



# Summary of Legislative Changes

July 25, 2024  
Revised July 29, 2024<sup>1</sup>

This is a plain-language summary of Rhode Island tax changes that were enacted in the 2024 session of the Rhode Island General Assembly. Many of the changes were enacted in the budget bill for the 2025 Fiscal Year. Some additional changes were enacted in stand-alone legislation. Below, the Division has included a list of topics summarized in this document, along with their page numbers. Please note: This document may be updated as needed.

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<sup>1</sup> This has been revised to include an additional section entitled Elimination of Fee for Obtaining or Renewing Exemption Certificate.

## Hospital Licensing Fee

The 2023 session of the General Assembly resulted in the following Hospital Licensing Fee update:

STATE FISCAL YEAR 2025: The hospital licensing fee for the State's Fiscal Year 2025 will be the same as the hospital licensing fee for the State's Fiscal Year 2024.

STATE FISCAL YEAR 2024: The hospital licensing fee for the State's Fiscal Year 2024 has three (3) tiers with differing fees based on inpatient and outpatient net patient-services revenue. The Executive Office of Health and Human Services, in consultation with the Tax Administrator, identified the hospitals in each tier, subject to the definitions in statute, and has notified each hospital of its tier.

Tier 1: Tier 1 is composed of hospitals that do not meet the description of either Tier 2 or Tier 3.

- The inpatient hospital licensing fee for Tier 1 is equal to 13.12% of the inpatient net patient-services revenue derived from inpatient net patient-services revenue of every Tier 1 hospital.
- The outpatient hospital licensing fee for Tier 1 is equal to 13.30% of the net patient-services revenue derived from outpatient net patient-services revenue of every Tier 1 hospital.

Tier 2: Tier 2 is composed of High Medicaid/Uninsured Cost Hospitals and Independent Hospitals.

- The inpatient hospital licensing fee for Tier 2 is equal to 2.63% of the inpatient net patient-services revenue derived from inpatient net patient-services revenue of every Tier 2 hospital.
- The outpatient hospital licensing fee for Tier 2 is equal to 2.66% of the outpatient net patient-services revenue derived from outpatient net patient-services revenue of every Tier 2 hospital.

Tier 3: Tier 3 is composed of hospitals that are Medicare-designated Low Volume hospitals and rehabilitative hospitals.

- The inpatient hospital licensing fee for Tier 3 is equal to 1.31% of the inpatient net patient-services revenue derived from inpatient net patient-services revenue of every Tier 3 hospital.
- The outpatient hospital licensing fee for Tier 3 is equal to 1.33% of the outpatient net patient-services revenue derived from outpatient net patient-services revenue of every Tier 3 hospital.

State-government owned and operated hospitals: There is also a hospital licensing fee for Fiscal Year 2024 related to state-government owned and operated hospitals in Rhode Island. The hospital licensing fee for these entities is equal to 5.25% of the net patient-services revenue of every hospital for the hospital's first fiscal year ending on or after January 1, 2022.

The passage of HJR 7225, the State Fiscal Year 2025 budget included the following technical cleanup:

“There is also imposed a hospital licensing fee for state fiscal year 2025 against state-government owned and operated hospitals in the state as defined herein equal to five and twenty-five hundredths percent (5.25%) of the net patient-services revenue of every hospital for the hospital’s first fiscal year ending on or after January 1, 2023.”

Every hospital shall pay the licensing fee to the Tax Administrator before June 30 of each fiscal year.

Effective: Upon passage; signed 06/17/2024

Citation: [House Joint Resolution 7225, Substitute A, as amended](#), Article 9, § 1

Affects: [Rhode Island General Laws § 23-17-38.1](#)

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## Expansion of Rhode Island’s Tax Delinquent Public Disclosure List

The passage of HJR 7225, the State Fiscal Year 2025 budget, provides for the expansion of Rhode Island’s Tax Delinquents lists.

