

*Via Electronic Mail*

March 31, 2026

The Honorable Robert Britto  
Chair, Senate Committee on Commerce  
Rhode Island State House  
Providence, RI 02903

**RE: Letter Regarding Senate Bill 2640 – An Act Relating to Taxation – Catastrophe Savings Accounts Act**

Dear Chair Britto:

I am writing on behalf of the Rhode Island Department of Revenue, Division of Taxation (“Division”), to: i) express concerns regarding issues with proposed Senate Bill 2640 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 add Chapter 73 to Title 44 (Taxation), entitled “Catastrophe Savings Accounts Act,” to establish the Catastrophe Savings Accounts Act. Per the bill’s definition a “Catastrophe savings account” is a regular savings account or money market account set up by a taxpayer to pay for qualified catastrophe expenses as defined by the bill. The bill is set to be effective on July 1, 2026, but apply to tax years beginning on or after January 1, 2027.

There are several potential issues with the bill that impact tax administration and would cause the bill to not be administrable, including, but not limited to:

- The bill as drafted may have unintended impacts in relation to tax administration due to the broadness of its definitions, potential interpretations of those definitions, and the omission of definitions of necessary terms, as well as the bill’s expansive application to personal and corporate income taxes and deductions.
- Proposed § 44-73-3 states that “[n]o more than one catastrophe savings account . . . shall be established for a primary residence.” However, the owner of a savings account must be a person or entity; it cannot be a property. Furthermore, both a savings account and a property may be owned by more than one person and the bill’s language does not address the implication of multiple owners.

- The bill’s language regarding limitations on contributions in proposed § 44-73-4 is problematic in that it is impracticable to limit the amount of funds contributed into a savings account. In the same vein, the bill’s language currently limits the account contributions based on whether a taxpayer has homeowner’s insurance or is self-insured, and whether the taxpayer’s deductible is less or more than one thousand dollars (\$1,000). Not only is this unrealistic to use as a limitation marker and would lead to disparate treatment of taxpayers based on their insured status, but it is also impossible for the Division to verify.
- As currently drafted, the bill does not explicitly state that the deduction is allowed based on the tax year in which the contribution is made. This may lead to unintended consequences and confusion.
- As currently drafted, the bill may result in the unintended consequence of allowing a deduction at the federal level and then another double deduction at the state tax level.
- The bill requires that expenses be incurred but does not include that the expenses are required to have been paid, which could result in taxpayers receiving a deduction based on amounts not actually paid. Further, the bill does not require that the qualifying expenses be paid for with after tax funds, which would allow for expenditures of untaxed income being used as the basis for the deduction. This could create a double benefit, as the Rhode Island personal income tax return begins with Federal Adjusted Gross Income (“AGI”).
- As currently draft, the bill contains a second deduction for any interest income earned by the catastrophe savings account without the requirement that this income be included in taxable income. This could create an additional double benefit, as the Rhode Island personal income tax return begins with Federal Adjusted Gross Income (“AGI”).
- The bill is effective upon July 1, 2026, but is applicable “[f]or taxable years beginning after January 1, 2027.” For clarity, and in parity with language in similar legislative provisions, the bill’s effective date should be for tax years beginning on or after January 1, 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 Senate Committee on Commerce (via:  
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Kristen Silvia, Deputy Chief of Staff/Director of Legislation  
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