

**DOR** Rhode Island Department of Revenue  
Division of Taxation

*Via Electronic Mail*

May 2, 2024

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

**RE: Letter Regarding House Bill 7338 – An Act Relating to Taxation – Personal Income Tax**

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 7338 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, the bill would amend Chapter 44-30 of Rhode Island General Laws, entitled “Personal Income Tax,” by adding a new section, § 44-30-2.12 (“Surtax on millionaires”) to impose an additional three percent (3%) surtax on Rhode Island taxable income over one million dollars (\$1,000,000) net of any personal income tax modifications, standard deductions, and exemptions. In addition, the bill would require that any personal income tax collected in relation to the 3% on income over \$1,000,000, be deposited into a restricted receipt account and only be expended on specific items as set forth in the bill.

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

- As currently drafted, the bill is not administrable. The bill’s language does not match the definitions and structure of R.I. Gen. Laws § 44-30-2.6, which causes parity concerns. Additionally, there are several undefined terms, including, but not limited to, “Rhode Island taxable income.” The Division respectfully suggests that the bill be redrafted as an additional tax bracket within § 44-30-2.6 for consistency in terms and administration.
- The bill would require significant updates to existing tax forms and the Division’s integrated tax system to allow for two different tax rates to apply to a single income, which would require substantial resources to implement.

- The Division respectfully suggests a technical change of “deposited” to “transferred” in proposed § 44-30-2.12(d) to address the operation of the transfer of the 3% of the tax to the restricted receipt account as provided for in the bill.
- The tax periods subject to this new surtax should be “for tax periods beginning on or after January 1, 2025.”
- The bill’s reporting requirement, as currently drafted, is concerning and unfeasible.
  - A significant concern is that the bill does not provide statutory authority for the Division to make distributions, and it lacks guidance as to how the money in the restricted account is to be distributed. Therefore, the Division would be unable to report on it given the lack of direction. The best practice would be for the restricted receipt account to be explicitly named and declared under the section of law that contains the restricted receipt accounts.
  - The Department of Administration’s Office of Accounts and Control would report on the manner in which the surtax revenue is distributed, not the Division.
  - Additionally, the language regarding the timing of the reporting should be redrafted as the earliest possible reporting for Tax Year 2025 would be December 2026, as the majority of these filers would be extension return filers (due October 15th).

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](mailto:HouseFinance@rilegislature.gov))  
 The Honorable Karen Alzate ([rep-alzate@rilegislature.gov](mailto:rep-alzate@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