



May 11, 2026

The Honorable Louis DiPalma, Chair
Senate Finance Committee
82 Smith Street
Providence, Rhode Island 02903

RE: S2549- TAX ON GAINS FROM THE SALE OR EXCHANGE OF REAL PROPERTY

Dear Chairperson and Committee Members:

On behalf of the Rhode Island Association of REALTORS® (RIAR), we respectfully submit this testimony in opposition of S2549. RIAR represents more than 5,900 licensed real estate professionals who list, sell, lease, manage, and appraise residential and commercial real estate to make Rhode Island a better place to call home.

S2549 would impose a new tax on gains derived from the sale or exchange of real property held for 6 years or less, with tax rates that vary based on holding period and can reach as high as 80% for short-term ownership. The legislation also establishes a detailed framework governing calculation of gain, mandatory withholding by buyers, filing require S2549 would impose a new tax on gains derived from the sale or exchange of real property held for 6 years or less, with tax rates that vary based on holding period and can reach as high as 80% for short-term ownership. While S2549 includes limited exemptions, these are narrowly tailored and do not provide broad relief for typical homeowners who may need to sell within a shorter timeframe due to life circumstances. The legislation also establishes a detailed framework governing calculation of gain, withholding at closing, filing requirements, enforcement mechanisms, and penalties tied to real estate transactions.

Imposes Significant New Costs on Property Transfers

S2549 would substantially increase the financial burden associated with selling real estate in Rhode Island.

- Imposes tax rates up to 80% of gain for short holding periods.
- Applies broadly, **with** limited exemptions that do not cover many ordinary homeowners.
- Adds costs that are likely to be passed on to buyers, further straining affordability.

Elevated transaction costs create additional barriers to market participation and homeownership.

Creates Real Hardship for Rhode Island Homeowners

The bill does not adequately account for the realities that often drive home sales.

- A homeowner who must relocate for a new job within two years could face a substantial tax on any gain.
- A family forced to sell due to job loss, divorce, or financial hardship may be penalized despite no speculative intent.
- Owners who invest in improvements and then need to sell sooner than expected could see those gains heavily taxed.

Suppresses Housing Market Activity and Limits Mobility

The proposed tax structure discourages property transfers and reduces market fluidity.

- Disincentivizes sales by encouraging owners to delay transactions to avoid taxation thresholds.
- Restricts inventory turnover, tightening an already constrained housing supply.
- Limits household mobility, making it harder for Rhode Islanders to relocate for employment or family needs.

A less dynamic housing market ultimately reduces opportunities for both buyers and sellers.

Discourages Investment and Housing Development

S2549 would negatively impact investment in housing stock and redevelopment activity.

- Deters rehabilitation of distressed or underutilized properties.
- Reduces incentives for small-scale developers and investors to improve properties.
- Increases exit costs on projects, undermining overall project feasibility.

Policies that discourage reinvestment may reduce both housing quality and supply over time.

Creates Administrative Complexity and Closing Challenges

The bill introduces significant new procedural requirements that complicate real estate transactions. These requirements risk delaying closings and increasing transactional friction.

- Requires withholding at closing in certain transactions, expanding on existing withholding practices.
- Mandates new tax filings within a short timeframe following closing.
- Introduces uncertainty regarding final tax liability at the time of transfer.

Shifts Liability and Risk onto Transaction Participants

S2549 imposes new obligations on parties not traditionally responsible for tax enforcement.

- Places additional withholding and compliance responsibilities on buyers.
- Creates compliance burdens for closing professionals and real estate practitioners.
- Increases the likelihood of disputes related to gain calculations and tax obligations.

Expanding liability in this way introduces risk and uncertainty into routine transactions.

Undermines Housing Affordability Goals

While intended to address speculative activity, S2549 may produce counterproductive outcomes.

- Drives up overall transaction costs that are ultimately borne by buyers.
- Reduces housing supply by discouraging property turnover.
- Fails to distinguish between speculative activity and legitimate short-term ownership.

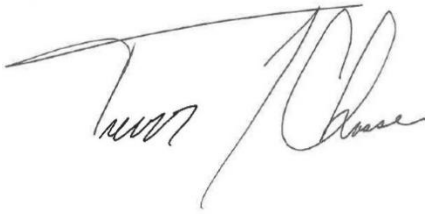
Broad application of the tax risks impacting the very households the policy seeks to protect.

Conclusion

S2549 introduces a complex and substantial new tax on real estate transactions that may increase costs, suppress market activity, discourage investment, and reduce housing mobility. While addressing speculative practices is an important policy goal, this approach risks unintended consequences that could further constrain Rhode Island's housing market.

For these reasons, the Rhode Island Association of REALTORS® respectfully urges the Committee to oppose S2549.

Thank you for your time and consideration.

A handwritten signature in black ink, appearing to read "Trevor J. Chasse". The signature is fluid and cursive, with a long horizontal stroke at the beginning.

Trevor J. Chasse
Director, Government Affairs
Rhode Island Association of REALTORS®