The Rhode Island Tax Administrator is authorized by state law to publish lists of the top delinquent taxpayers – those who owe the largest amount of state tax and whose taxes have been unpaid for a period in excess of 90 days following the date their tax was due.

Two such lists are posted on the Rhode Island Division of Taxation’s website. The first list includes up to 100 taxpayers with the largest amount of delinquent personal income tax. The second list includes up to 100 taxpayers with the largest amount of delinquent business taxes – including, but not limited to, sales, meals and beverage, withholding, corporate, and health care taxes. This list includes balances from active accounts receivable that are not on an installment agreement. This list includes transactions recorded at the Division by the date indicated on the listing. Transactions made subsequent to that date are reflected in the publication of the next updated list.

The passage of HJR 7225 expands the criteria for inclusion on these lists from the top 100 taxpayers to allow for inclusion of all taxpayers that owe over fifty thousand dollars (\$50,000). The amount of fifty thousand dollars reflects a taxpayer’s total delinquent tax amount across all tax types.

Effective: 07/01/2024

Citation: [House Joint Resolution 7225, Substitute A, as amended](#), Article 6, § 9

Affects: [Rhode Island General Laws § 44-1-34](#)

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## Electronic Nicotine Delivery Systems (aka Vape): Tax, Unified Licensing, & Required Purchase from a Licensed Distributor

With the passage of HJR 7225, the State Fiscal Year 2025 budget, Rhode Island enacted new legislation relating to the regulation of Electronic Nicotine-Delivery System (ENDS) products, commonly known as vape. This change in statute regulates and taxes ENDS products through the Division of Taxation, as currently ENDS are regulated through the Department of Health. This is a separate and distinct law apart from previously codified statutes and taxes related to the regulation, sales, and taxation of cigarettes or other tobacco products (OTP).

ENDS are defined as electronic devices that may be used to simulate smoking in the delivery of nicotine or other substance to a person inhaling from the device, and includes, but is not limited to, electronic cigarettes, electronic cigars, electronic cigarillos, electronic little cigars, electronic pipes, electronic hookahs, e-liquids, e-liquid products, any related devices, and any cartridges or other components of such devices.

The new law regarding ENDS includes a provision that ENDS products for sale at retail may only be purchased from distributors with Rhode Island licenses. This law consolidates licenses for manufacturers, importers, and distributors into a single license application. Licenses for ENDS products retailers will be combined with licenses for cigarette retailers (known as a Cigarette Dealer License).

Effective January 1, 2025, an ENDS tax is imposed on all ENDS products. This includes ENDS, e-liquids, and e-liquid products, and the tax must be remitted to the Division of Taxation. The tax rate depends on the product. Prefilled products that are manufacturer-sealed and not refillable (also known as closed system products) will be taxed at a rate of \$0.50/mL of the e-liquid and/or e-liquid products. For all other ENDS products (also known as open system products), the tax is 10% of the wholesale cost of the product. This tax is in addition to other Rhode Island taxes, including sales tax at the rate of seven percent (7%). As of January 1, 2025, the ENDS products tax will apply to all ENDS products, including the pre-existing inventory of each ENDS retailer. This “floor tax” on existing inventory will be calculated at the same rate. Further details will be forthcoming.

All ENDS licensed distributors making sales in Rhode Island on or after January 1, 2025, are required to pay tax on such sales or use by electronically filing a monthly return and making electronic payments of the tax to the Rhode Island Division of Taxation. The first due date for ENDS licensed distributors, making sales in Rhode Island, to file a return and pay the tax is February 10, 2025.

As with all sales subject to the sales tax, every licensed dealer must file a sales tax return on or before the 20th day of the month following the sale of ENDS, ENDS products, e-liquids, and e-liquid products. Failure to pay the sales tax to the state, or any amount of tax required to be collected and paid to the state, will result in the accrual of interest from the due date of the payment. As with many other taxes, there are also provisions for inspection of the retail premises, necessary record keeping, and rights to appeal.

