

DOR Rhode Island Department of Revenue
Division of Taxation

Via Electronic Mail

May 19, 2026

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

RE: Letter Regarding Senate Bill 2817 – An Act Relating to Taxation – Tax Credits for Contributions to Scholarship Organizations

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 2817 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 several sections of R.I. Gen. Laws Chapter 44-62, entitled “Tax Credits for Contributions to Scholarship Organizations.” Per the Explanation by the Legislative Council, the bill would expand the eligible contributions from business entities and individuals, increase the annual aggregate amount available for tax credits, and increase the tax credit rate for contributions made. The bill would also establish that contributions in the amount of \$750,000 would fund scholarships for “economically disadvantaged students” and that no more than \$250,000 in contributions “would fund scholarships for pre-K students.” The bill’s effective date is upon passage.

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

- Generally, the proposed amendment will result in a significant increase in administrative burden on the Division.
- The bill’s wording as drafted is not clear, it is at times not properly placed to effectuate the bill’s intent, may cause confusion and ambiguity, and will lead to difficulty in administering the proposed changes. Additionally, the bill relies on certain information that would not be known to the Division, such as the inflationary adjustment based on per-pupil spending.

- The bill also uses undefined terms, such as “economically disadvantaged students,” while defining terms, like “eligible business entity,” which are not used within the bill.
- As currently drafted, the bill would allow tax credits to be used against the minimum tax for business entities. The Division respectfully requests that the bill include a provision that the credits claimed shall not reduce tax liability below any minimum tax.
- The bill as drafted may allow for the tax credit to be taken as a deduction on both the federal and state level. Additionally, the bill is silent on how to handle an individual who may be approved as an individual and as a member of a business entity. The Division respectfully suggests that the bill be redrafted to clarify these issues.
- The bill caps the amount of contributions that may be made to fund scholarships for pre-K students. However, pre-K students are not eligible students under this program because they do not meet the definition of “School-age student” under R.I. Gen. Laws § 44-62-2.
- The Division does not receive identifying information about who receives scholarships under this program and, therefore, cannot track who receives the scholarships to determine if the student is a continuing student nor does the Division determine how each scholarship is used as each scholarship organization determines how the scholarships are provided. The Division cannot monitor the students receiving scholarships and this information should not be known to either the Division or the applicants. Therefore, the Division would be unable to administer the amendments as drafted in the bill.
- Finally, since contributions are given to, and distributed by, one or more of the approved scholarship organizations, the Division would not be able to monitor the thresholds being imposed.

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 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