modification to income for qualified tips and qualified overtime compensation equal to the amounts allowed by 26 U.S.C. § 224(d) and 26 U.S.C. § 225. 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:

- The modification for qualified tips and overtime compensation could result in the modification allowing for reduction in relation to income sources that are not included within federal adjusted gross income (AGI). This may be an unintentional consequence as the state modification is likely intended to relate to the amount of income included in a taxpayer’s federal AGI, which is the starting point for Rhode Island taxable income.
- As currently drafted, the bill’s language does not specify an effective tax year start date for the modification, which could have a cumulative effect and lead to the potential for amended returns and refund claims for prior tax years. This does not appear to be the intent of the bill and creates unintended statutory gaps and consequences in administration.

- In the same vein, the bill’s effective date is upon passage. 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, 2027).
- Additionally, with respect to personal income tax, Rhode Island decoupled from the One Big Beautiful Bill Act (Public Laws No: 119-21, H.R.1, 119th Cong. (2025)) (“H.R.1”) for Tax Year 2025 and prior tax years pursuant to R.I. Gen. Laws § 44-30-12(b)(9) and 280-RICR-20-55-17. Therefore, if this bill does not make clear that it becomes effective beginning Tax Year 2026 or beyond, it would create a conflict within § 44-30-12.

Please also note, as there are multiple proposed bills pending that address modifications set forth in R.I. Gen. Laws § 44-30-12, any bills that pass would need to be reviewed in context to ensure consistency and administrability in relation to all passed amendments. 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 Matthew S. Dawson (via: [rep-dawson@rilegislature.gov](mailto:rep-dawson@rilegislature.gov))  
Nicole McCarty, Esquire, Chief Legal Counsel to the Speaker of the House  
Lynne Urbani, Director of House Policy  
Jane E. Cole, Interim Director, Department of Revenue