

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

Via Electronic Mail

April 30, 2026

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

RE: Letter Regarding Senate Bill 2365 – An Act Relating to Taxation – Personal Income Tax

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 2365 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, the bill would amend R.I. Gen. Laws § 44-30-12 (“Rhode Island income of a resident individual”) to increase the federal adjusted gross income (AGI) thresholds for the social security income modification for tax years beginning on or after January 1, 2026. The threshold for those filing as an unmarried individual, head of household, or married filing separate would increase from \$80,000 to \$140,000 and the threshold for those filing as married filing jointly or individual filing qualifying widow/widower would increase from \$100,000 to \$180,000. Thus, under the proposed bill, individuals with federal AGI of less than \$140,000 for the taxable year, and joint filers, or qualifying widows/widowers, with federal AGI of less than \$180,000 for the taxable year, would qualify for the modification as long as otherwise qualified. The bill is set to take effect upon passage.

Based on the language as drafted, I would like to highlight several technical concerns that may be unintentional:

- By deleting references to subsection (c)(8)(i), the bill eliminates the inflation adjustments for tax years prior to January 1, 2026.

- By deleting references to subsection (c)(8)(i) in subsection (c)(9), there is an impact on prior taxable years as the only remaining references are to the new language added to (c)(8)(ii).
- The effective date is upon passage, however the modification applies to specific tax years. The Division respectfully suggests making the bill applicable to tax years on or after January 1, 2027 and making the effective date be January 1, 2027. This will avoid confusion for taxpayers, tax preparers, and tax software providers and ensure proper application of the proposed amendments to R.I. Gen. Laws § 44-30-12(c).
- The Division further would note that the Governor proposed in the Fiscal Year 2027 Budget, introduced as House Bill 7127, in Article 5, Section 6, a modification for social security income in relation to which this bill has substantial differences.

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 Senate Committee on Finance (via: SenateFinance@rilegislature.gov)
The Honorable Walter S. Felag, Jr. (via: sen-felag@rilegislature.gov)
Kristen Silvia, Deputy Chief of Staff/Director of Legislation
Jane E. Cole, Interim Director, Department of Revenue