

DOR Rhode Island Department of Revenue
Division of Taxation

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 3227 – An Act Relating to Taxation -- City of Providence: Transfer of Portion of State Income Taxes of New Employees of Not-For-Profit Health Care Institutions and Educational Institutions

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 3227 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 Title 44 by adding a new chapter, R.I. Gen. Laws § 44-73-1, *et seq.*, entitled “City of Providence: Transfer of Portion of State Income Taxes of New Employees of Not-For-Profit Health Care Institutions and Educational Institutions.” The amendment would require the State to remit or transfer to the city of Providence treasurer twenty-five percent (25%) of the state income taxes of the aggregate number of total new employees since the initial reporting period.

The bill also amends R.I. Gen. Laws § 35-4-1, entitled “Revenue credited to general fund — Exceptions — Deposits,” to add a requirement that “State withholding taxes received by the director of revenue for calendar years 2026 and thereafter[] shall be remitted to the city of Providence pursuant to chapter 73 of title 44” and amends R.I. Gen. Laws § 45-13-1, entitled “Apportionment of annual appropriation for state aid,” to direct that “no portion of the state income tax paid to the city of Providence pursuant to chapter 73 of title 44 shall be considered part of an appropriation or allocation to the city of Providence under this chapter, but shall be considered a separate allocation to the city.” The Act is set to take effect upon its passage.

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

- Many of the terms in the bill are undefined or do not have clear definitions, which causes potential confusion and ambiguity and could lead to administration issues.
- The interrelationships and responsibilities of various agencies may impact tax administration in establishing clear parameters and timeframes for determinations and notifications required by the bill.
- Additional research would need to be conducted to ensure consistency with, and to determine potential impacts in relation to, other Rhode Island laws.
- The bill references the Department of Revenue several times when it may have intended to refer to the Division of Taxation, although the intent is unclear.
- In the amendment to R.I. Gen. Laws § 35-4-1(16), the Division suggests that the reference to “the director of revenue” should be replaced with the “Tax Administrator.”
- In proposed § 44-73-1(1), the Division recommends that the reference and definition of “Director” should be replaced with “Tax Administrator.”
- In proposed § 44-73-2, the Division suggests that the references to “state department of revenue” should be replaced with “State Division of Taxation.”
- The intent and application of § 44-73-1, *et seq.*, is unclear and the terms therein are ambiguous such that administration would be difficult.
- The bill takes effect upon passage and sets a July 30, 2026, deadline for the defined institutions to start providing required information to “the director.” Due to the significant issues with implementation and resources, a future effective date is necessary to ensure sufficient time to allow for the required extensive development of the processes, including systems and forms, to implement the bill.

Also, please note that the implementation of this new procedure will require additional resources to develop the process as required by the bill; it is anticipated that additional full-time equivalents will be needed for administration. Further, additional undetermined resources would be needed to develop the processes, such as technology and legal analysis. The proposed bill is silent as to the allocation of funds to address the significant administrative impact on the Division.

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,

A handwritten signature in blue ink, appearing to read "Msavage", with a long horizontal flourish extending to the right.

Neena S. Savage
Tax Administrator

cc: The Honorable Members of the Senate Committee on Finance (via: SenateFinance@rilegislature.gov)
The Honorable John P. Burke (via: sen-burke@rilegislature.gov)
Kristen Silvia, Deputy Chief of Staff/Director of Legislation
Jane E. Cole, Interim Director, Department of Revenue