The sale, or offer for sale of, or the possession with intent to sell or to offer for sale, flavored ENDS products to individuals in Rhode Island is prohibited. “Flavored electronic nicotine-delivery system product” means any ENDS product that imparts a characterizing flavor. Examples of characterizing flavors may include any fruit, mint, chocolate, honey, or spice or which impart a cooling or numbing sensation. The taste or aroma of tobacco or menthol is not considered a characterizing flavor.

All manufacturers, importers, distributors, and dealers selling cigarettes, tobacco products, or ENDS products in Rhode Island must secure a license, unless otherwise prohibited by federal law. These licenses are issued by the Division of Taxation and must be received before such person or business can engage in the sale of those products. A separate application and license are required for each place of business operated by a distributor, manufacturer, importer, or dealer.

The Division of Taxation will implement a single license and renewal application that allows for the licensure of retailers and dealers of cigarettes, OTP, and ENDS products. There will also be a separate single license and renewal application that allows for the licensure of distributors, manufacturers, and importers of cigarettes, OTP, and ENDS products.

For information on licensing changes, please see the Division’s [Notice 2024-03](#). On and after January 1, 2025, all licenses for the sale of cigarettes, OTP, and ENDS products will be consolidated under a single license application with the Division of Taxation. These licensees will be subject to renewal on or before February 1<sup>st</sup>, prior to the expiration of licenses on June 30<sup>th</sup>.

Effective: 01/01/2025

Citation: [Division of Taxation Notice 2024-03](#),

House Joint Resolution 7225, Substitute A, as amended, Article 6, §§ 3-5, 15-19

Affects: Rhode Island General Laws Chapter [44-20](#), and § [11-9-13](#)

## Changes Related to Corporate and Personal Income Taxes

The passage of HJR 7225, the State Fiscal Year 2025 budget, makes several changes to personal and corporate income taxes in Rhode Island for the 2025 Tax Year. These changes are summarized in the following table:

Change	Description	Affects
<b>Pass through Entity Tax Credit Percent</b>	Decreases the credit percentage that the individual receives for the tax paid by the entity from 100% to 90%.	<a href="#">RIGL § 44-11-2.3</a>
<b>Cannabis - Allowance of 280E Deduction</b>	Allows for a deduction for the business expenses disallowed federally by IRC 280E.	<a href="#">RIGL § 44-11-11</a>
<b>NOL Carryforward</b>	Increases the number of years that a business may use a NOL carryforward from 5 to 20 years.	<a href="#">RIGL § 44-11-4.1</a>
<b>Pension Income Modification Increase</b>	This change increases the Pension and Annuity Income Modification from \$20,000 to \$50,000 (or \$100,000 for filers married filing jointly). It does not change the qualifying income thresholds.	<a href="#">RIGL § 44-30-12(c)(9)</a>

Effective: 01/01/2025

Citation: [House Joint Resolution 7225, Substitute A, as amended](#), Article 6, §§ 11 & 21

Affects: Rhode Island General Laws §§ [44-11-11](#), [44-11-4.1](#), [44-11-2.3](#), and [44-30-12\(c\)\(9\)](#)

## Elimination of Fee for Obtaining or Renewing Exemption Certificate

Rhode Island General Laws § 44-18-30.1 allows for qualifying charitable, educational, and religious organizations to apply for a Sales Tax Exemption Certificate. This Exemption Certificate enables such an organization to make purchases at retail without paying sales tax as long as the Exemption Certificate is presented prior to the sale and the sale is a qualified purchase for

the organization. In 2017, the Rhode Island General Assembly passed new legislation that established that Sales Tax Exemption Certificates are to be valid for four (4) years from the date of issuance. There is a fee set by statute of \$25.00 for the application for, or renewal of, a certificate of exemption for such organizations.

