

DOR Rhode Island Department of Revenue
Division of Taxation

Via Electronic Mail

May 22, 2024

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

RE: Letter Regarding House Bill 8242 – An Act Relating to Health and Safety – The Rhode Island Comprehensive Health Insurance Program

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 8242 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 add Chapter 100 to Title 23 (Health and Safety), entitled “The Rhode Island Comprehensive Health Insurance Program,” to, as set forth in its legislative purposes provision, “establish a universal, comprehensive, affordable single-payer healthcare insurance program that will help control healthcare costs....” The bill also adds other chapters and amends several existing statutes, including amendments to R.I. Gen. Laws § 44-17-1, entitled “Companies required to file – Payment of tax – Retaliatory rates,” to change the tax rate from 2% to 3% of the gross premiums on insurance contracts, as set forth in the statute. The bill also requires the Department of Revenue (DOR) to calculate the impacts on state funds of changes made to Medicaid on or after Fiscal Year 2025 and provides for a surtax dependent on the result of the calculation. Additionally, the bill increases the 5.5% tax for services provided by nursing facilities to 6% in R.I. Gen. Laws § 44-51-3. Finally, as it relates to taxation, the bill adds Chapter 72 to Title 44, entitled “Private Healthcare Providers Assessment Act,” providing for a 6% tax on eligible providers as defined in the bill. The bill is set to be effective upon passage.

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

- The deletions of 2% in R.I. Gen. Laws § 44-17-1 have a retroactive effect, which likely is unintentional. To effectuate a rate change for a prospective period, the Division suggests clarifying the language such that the 3% rate is effective for tax years beginning on or after January 1, 2025.
- The deletion of 5.5% in R.I. Gen. Laws § 44-51-3 also has a retroactive effect, which likely is unintentional. The Division similarly suggests clarifying the language such that the 6% rate is

effective for tax years beginning on or after January 1, 2025 to effectuate a rate change for a prospective period.

- In proposed subsection § 44-17-1(d), there are no parameters for the calculation of “changes made to Medicaid taking effect during or after” Fiscal Year 2025 on state funds, which creates ambiguity requiring clarification to effectuate the goal of the calculation. Further, the imposition of a surtax pursuant to that subsection does not provide for which tax period the surcharge shall be assessed.
- The bill’s new tax, in Chapter 44-72, needs to be studied, including the interplay between existing state statutes concerning taxation and confidentiality, to ensure consistency and proper administrability.
- The bill’s effective date is upon passage; however, given the work that would be needed to implement this bill, the Division respectfully requests that the bill’s language involving the effective date be changed to specify the tax year(s) to which the proposed amendment would apply by including language in the bill that it applies to 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)
The Honorable David Morales (via: rep-morales@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