

DR 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 2672 – 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 2672 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 amends R.I. Gen. Laws § 44-30-2.6, entitled “Personal Income Tax – Rhode Island taxable income — Rate of tax,” with the intent of decreasing the income tax rate by an aggregate ten percent (10%), phased in equal annual increments over five (5) taxable years, beginning January 1, 2027. The bill includes fiscal oversight and pause authority if the “total general revenues materially underperformed enacted revenue estimates adopted”. The effective date is upon passage.

There are several potential issues with the bill that impact tax administration, including, but not limited to:

- The bill requires that the director of revenue determine if the revenue “materially underperformed enacted revenue estimates” for a given fiscal year. The term “materially underperformed” is not defined. The Division respectfully suggests that the bill be redrafted to clarify the mechanism for determining this to avoid legal challenges due to ambiguity.

- The bill does not indicate how the rate reduction should be delayed. The Division respectfully suggests that the bill be redrafted to clarify the mechanism and parameters for delaying the rate reduction for a specific tax year to avoid legal challenges.
- As currently drafted, the bill assumes a direct and measurable causality between the tax year and the fiscal year with respect to determining if a pause is granted and for the purposes of reporting. While causality exists, it is not direct as personal income tax revenue measured for a given fiscal year naturally spans at least three tax years. For example, Fiscal Year 2027 would have final and extension payments from Tax Year 2025, estimates, extension and final payments from Tax Year 2026 and estimated payments for Tax Year 2027. Furthermore, an additional tax year may be impacted for income passed through from a partnership or S Corp to an individual. The Division respectfully suggests that the bill be redrafted for clarification as to the causality with respect to the “total general revenues” for a fiscal year with respect to a tax year.
- As currently drafted, the bill assumes that the fiscal year revenue is known prior to the beginning of the tax year and its corresponding ending tax rate. While a fiscal year does close prior to January 1 of a given tax year, the revenue numbers as audited and confirmed are generally not known by January 1. The Division respectfully suggests that the bill be redrafted to denote when and how the measure of revenue is performed, and which subsequent tax year’s rates are impacted for the measured fiscal year.
- The bill requires that a report be submitted on or before January 15, 2029. Extensions for the first tax year, 2027, will not be due until October in fiscal year 2029. Once filed, these tax returns will undergo processing and pending refunds will be reviewed for issuance. The Division respectfully suggests that the report for tax year 2027 be due on or before January 15, 2030. Additionally, the Division suggests that the bill be redrafted to incorporate additional future year reporting dates or the report due date is delayed in order to accommodate the reporting requirement on “Changes in personal income tax collections by bracket” and “Observed taxpayer behavior and economic trends,” given that only a single tax year would be processed by the due date of the original report.
- The bill does not amend R.I. Gen. Laws § 44-11-2.3, entitled “Business Corporation Tax – Pass-through entities — Election to pay state income tax at the entity level.” Without a corresponding amendment to this section, a disparate tax rate is created for pass-through entities to be taxed at the entity level. This does not appear to be the intent of the bill and creates unintended statutory gaps and consequences for pass-through entities electing to be taxed at the entity level.
- The effective date for the increase in the income tax bracket thresholds is upon passage. However, the Division would respectfully request that the language be changed so that the effective date is tied to a tax year (i.e., effective 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.

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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 Jessica de la Cruz (via: sen-delacruz@rilegislature.gov)
Kristen Silvia, Deputy Chief of Staff/Director of Legislation
Jane E. Cole, Interim Director, Department of Revenue