The passage of HJR 7225, the State Fiscal Year 2025 budget, removes the \$25.00 fee for application or renewal. While the process for applications and renewals will remain unchanged, there will no longer be a fee for applications or renewals due after January 1, 2025.

Effective: 01/01/2025

Citation: [House Joint Resolution 7225, Substitute A, as amended](#), Article 6, § 12

Affects: [Rhode Island General Laws § 44-18-30](#)

## Increase of the Cigarette Tax

The passage of HJR 7225, the State Fiscal Year 2025 budget, increases Rhode Island’s cigarette excise tax. The current tax through August 31, 2024 is 212.5 mills per cigarette, which equals \$4.25 per pack of 20 cigarettes. As of 12:01 am on September 1, 2024, the cigarette tax will increase by 12.5 mills per cigarette to 225 mills per cigarette. This will increase the cigarette tax by 25 cents per pack of 20 to \$4.50 per pack of 20 cigarettes.

Cigarette tax calculation	
Effective September 1, 2024, the Rhode Island cigarette tax will be \$4.50 per pack of 20. The tax is computed by mills. One mill is equal to 1/1000 <sup>th</sup> of one dollar.	
<ul style="list-style-type: none"> <li>▪ The current tax through August 31, 2024 is 212.5 mills per cigarette.</li> <li>▪ Effective as of 12:01 on September 1, 2024, the tax raises to 225 mills per cigarette.</li> <li>▪ Typically, the tax is based on a 20-cigarette pack. Following is the computation.</li> </ul>	
<b>Tax per pack in currently:</b>	0.001 x 212.5 (mills per cigarette) x 20 (cigarettes per pack) = \$4.25
<b>Tax per pack September 1, 2024:</b>	0.001 x 225 (mills per cigarette) x 20 (cigarettes per pack) = \$4.50
<b>New tax rate applies on and after September 1, 2024.</b>	

This tax increase will also apply to the cigarette inventory of each cigarette retailer in Rhode Island, and to the cigarette tax stamp inventory of each cigarette distributor. Per the statutory change, the “floor tax” on existing inventory will be measured by the number of cigarettes held by the retailer, and the stamps held by the distributor, as of 12:01 a.m. on September 1, 2024.<sup>2</sup> The floor tax rate will be 25 cents per pack of 20 to bring all cigarette and stamp inventory in line with the increased tax rate.

Floor tax calculation	
Effective September 1, 2024, the Rhode Island cigarette tax will be \$4.50 per pack of 20. The tax is computed by mills. One mill is equal to 1/1000 <sup>th</sup> of one dollar.	
<ul style="list-style-type: none"> <li>▪ The current tax through August 31, 2024 is 212.5 mills per cigarette.</li> <li>▪ Effective as of 12:01 on September 1, 2024, the tax raises to 225 mills per cigarette.</li> </ul> Typically, the tax is based on a 20-cigarette pack. Following is the computation.	
<b>Floor tax per cigarette:</b>	0.001 x 12.5 (mills per cigarette) = \$0.0125
<b>Floor tax per pack of 20:</b>	0.001 x 12.5 (mills per cigarette) x 20 (cigarettes per pack) = \$0.25
<b>New tax rate applies on and after September 1, 2024.</b>	

<sup>2</sup> The Division of Taxation will be issuing guidance to provide further information regarding implementation of these statutory changes as it becomes available.

Those subject to the floor tax on cigarettes or the floor tax on cigarette tax stamps must file a return with the Tax Administrator and make the associated tax payment on or before September 16, 2024.

Effective: 09/01/2024

Citation: [House Joint Resolution 7225, Substitute A, as amended](#), Article 6, §§ 13-14

Affects: [Rhode Island General Laws Chapter 44-20](#)

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## Requirement that OTP be Purchased from a Licensed Distributor

The passage of HJR 7225, the State Fiscal Year 2025 budget, enacted new legislation requiring that the purchase of other tobacco products (OTP) by a licensed retailer must be from a distributor, manufacturer, or importer with a Rhode Island license.

