

D  **R** Rhode Island Department of Revenue
Division of Taxation

Via Electronic Mail

March 24, 2026

The Honorable Louis P. DiPalma
Chair, Senate Committee on Finance
Rhode Island State House
Providence, RI 02903

RE: Letter Regarding Senate Bill 2360 – An Act Relating to Taxation – Cigarette, Other Tobacco Products, and Electronic Nicotine-Delivery System Products

Dear Chair DiPalma:

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 2360 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 § 44-20-12, entitled “Tax imposed on cigarettes sold,” to reduce the cigarette tax by seventy-five percent (75%) for a “modified risk tobacco product,” as defined in the proposed amendment. 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:

- Rather than a 75% reduction in tax as the bill currently reads, the Division would recommend that the bill be redrafted to include a specific tax rate for these “modified risk tobacco product[s]” in order to align with the tax rates for cigarette products, other tobacco products, and electronic nicotine-delivery system (ENDS) products.
- The bill’s effective date is upon passage. The Division would respectfully recommend that the bill’s effective date be no earlier than January 1, 2027, to allow for implementation considerations and to provide a compliance window for businesses that sell such products.
- In addition, it should be confirmed that the bill’s language comports with the Tobacco Master Settlement Agreement.

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,

A handwritten signature in blue ink, appearing to read "Neena S. Savage".

Neena S. Savage
Tax Administrator

cc: The Honorable Members of the Senate Committee on Finance
(via: SenateFinance@rilegislature.gov)
Kristen Silvia, Deputy Chief of Staff/Director of Legislation
Jane E. Cole, Interim Director, Department of Revenue