

DOR Rhode Island Department of Revenue
Division of Taxation

Via Electronic Mail

April 23, 2024

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

RE: Letter Regarding House Bill 7403 – An Act Relating to Public Finance – State Funds

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 7403 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 R.I. Gen. Laws § 35-4-1 to add a requirement that “State withholding taxes received by the director of revenue beginning July 1, 2023 [] shall be remitted to the cities and towns pursuant to chapter 71 of title 44” and amends R.I. Gen. Laws § 45-13-1 to direct that “no portion of the state income tax paid to the cities and towns pursuant to chapter 71 of title 44 shall be considered part of an appropriation or allocation to the cities or towns under this chapter, but shall be considered a separate allocation to the city or town.”

The bill also amends Title 44 by adding a new chapter, R.I. Gen. Laws § 44-72-1, *et seq.*, entitled “Transfer of Portion of State Income Taxes of New Employees of Not-For-Profit Healthcare Institutions and Institutions of Higher Education to Cities and Towns.” The amendment would require the State to remit or transfer to each city treasurer twenty-five percent (25%) of the state income taxes of the aggregate number of total new employees since the initial reporting period. 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.
- The bill references 2023 several times when it may have intended to refer to 2024.
- The bill references “44-71” several times when it may have intended to refer to “44-72.”
- 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 § 44-72-1(1), the Division recommends that the reference and definition of “Director” should be replaced with “Tax Administrator.”
- In proposed § 44-72-2, the Division suggests that the references to “state department of revenue” should be replaced with “State Division of Taxation.”
- The intent and application of § 44-72-1, *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, 2024, deadline for the defined institutions to start providing required information to “the director.” It further sets a deadline of September 1 of “fiscal year 2024,” which would be September 1, 2023, for the State to start remitting funds to each city treasurer, which appears to be a drafting error. However, assuming the drafters intended the deadline to be September 1, 2024, due to the significant issues with implementation and resources, a future effective date and remittance commencement 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,



Neena S. Savage
Tax Administrator

cc: The Honorable Members of the House Committee on Finance (via:
HouseFinance@rilegislature.gov)
The Honorable Scott A. Slater (via: rep-slater@rilegislature.gov)
Nicole McCarty, Esquire, Chief Legal Counsel to the Speaker of the House
Lynne Urbani, Director of House Policy
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