In addition to cigarettes and ENDS products, effective January 1, 2025, all OTP, except for cigars, must be purchased from a distributor with a Rhode Island license. Purchasing and/or obtaining OTP from an unlicensed person or entity is prohibited, and those products will be considered contraband.

Effective: 01/01/2025

Citation: [House Joint Resolution 7225, Substitute A, as amended](#), Article 6, § 16

Affects: Rhode Island General Laws Chapter [44-20](#), and § [11-9-13](#)

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## Elimination of Estate Tax Filing Fee

The Estate Tax is imposed upon the transfer of the net value of the assets of every decedent with actual situs (both real and personal property) in Rhode Island. There is a filing fee set by statute of \$50.00 per Estate Tax return filed. The fee is required with each original and amended Estate Tax return. This fee is allocated to the Tax Administrator for enforcement and collection of taxes.

The passage of HJR 7225, the State Fiscal Year 2025 budget, removes the \$50.00 filing fee imposed on the transfer of estate assets. Beginning on or after January 1, 2025, there will be no fee to file a Rhode Island Estate Tax return for decedents with dates of death on or after January 1, 2025. For decedents with dates of death before January 1, 2025, the Estate Tax filing fee is still required, including for Estate Tax returns that have not been filed by January 1, 2025.

Effective: 01/01/2025

Citation: [House Joint Resolution 7225, Substitute A, as amended](#), Article 6, § 20

Affects: [Rhode Island General Laws § 44-23-1](#)

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## Musical and Theatrical Production Tax Credits

In 2012, Rhode Island's "Motion Picture Production/Film Tax Credit" program was expanded to include musical and theatrical productions. With the expansion of this program, musical and theatrical productions became eligible for a tax credit based on provisions set in statute that

function similarly to those of the film tax credit. In 2023, law changes expanded productions eligible for the credit to include national touring productions for purposes of musical and theatrical production tax credits.

A tax credit equal to 30% of the total production and performance expenditures and transportation expenditures for the accredited theater production is allowed under statute. The production budget minimum is \$100,000, with a maximum credit of \$5,000,000, and is limited to certified production costs directly attributable to certain activities within the state. The credit is allowed against the tax for the taxable period in which the credit is earned and can be carried forward for a maximum of three succeeding tax years.

The passage of HJR 7225, the State Fiscal Year 2025 budget, extends the program's sunset from July 1, 2027 to July 1, 2029. No credits shall be issued on or after July 1, 2029, unless the production has received initial certification under § 44-31.3-2(c) prior to July 1, 2029.

Effective: Upon passage; signed 06/17/2024

Citation: [House Joint Resolution 7225, Substitute A, as amended](#)

Affects: [Rhode Island General Laws Chapter 44-31.3](#)

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## Historic Preservation Tax Credits

The "Historic Preservation Tax Credits 2013" program is intended to create economic incentives that stimulate the redevelopment and reuse of Rhode Island's historic structures, and to generate economic and employment activities.

In general, those qualifying under the program may receive a tax credit which can be applied against the Rhode Island corporate income tax (Rhode Island General Laws Chapter 44-11), public service corporation tax (Chapter 44-13), bank excise tax (Chapter 44-14), the insurance company gross premiums tax (Chapter 44-17), or personal income tax (Chapter 44-30). Historic Preservation tax credits can only be awarded after the Department of Labor and Training certifies compliance with the prevailing wage requirements, if applicable.

The passage of HJR 7225, the State Fiscal Year 2025 budget, extends the program's sunset from June 30, 2024 to June 30, 2026. No credits can be authorized to be reserved on or after June 30, 2026, or upon the exhaustion of the maximum aggregate credits, whichever comes first.

