

DOR Rhode Island Department of Revenue
Division of Taxation

Via Electronic Mail

May 9, 2024

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

RE: Letter Regarding House Bill 7490 – An Act Relating to Human Services – The Rhode Island Family Caregiver 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 7490 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 by adding a chapter, 44-8.11.5, entitled “The Rhode Island Family Caregiver Tax Credit Act.” The new chapter would establish a tax credit of up to \$1,000 for a resident taxpayer who incurs eligible expenses during the taxable year for the care and support of a qualifying family member in the taxpayer’s home. The bill would also amend R.I. Gen. Laws § 44-30-2.6, entitled “Rhode Island taxable income – Rate of tax,” to add the tax credit as an allowable credit against personal income tax. While the bill would take effect upon passage, the credit would apply to tax years beginning after December 31, 2024.

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

- There are a number of ambiguities in the bill that would impact administration, including, but not limited to: the phrase “Requires assistance with at least two (2) activities of daily living” in proposed Subsection 40-8.11.5-2(4)(iv), which is vague and could lead to unintended interpretations, lack of guidance for how a physician would certify that a family member needs assistance, and lack of parameters for what is required to document the qualifying expenses for this credit.

- There is a reference in the definition of “Eligible family member” to a certification by a licensed health care provider with respect to the activities of daily living. If the drafters’ intent was for the Division to store such information, the Division does not have the technical infrastructure to store information related to this, as it is likely information that requires HIPAA-compliant standards and safeguards.
- The wording of the definition of “Eligible family caregiver” may result in the unintended consequence of disallowing the credit for part-year residents.
- The bill requires that expenses be incurred but does not include that the expenses are required to have been paid, which could result in taxpayers receiving credit based on amounts not actually paid. Further, the bill does not require that the qualifying expenses be paid for with after tax funds, which would allow for expenditures of untaxed income being used as the basis to claim a tax credit. This could create a double benefit, as could the bill’s proposed tax credit in relation to qualifying medical expense deductions allowed under the Internal Revenue Code, which already are reflected on the Rhode Island personal income tax return in starting with Federal Adjusted Gross Income (“AGI”).
- Proposed Subsection 40-8.11.5-3(b) states that the maximum allowable credit authorized shall be \$1,000 but does not change the maximum allowable credit in the case of married couples filing joint tax returns. This would result in married couples filing separately being eligible for twice the credits that the same married couple filing jointly taxpayer would be eligible for.
- The administration of this new tax credit would require additional resources, including at least two additional full-time equivalents.
- The bill is effective upon passage but is applicable “[f]or taxable years beginning after December 31, 2024.” For clarity, and in parity with language in similar legislative provisions, the bill’s effective date should be for tax years beginning on or after January 1, 2025.

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)

DOR Rhode Island Department of Revenue
Division of Taxation

The Honorable Susan R. Donovan (via: rep-donovan@rilegislature.gov)
Nicole McCarty, Esquire, Chief Legal Counsel to the Speaker of the House
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