



OFFICE OF MANAGEMENT & BUDGET

State Budget Office

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State Fiscal Note for Bill Number:

2025-S 0027

Date of State Budget Office Approval: Monday, March 17, 2025

Date Requested: Thursday, January 23, 2025

Date Due: Saturday, February 15, 2025

<i>Impact on Expenditures</i>		<i>Impact on Revenues</i>	
FY 2025	\$0	FY 2025	\$0
FY 2026	\$0	FY 2026	\$(6,305,523)
FY 2027	\$0	FY 2027	\$(12,832,890)

Explanation by State Budget Office:

This bill would increase the amount of property tax relief credit allowed against the tax owed under Rhode Island General Laws (R.I. Gen Laws) Chapter 44-30 entitled "Personal Income Tax." Specifically, this bill amends the Rhode Island property tax relief credit provided for in R.I. Gen. Laws § 44-33-9 to add eligibility for anyone with a total household income of \$35,001 - \$50,000, effective upon passage, and to increase the maximum amount of credit to up to \$850 per claimant, effective January 1, 2026. The credit remains limited to those taxpayers who are 65 years of age or older and/or receive Social Security disability payments.

Under current law, the maximum household income for an eligible claimant is \$35,000. The percentage of total household income used to determine the credit amount is 3% - 6% based on the claimant's income level and household size. To qualify for the property tax relief credit, taxpayers must be 65 years of age or older and/or receive Social Security disability payments. For TY 2024, the maximum property tax relief credit allowed is \$675 per eligible claimant, which is subject to inflation based on the consumer price index for all urban consumers (CPI-U).

Summary of Facts and Assumptions:

The effective date of the bill is upon passage, but the increase in the maximum credit amount commences January 1, 2026. As written, the bill would potentially increase the top income eligibility threshold in the middle of the tax year. The Department of Revenue, Office of Revenue Analysis (ORA) recommends the bill be redrafted to indicate the precise date on which the changes in the bill take effect. For purposes of analyzing the fiscal impact of the bill, ORA assumed that all provisions of the bill are applicable to the tax years beginning on or after January 1, 2026.

Based upon the accrual methodology employed by the Department of Administration, Office of Accounts and Controls (OAC), tax law changes that take effect in the middle of a fiscal year have a current fiscal year revenue impact equal to one-half of the succeeding fiscal year's revenue impact. ORA has used this accrual-based methodology to provide the budgetary revenue impacts contained in this fiscal note.



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It should be noted that the bill will have no impact on current fiscal year personal income tax revenues as ORA has assumed that the bill will be effective for tax years beginning on or after January 1, 2026. The impact of the bill on FY 2026 personal income tax revenues will be realized through the personal income tax net accrual rather than actual revenue flows during the fiscal year as the returns filed for TY 2026 would not be received until FY 2027. The impact of the bill on FY 2027 personal income tax revenues will be realized through actual revenue flows during that fiscal year but primarily concentrated in the months of February through June.

The fiscal impact analysis of the bill is based on a personal income tax return simulation executed by ORA. The simulation took the TY 2022 file adjusted to reflect TY 2024 law and applied the proposed Rhode Island property tax relief credit of up to \$850 for resident tax returns that meet the age or disability criteria and have a total household income of not more than \$50,000. ORA was unable to identify taxpayers who are younger than age 65 but would qualify for the credit based on a disability. Further, total household income for taxpayers who do not receive the property tax relief credit under current law is unavailable. ORA used total income from the federal 1040 for taxpayers who filed electronically and federal adjusted gross income (AGI) for all others as a proxy for total household income to complete the simulation. ORA assumed all new takers of the credit would receive the maximum credit of \$850 as their property tax data is not available. The results of this simulation were compared to the application of TY 2024 law on the TY 2022 personal income tax file.

Rhode Island personal income tax collections for TY 2022 under TY 2024 law were estimated to be \$1,653,150,723. Of this amount, \$1,348,803,896 was from resident filers, or 81.5899% of total filers (i.e., \$1,348,803,896 / \$1,653,150,723). The results of the simulation indicate that implementation of the bill would reduce personal income tax collections for TY 2022 under TY 2024 law for eligible Rhode Island residents by \$10,637,402. In total, implementation of the bill would have reduced Rhode Island resident personal income tax revenues for TY 2022 under TY 2024 law by 0.7887% (i.e., \$10,637,402 / \$1,348,819,868).

Using a 3-year average, ORA estimated that tax year personal income tax liability represents 95.8265% of the following year's total fiscal year personal income tax collected (that is, some fiscal year revenue is due to prior tax years). This ratio was applied to the Department of Administration, Office of Management and Budget's (OMB) FY 2027 projection of personal income tax revenues based on estimates adopted at the November 2024 Revenue Estimating Conference (REC) of \$2,045,230,059 to yield estimated TY 2026 personal income tax collections of \$1,959,873,183 (i.e., \$2,045,230,059 * 0.958265). ORA then applied the ratio of personal income tax from resident filers compared to the total tax liability of 81.5899% to this TY 2026 figure to estimate TY 2026 personal income tax liability from residents of \$1,959,873,183. Applying the 0.7887% estimated personal income tax revenue loss from passage of the bill to the FY 2027 estimate of TY 2026 personal income tax revenues generated from Rhode Island resident filers yields estimated full-year forgone personal income tax revenue of \$12,611,045 in TY 2026 attributable to the provisions of the bill (i.e., \$1,599,058,421 * -0.007887). The three percentages were also applied to OMB's projection of personal income tax revenues for FY 2028 of \$2,117,186,603 to yield TY 2027 estimated forgone revenue from passage of the bill of \$13,054,735 (i.e., \$2,117,186,603 * 0.958265 * 0.815899 * -0.007887).



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Employing the OAC accrual methodology yields budgetary revenue losses for FY 2026 of \$6,305,523 (i.e., $0.5 * \$12,611,045$) and for FY 2027 of \$12,832,890 (i.e., $0.5 * \$12,611,045 + 0.5 * \$13,054,735$) from passage of the bill.

Comments on Sources of Funds:

All personal income taxes are general revenues.

Summary of Fiscal Impact:

FY 2025: Not applicable due to the assumed implementation date of the bill.

FY 2026: A revenue loss of \$6,305,523 is forecast.

FY 2027: A revenue loss of \$12,832,890 is forecast.

Budget Office Signature: _____

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Codega Jr.
Date: 2025.03.17 15:49:36 -04'00'

Fiscal Advisor Signature: _____