Effective: Upon passage; signed 06/17/2024

Citation: [House Joint Resolution 7225, Substitute A, as amended](#)

Affects: [Rhode Island General Laws Chapter 44-33.6](#)

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## Qualified Jobs Tax Credits

The "Rhode Island Qualified Jobs Incentive Act of 2015" program is intended to create jobs and stimulate business expansion in Rhode Island. Those qualifying under the program may receive a tax credit which can be applied against the Rhode Island corporate income tax (Rhode Island General Laws Chapter 44-11), public service corporation tax (Chapter 44-13), bank excise tax (Chapter 44-14), the insurance company gross premiums tax (Chapter 44-17), or personal income tax (Chapter 44-30).



The passage of HJR 7225, the State Fiscal Year 2025 budget, extends the program’s sunset from December 31, 2024 to December 31, 2025. All credits must now be authorized to be reserved by December 31, 2025.

Effective: Upon passage; signed 06/17/2024

Citation: [House Joint Resolution 7225, Substitute A, as amended](#)

Affects: [Rhode Island General Laws Chapter 44-48.3](#)

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## Rebuild Rhode Island Tax Credits

The “Rebuild Rhode Island Tax Credit” program provides tax credits to qualified commercial, residential, and mixed-use projects. The program exists to stimulate business development. Those qualifying under the program may receive a tax credit for use against the Rhode Island corporate income tax (Rhode Island General Laws Chapter 44-11), public service corporation tax (Chapter 44-13), bank excise tax (Chapter 44-14), or the insurance company gross premiums tax (Chapter 44-17), or may be used as a credit against personal income taxes for owners of pass-through entities such as a partnership, a limited-liability company taxed as a partnership, or multiple owners of property. “Rebuild Rhode Island” tax credits can only be awarded after the Department of Labor and Training certifies compliance with the prevailing wage requirements, if applicable.

The passage of HJR 7225, the State Fiscal Year 2025 budget, extends the program’s sunset from December 31, 2024 to December 31, 2025. All credits must now be authorized to be reserved by December 31, 2025.

Effective: Upon passage; signed 06/17/2024

Citation: [House Joint Resolution 7225, Substitute A, as amended](#)

Affects: [Rhode Island General Laws Chapter 42-64.20](#)

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## Motion Picture Production Tax Credits

The “Motion Picture Production Tax Credits” program encourages development of a capital base for motion picture film, videotape, and television program productions in Rhode Island. The program’s goal is to create a more independent, self-supporting motion picture industry in the state. Those qualifying under the program may receive a tax credit which can be applied against the Rhode Island corporate income tax (Rhode Island General Laws Chapter 44-11), public service corporation tax (Chapter 44-13), bank excise tax (Chapter 44-14), the insurance company gross premiums tax (Chapter 44-17), or personal income tax (Chapter 44-30).

The passage of HJR 7225, the State Fiscal Year 2025 budget, extends the program’s sunset from July 1, 2027 to July 1, 2029. All credits must now be authorized to be reserved by July 1, 2029. Additionally, the passage of Senate Bill 3004 as amended/House Bill 8180, Substitute A clarifies the definition of state-certified production costs.

Effective: Upon passage; signed 06/17/2024

Citation: [House Joint Resolution 7225, Substitute A, as amended](#),  
[Senate Bill 3004 as amended/House Bill 8180, Substitute A](#)

Affects: [Rhode Island General Laws Chapter 44-31.2](#)

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## Wavemaker Fellowship Program

The Wavemaker Fellowship, technically known as the “Stay Invested in RI Wavemaker Fellowship” under Rhode Island General Laws Chapter 42-64.26, is available to graduates who have incurred student loan debt during the completion of an associate’s degree, bachelor’s degree, or graduate degree and are pursuing careers in science, technology, engineering, mathematics, elementary and secondary education, healthcare, or design-related fields.

