

*Via Electronic Mail*

May 28, 2026

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

**RE: Letter Regarding Senate Bill 2833 – An Act Relating to Taxation – Rhode Island  
Local Investment Tax Credit 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 2833 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,” to add a new chapter, Chapter 44-73, entitled “Rhode Island Local Investment Tax Credit Act.” Per the Explanation by the Legislative Council, the bill would “provide an investment tax credit to a taxpayer that makes a qualified investment in a local qualified business of ninety-nine (99) employees or less.” The proposal would be funded by a “Rhode Island commerce corporation strategic fund pursuant to § 42-64-18” and the General Assembly would “annually appropriate sufficient funds from the general fund to fully compensate for any loss of revenue as a result of the provisions of this act.” 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:

- Under the definition of “Qualified business” in this bill in R.I. Gen. Laws § 44-73-3(2)(i) the requirement that the “...transactions are limited to residents of this state” is unclear and may contradict subsection (ii) which states that “...at least eighty percent (80%) of its gross revenues [are received] from the operation of its business in this state.”
- Under the proposed language in R.I. Gen. Laws § 44-73-4 (“Credits against tax”), the reference to “...a qualified business may claim a credit against the tax imposed by this title...” is too broad and needs specificity in order to aid effective tax administration and track appropriate revenue impacts, including which specific taxes may be offset using this credit.

- It is unclear against which taxes the credits can be claimed, however the bill should include a provision that the credits claimed shall not reduce tax liability below any minimum tax. Additional statutes may also need to be updated to account for the credit, including R.I. Gen. Laws § 44-30-2.6 if the intent is to allow the credit against personal income tax.
- The bill, as currently drafted, lacks the authority for the Commerce Corporation to share information with the Division to allow monitoring of tax credit certificates to track validity and usage. This authority is necessary to properly administer the tax credit.
- It is necessary to review the framework for the application and issuance of this new tax credit and the requirements related to the filing of returns to ensure that the processes do not contradict other tax administration mandates and established processes such as electronic filing and payment mandates.
- The bill’s effective date is upon passage, but the proposed tax credit would apply to “tax years beginning on and after January 1, 2027.” 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). For much of the 2026 calendar year, taxpayers, tax preparers, and tax software providers will be focused on returns covering the 2025 tax year. Tax legislation which takes effect during the 2026 calendar year – particularly the first part of the calendar year – might lead taxpayers and others to conclude that the proposed amendment applies during the current filing season, for the 2025 tax year. That would lead to errors in filing and processing, which could, in turn, lead to underpayment penalties and interest, as well as the need for preparing and filing amended returns. As a result, the Division further recommends clarifying the effective tax years, as noted above.

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  
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