

Via Electronic Mail

May 7, 2026

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

RE: Letter Regarding Senate Bill 2367 – An Act Relating to Taxation – First-Time Homebuyer Savings Account Act

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 2367 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 Title 44 of the Rhode Island General Laws, entitled “Taxation,” by adding a new chapter, Chapter 44-73, entitled “First-Time Homebuyer Savings Account Act.” The bill authorizes the creation of a first-time homebuyer savings account from which savings deposited to purchase a home in Rhode Island in accordance with the statute, can be deducted from an individual’s or couple’s personal income taxes subject to certain limitations. Account holders would be able to deduct up to \$15,000 per year for individuals (\$30,000 for joint account holders that file joint tax returns) from taxable income for the tax year in which the contribution occurred. This deduction is limited to contributions not to exceed a period of ten (10) years and contributions not to exceed \$150,000. 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:

- It is unclear why the Division was included in the amendment to R.I. Gen. Laws § 44-73-3(a) as the Division does not have the authority to establish accounts or funds.
- The Division notes that the bill as drafted does not limit the deduction to the amount of taxable income earned by the account holder in a given year. Without this limitation, there can be multiple scenarios (e.g., tax-free gifts to a dependent), which can be used to circumvent taxation on other income.

- As the first-time homebuyer savings account can only “be used to pay a qualified beneficiary’s eligible costs for the purchase of a home in Rhode Island,” the penalty provisions in § 44-73-6 may implicate constitutional concerns in penalizing those that do not purchase a home in Rhode Island. Such account holders would be subject to a ten percent (10%) penalty on the withdrawal of the funds for use in buying a first home in any state other than Rhode Island, in addition to making the funds taxable income, unless they provide documentation prior to withdrawing their funds that they are no longer residents of Rhode Island. Typically, a homebuyer would need access to their savings prior to purchasing a home and, therefore, would not be able to meet the documentation requirement. These penalty provisions based on the location of the residence may run afoul with the Equal Protection Clause, as they penalize account holders based on where they choose to buy a home.
- The bill is effective upon passage, which would cause administrability issues for the Division and may also cause confusion to taxpayers, tax preparers, and tax software providers. The Division would respectfully request that the bill’s language involving the effective date be changed to specify the tax year to which the new modification may first be taken, such as 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 Finance
(via: SenateFinance@rilegislature.gov)
The Honorable Valerie J. Lawson (via: sen-lawson@rilegislature.gov)
Kristen Silvia, Deputy Chief of Staff/Director of Legislation
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