The passage of HJR 7225, the State Fiscal Year 2025 budget, expands the program to apply to those in the health care field’s specialization known as primary care. "Primary care" means healthcare services that cover a range of prevention, wellness, and treatment for common illnesses and injuries. Primary care includes patients making an initial approach to a healthcare professional for treatment as well as long-term relationships established between a patient and a healthcare professional. It may include family medicine or medical care, general internal medicine or medical care, and general medical practice.

Anyone with higher education loan debt who is employed in Rhode Island, either full-time or with an offer of full-time employment, in one of these fields may apply. Recipients of a Wavemaker award may elect to take the award in the form of a tax credit or a direct payment as a method to defray the cost of student loan repayments. However, credits cannot exceed 100% of the education loan repayment expenses paid by the taxpayer during each service period completed for up to four consecutive service periods.

The passage of HJR 7225, the State Fiscal Year 2025 budget, extends the program’s sunset from December 31, 2024 to December 31, 2025. No incentives or credits shall be authorized after December 31, 2025.

Effective: Upon passage; signed 06/17/2024

Citation: [House Joint Resolution 7225, Substitute A, as amended](#)

Affects: [Rhode Island General Laws Chapter 42-64.26](#)

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## Tax Increment Financing

The “Rhode Island Tax Increment Financing” program, under Rhode Island General Laws Chapter 42-64.21, is intended to stimulate business development and create new jobs in Rhode Island.

In general, under a tax increment financing (TIF) agreement, the Division of Taxation pays to the developer the incremental State revenues directly realized from projects or businesses operating in the TIF area. The taxes involved include the Rhode Island corporate income tax (Rhode Island General Laws Chapter 44-11), public service corporation tax (Chapter 44-13), bank excise tax (Chapter 44-14), insurance company gross premiums tax (Chapter 44-17), sales, use, and meals and beverage taxes (Chapters 44-18 and 44-19), and personal income tax (Chapter 44-30).

The passage of HJR 7225, the State Fiscal Year 2025 budget, extends the program’s sunset from December 31, 2024 to December 31, 2025. The Rhode Island Commerce Corporation shall enter into no tax increment financing agreement after December 31, 2025.

Effective: Upon passage; signed 06/17/2024

Citation: [House Joint Resolution 7225, Substitute A, as amended](#)

## Change to Bank Excise Tax Apportionment

The passage of Senate Bill 3152, Substitute A/House Bill 7927, Substitute A creates an election with respect to the allocation and apportionment of the net income of banking, or financial institution taxpayers beginning in Tax Year 2025.

The passage of this law allows financial institution taxpayers, for tax years beginning on or after January 1, 2025, to elect a single sales factor apportionment methodology for calculating bank excise tax. Rhode Island's current three-factor apportionment method for financial institutions determines tax due based on a taxpayer's property, payroll, and sales (or receipts).

Rhode Island law provides for the use of the single sales factor method for corporate taxpayers, not including financial institutions, beginning in Calendar Year 2015. With the passage of Senate Bill 3152, Substitute A/House Bill 7927, Substitute A, financial institutions can choose to allocate and apportion their net income using the three-factor methodology or the single sales factor methodology.

For tax years beginning on or after January 1, 2025, the procedure for financial institution taxpayers to apply for an alternative apportionment method, or the Tax Administrator to require such, has been modified to align with the statutory changes imposed by the passage of Senate Bill 3152, Substitute A/House Bill 7927, Substitute A.

For financial institution taxpayers to elect the single sales factor apportionment method, they must file a single sales factor apportionment election with the Division of Taxation with their duly-filed tax return. Once elected, the new apportionment method will take effect in that tax year and remain in effect for at least the five following tax years. After that time period, if there has been a material change of facts or law, the taxpayer may apply to the Tax Administrator to revoke the election by attaching a statement of the material change of facts or law to the taxpayer's duly-filed return. The taxpayer may be required to present additional information to the Division as the Tax Administrator may require.

If the financial institution taxpayer has elected the single sales factor apportionment method for tax years beginning on or after January 1, 2025, and is included in a unitary business with corporate entities, all business expense transactions between the taxpayer and the members of the unitary business shall be added to the net income of the taxpayer, with two exceptions outlined in Rhode Island General Laws § 44-14-13(c)(1)-(2).

The new law also authorizes a combined reporting study. Each banking institution that is part of a unitary business must include a report with its tax return for the taxable year beginning after December 31, 2023, but before January 1, 2026. This report must include the combined net income of the combined group. Using this information, the Division of Taxation will produce a report on or before March 15, 2027, analyzing the policy and fiscal impacts of changing the bank excise tax to require combined reporting.

Effective: Sections 1-2, effective January 1, 2025

Citation: [Senate Bill 3152, Substitute A/House Bill 7927, Substitute A](#)

Affects: Rhode Island General Laws Chapter [44-14](#), §§ [44-14-13](#), [44-14-14.1](#)

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## Independent Contractor Reporting

The passage of Senate Bill 2472, Substitute A/House Bill 7837, Substitute A, updates the reporting requirements for independent contractors. Rhode Island General Laws § 28-29-17.1 “Notice of designation as independent contractor,” as passed in 2023 required independent contractors to file a notice of designation as an independent contractor with the Rhode Island Department of Labor and Training. Senate Bill 2472, Substitute A/House Bill 7837, Substitute A has removed the provision that this notice must be provided in writing. This change will allow the processes to be completed electronically. The change to the method of notification also applies to the notification required for the withdrawal of the designation. There is now also a provision that requires an annual renewal of the designation. The law also clarifies the requirement that the Department of Labor and Training must send a list of all individuals who have filed a designation form as an independent contractor to the Division of Taxation within the Department of Revenue.

Effective: Upon passage; signed 06/17/2024

Citation: [Senate Bill 2472, Substitute A](#), [House Bill 7837, Substitute A](#)

Affects: [Rhode Island General Laws § 28-29-17.1](#)

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## Certain Exemptions for Out-of-State Businesses Assisting During Emergencies

The passage of Senate Bill 2214, Substitute A, as amended/House Bill 7087, Substitute A, as amended creates Rhode Island General Laws Chapter 5-93. This law, known as the “Facilitating Business Rapid Response to State Declared Disaster Act of 2024,” exempts certain out-of-state businesses from certain requirements during disasters or emergencies.

During declared state or federal disasters or emergencies, a business performing work or providing services on critical infrastructure impacted by the disaster or emergency, businesses, and their employees performing services, are exempt from certain state or local business requirements, as well as certain state or local taxes or fees.

For example, a business that otherwise does not conduct business in Rhode Island, but does conduct business in Rhode Island due to the qualifying disaster or emergency, which would legally require that business to register, file and remit state or local taxes, or that would require that business or its out-of-state employees to hold certain state licenses in Rhode Island, would not need to meet those requirements if assisting in infrastructure support during a disaster, as long as the business and employees are under the supervision of a Rhode Island business that meets its registration, licensing, and tax remittance requirements.

The exemption includes state or local telecommunications business licensing and registration requirements, unemployment insurance, telecommunications technician licensing fees, use tax on equipment brought into the state on a temporary basis used during the disaster period, public service commission or Secretary of State licensing and regulatory requirements, tax on net or gross income or receipts, as well as apportionment of income, revenue, or receipts. It generally does not include transaction taxes or fees such as fuel taxes or sales and use taxes, hotel taxes, or car rental taxes.

Effective: Upon passage; signed 6/24/2024

Citation: [Senate Bill 2214, Substitute A, as amended](#)/[House Bill 7087, Substitute A, as amended](#)

Affects: Rhode Island General Laws Chapter 5-93

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STATE OF RHODE ISLAND

**Division of Taxation**

Department of Revenue