

DOR Rhode Island Department of Revenue
Division of Taxation

Via Electronic Mail

April 11, 2024

The Honorable Marvin L. Abney
Chair, House Committee on Finance
Rhode Island State House
Providence, RI 02903

**RE: Letter Regarding House Bill 7548 – An Act Relating to Taxation – Surplus Funds
Tax Credit Act**

Dear Chair Abney:

I am writing on behalf of the Rhode Island Department of Revenue, Division of Taxation (“Division”), to: i) express concerns regarding issues with proposed House Bill 7548 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 by adding a chapter, 44-72, entitled “Surplus Funds Tax Credit Act,” which would create a tax credit if net state tax revenues in any fiscal year exceed the projected revenue estimates as contained in the budget of said fiscal year. In that event, per the proposal, the amount of the excess would result in a credit equal to the total amount of the excess, and the credit would be applied to the then current personal income tax liability of all taxpayers on a proportional basis to their personal income tax liability incurred in the immediately preceding taxable year. The bill is set to take effect on July 1, 2024.

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

- If the proposed tax credit will be a refunding of moneys collected above the projected revenue estimate, the Division suggests that the credit should be labeled a rebate and not a tax credit.
- The bill’s language is extremely vague as to what consists of “revenue,” which would cause issues when determining what types of revenue should be included in the calculation and which two revenue numbers should be compared.

- The proposed amendment could lead to the potentially unintended consequence that the Division would be required to send pennies to most taxpayers in the event of a small surplus. The Division suggests that the bill include a minimum percentage threshold to prevent this occurrence.
- The Division respectfully suggests that the bill include a requirement that all taxpayers file their returns on or before the due date for extension filings each year in order for the tax credit to be enforceable.
- It should be noted that taxpayers that file on extension will not have tax liability established by September 1, and as such, in order to refund money to all taxpayers, this tax credit program would need to be run several months after the due date.

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 House Committee on Finance
(via: HouseFinance@rilegislature.gov)
The Honorable George A. Nardone (via: rep-nardone@rilegislature.gov)
Nicole McCarty, Esquire, Chief Legal Counsel to the Speaker of the House
Lynne Urbani, Director of House Policy
Thomas A. Verdi, Director, Department of Revenue