



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 7589 – 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: a) express concerns regarding issues with proposed House Bill 7589 as currently drafted; b) explain the background and current statutory context in order to clarify the intended and unintended consequences of this bill; and, c) 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 R.I. Gen. Laws § 44-30-2.6 (“Rhode Island taxable income - Rate of tax”) to increase the Rhode Island earned income credit. Under the existing statute, a taxpayer may qualify for a Rhode Island earned income credit equal to 16 percent (16%) of the federal earned income credit as authorized under Internal Revenue Code § 32.¹

House Bill 7589 increases the Rhode Island credit to thirty percent (30%) of the federal credit but includes the limitation that the amount not exceed the amount of the Rhode Island income tax. The bill takes effect upon passage and as currently drafted, applies to tax years beginning on or after January 1, 2025.

For much of the 2024 calendar year, taxpayers, tax preparers, and tax software providers will be focused on returns covering the 2023 tax year. Tax legislation which takes effect during the 2024 calendar year – particularly the first part of the calendar year – might lead taxpayers and others to conclude that the proposed amendment in Section 1 of House Bill 7589 applies during the current filing season, for the 2024 tax year.

¹ The earned income credit is sometimes referred to as the earned income tax credit, EIC, or EITC.

That would lead to errors in filing and processing, which could, in turn, lead to underpayment penalties and interest, as well as the need for preparing and filing amended returns. To forestall any possible confusion, the Division would respectfully request that the bill's language be revised so that the proposed amendment to the Rhode Island earned income credit apply to tax years beginning on or after January 1, 2025, with an effective date of January 1, 2025.

The Division believes that such language would make it clear to taxpayers, tax preparers, and tax software providers that the proposed amendment would not apply to, or disrupt, the current tax-filing season. Setting the effective date at a future point would also provide taxpayers, tax preparers, tax software providers, and the Division sufficient time to plan ahead.

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.

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 William W. O'Brien (via: rep-obrien@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