



OFFICE OF MANAGEMENT & BUDGET

State Budget Office

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 222-6300
Fax: (401) 222-6410

State Fiscal Note for Bill Number:

2025-S 0110

Date of State Budget Office Approval: Wednesday, March 5, 2025

Date Requested: Friday, January 31, 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	\$100,896	FY 2026	\$(3,652,846)
FY 2027	\$207,846	FY 2027	\$(7,305,691)

Explanation by State Budget Office:

This bill would amend Rhode Island General Laws (R.I. Gen. Laws) Title 44 titled "Taxation" by adding to it R.I. Gen. Laws Chapter 44-31.4 titled "Family Caregiver Income Tax Credit." This new chapter would establish a tax credit of up to \$1,000 for a resident taxpayer who incurs qualifying expenses during the taxable year for the care and support of a qualifying family member in the taxpayer's home.

Qualifying family members must be at least 65 years of age or qualify for Social Security Disability Insurance, require assistance with daily tasks as certified by a physician, and are a dependent, spouse, domestic partner, sibling, grandparent, grandchild, or is a second degree relative.

Under current law, no such state income tax credit exists.

Summary of Facts and Assumptions:

This bill takes effective upon passage and applies "for taxable years beginning after December 31, 2025." The Department of Revenue, Division of Taxation notes several potential technical concerns with the bill as drafted, and likely will be submitting a letter to document these concerns for any hearing on the bill.

The bill lists income limits for applicable taxpayers with single, married filing separately and joint filing statuses but does not mention head of household or widow statuses. All filing statuses income limits should be explicitly listed.

ORA has the ages of dependents claimed by resident taxpayers in its personal income tax (PIT) simulation model. For TY 2022, of the 542,898 resident filers in the model, 4,599 claimed a dependent who was 65 years of age or older of age. ORA does not have data about which dependents qualify for Social Security Disability Benefits Insurance. The Annual Statistical Report on the Social Security Disability Insurance Program, 2023 reports 37,049 total disabled beneficiaries in Rhode Island as of December 2023 (Table 9).



OFFICE OF MANAGEMENT & BUDGET

State Budget Office

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 222-6300
Fax: (401) 222-6410

State Fiscal Note for Bill Number:

2025-S 0110

The bill specifies that to qualify for the credit, a taxpayer's income must not exceed \$50,000 for individual or \$100,000 for joint filing status. ORA assumed that married filing separate and head of household status would fall under the individual income limitation while widow filing status would follow the joint filing status limit. Using these income limits on the TY 2022 PIT model yields 1,435 individual filers and 751 combined filers with a dependent age 65 or older who are potentially eligible for the new tax credit.

To estimate the number taxpayers with disabled dependents, ORA used the TY 2022 PIT model to obtain 253,863 individual filers and 76,565 combined filers who meet the income thresholds for the credit. ORA then calculated the percent of households with disabled Social Security beneficiaries by dividing the total disabled beneficiaries in Rhode Island (Table 9) by the total number of households in the state to calculate a rate of 8.5% (i.e., $37,049 / 436,902$). Applying the percentage, ORA calculated 21,527 (i.e., $253,863 * 0.085$) individual filers and 6,493 (i.e., $76,565 * 0.085$) combined filers as potentially eligible for the new tax credit.

According to a caregiving costs study published by AARP in July 2023, 78% of caregivers incur out-of-pocket expenses spending an average of \$7,242 annually (source: <https://www.aarp.org/pri/topics/ltss/family-caregiving/aarp-research-insights-caregiving/>). ORA applied the percent of caregivers incurring expenses to the estimated number of potentially eligible taxpayers to yield 1,119 (i.e., $1,435 * 0.78$) individual filers with dependent over 65 and 16,791 (i.e., $21,527 * 0.78$) individual filers with a dependent qualifying for Social Security Disability Insurance; and 586 (i.e., $751 * 0.78$) combined filers with dependent over 65 and 5,064 (i.e., $6,493 * 0.78$) combined filers with a dependent qualifying for Social Security Disability Insurance who are estimated to claim the credit.

The credit is equal to the qualifying expenses with a cap of \$1,000. Utilizing the annual expenses from the AARP study, ORA assumed that taxpayers who qualified for the credit would be eligible for the maximum credit amount of \$1,000. The credit however is non-refundable and cannot be carried forward, meaning the revenue impact of the credit is limited by the taxpayer's actual liability. ORA then calculated the average tax liability of (a) taxpayers that met the income thresholds and had dependents greater or equal to 65 years of age and (b) all taxpayers that met the income thresholds (the population used to estimate disabled dependents). The average tax liability for individual filers in TY 2022 for these two groups was \$194 and \$214, respectively, and the average tax liability for combined filing status was \$719 and \$607, respectively. This yields a revenue impact of \$3,810,500 for individual filers (i.e., $1,119 * \$194 + 16,791 * \214) and \$3,495,191 for combined filers (i.e., $586 * \$719 + 5,064 * \607) resulting in a total of \$7,305,691 (i.e., $\$3,810,500 + \$3,495,191$).

Due to methodology employed by the Office of Accounts and Control, the fiscal impact for FY 2026 is estimated to be \$3,652,846 (i.e., $0.5 * \$7,305,691$). The estimate is held constant for FY 2026 because the maximum credit cap is not indexed to inflation.



OFFICE OF MANAGEMENT & BUDGET

State Budget Office

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 222-6300
Fax: (401) 222-6410

State Fiscal Note for Bill Number:

2025-S 0110

The Division of Taxation notes administration of this proposal would require at least two additional positions, including one Tax Auditor I and one Taxpayer Service Specialist. This analysis assumes those new positions would start on January 1, 2026.

The establishment of a Family Caregiver Tax Credit may enable more families to provide care and support for eligible families instead of needed to enroll the family member in institutional care, such as a nursing home. Home and Community Based Care generally has a lower cost than institutional care, creating the potential for decreased Medicaid expenditures if a significant number of families avoid or delay seeking institutional care. While the provisions of this bill create the potential for decreased Medicaid expenditures, it is dependent on future decision making of families and ultimately indeterminate at this time.

Comments on Sources of Funds:

This bill would reduce personal income tax revenue, which are general revenues. It would also require additional general fund expenditures for the Division of Taxation.

Summary of Fiscal Impact:

FY 2025: No revenue impact is forecast due to the implementation date of January 1, 2026.

FY 2026: A revenue loss of \$3,652,846 is forecast, along with increased general fund expenditures by the Division of Taxation of \$100,896.

FY 2027: A revenue loss of \$7,305,691 is forecast, along with increased general fund expenditures by the Division of Taxation of \$207,846.

Budget Office Signature:


Digitally signed by Joseph
Codega
Date: 2025.03.06 12:01:46
-05'00'

Fiscal Advisor Signature:



