Rhode Island Department of Revenue
Division of Taxation

Summary of Legislative Changes

July 22, 2026

This is a plain-language summary of Rhode Island tax changes that were enacted in the 2026 session of the Rhode Island General Assembly. Many of the changes were enacted in the budget bill for the 2027 Fiscal Year, House Bill 7127 Substitute A, as amended. Several 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.

Table of Contents

Tax Amnesty Program 2
Permanent H.R. 1 Decoupling 2
PTE Election Change 3
High-Income Surtax 3
Social Security Relief 4
Changes to Definitions for Cigar and Pipe Tobacco Distributers 4
Hospital Licensing Fee 4
Child Tax Credit 5
Rebuild Rhode Island Tax Credits 6
Certain Tax Credit Programs Extended 6
Ghost Preparers 7
Nonresident Contractors 7
Informational Returns 8
Taxation of Banks 8

Tax Amnesty Program

The State Fiscal Year 2027 budget authorizes a Rhode Island state tax amnesty period. The amnesty period will run for the 75-day period beginning on December 3, 2026 through February 15, 2027.

Tax amnesty is a program that allows taxpayers to come into compliance with their tax obligations. For the amnesty authorized by House Bill 7127 Substitute A, as amended, taxpayers with delinquent taxes for taxable periods ending on or before December 31, 2025 may apply for relief. During the 75-day amnesty period, taxpayers can apply to have the penalties abated and interest reduced by 25% for past due taxes owed.

All taxpayers who are delinquent on any Rhode Island state taxes administered by the Division of Taxation are eligible to apply for amnesty. Qualifying taxes include, but are not limited to, personal income tax, excise taxes such as sales and use taxes, and corporate income tax. For taxpayers whose amnesty applications are approved, the Tax Administrator will waive all associated penalties and will reduce the interest by 25%.

To have an amnesty application approved, the taxpayer must file all delinquent tax filings and pay the entire tax amount plus 75% of the interest due with the filing of their amnesty application. This filing and payment must happen prior to the end of the amnesty period.

The Division of Taxation will release detailed information about the upcoming tax amnesty as it becomes available.

Effective: Upon passage, 6/12/2026
Citation: House Bill 7127 Substitute A, as amended, Article 6 § 1
Affects: Rhode Island General Laws Chapter 44-6.6

Permanent H.R. 1 Decoupling

The State Fiscal Year 2026 budget[1] temporarily decoupled Rhode Island from certain federal tax treatment.[2] The passage of House Bill 7127 Substitute A, as amended, the State Fiscal Year 2027 budget, makes those changes permanent. Rhode Island has permanently decoupled from:

- 174A treatment of domestic research and experimental expenditures – for tax years beginning on or after 1/1/2026;
- 163(j) treatment of depreciation, amortization, or depletion deductions – for tax years beginning on or after 1/1/2027; and
- The amount excluded from income pursuant to 26 U.S.C § 1202 – for tax years beginning on or after 1/1/2027.

The Division of Taxation's dedicated H.R. 1 (Public Laws No.: 119-21) webpage contains a number of resources relating to the changes adopted after the 2025 session of the Rhode Island General Assembly. These resources include analysis, regulations,

[1] 2025 Session's House Bill 5076 Substitute A, as amended.
[2] See the Division's dedicated H.R. 1 webpage for details: https://tax.ri.gov/guidance/hr-1-public-laws-no-119-21.

impacted statutes, and guidance documents. As further information is made available, it will be added to the webpage.

Effective for 174A: Tax years beginning on or after 1/1/2026
Effective for other provisions: Tax years beginning on or after 1/1/2027
Citation: House Bill 7127 Substitute A, as amended, Article 6 §§ 2, 5
Affects: Rhode Island General Laws §§ 44-11-11, 44-30-2.6, 44-30-12

PTE Election Change

House Bill 7127 Substitute A, as amended, the State Fiscal Year 2027 budget, amends Rhode Island General Laws § 44-11-2.3 to provide that any pass-through entity (PTE) electing to pay the state income tax at the entity level at the highest marginal rate of 5.99% may additionally elect to pay the High-Income Surtax at the entity level. The High-Income Surtax rate will be applied in addition to the 5.99% rate for income tax, and increased 1% per year beginning with Tax Year 2027 to 3% per year beginning with tax year 2029.

This change would functionally mean the pass-through entity that remits a tax payment at the entity level for income passed to one or more owners may remit tax at the combined tax rates of 5.99% plus the high-income surtax rate. This PTE election bypasses the state and local tax (SALT) cap instituted at the federal level enacted by the Tax Cuts and Jobs Act of 2017, which was increased under H.R. 1 (Public Laws No.: 119-21).

Effective: Tax years beginning on or after 1/1/2027
Citation: House Bill 7127 Substitute A, as amended, Article 6 § 2
Affects: Rhode Island General Laws § 44-11-2.3

High-Income Surtax

House Bill 7127 Substitute A, as amended, the State Fiscal Year 2027 budget, imposes a surtax of 1% on personal income over $1 million for the tax year beginning January 1, 2027. For the tax year beginning January 1, 2028, the surtax will increase to 2%. For the tax year beginning January 1, 2029, the surtax will increase to 3%, where it will remain. The $1 million threshold is indexed for inflation and the 1-3% surtax applies to all personal income tax filers, including single, head of household, married filing separately, married filing jointly, and widow(er).

Estates and trusts will also be subject to this surtax, however, the income threshold for such filers is $36,427, indexed for inflation. They will follow the same escalation schedule of rate implementation.

For tax years beginning on or after January 1, 2027, withholding tables, as well as the estimated payment forms and instructions, will be updated to reflect the surtax.

Effective: Tax years beginning on or after 1/1/2027
Citation: House Bill 7127 Substitute A, as amended, Article 6 § 5
Affects: Rhode Island General Laws § 44-30-2.6(c)(3)(A)(I)(2)

Social Security Relief

For tax years beginning on or after January 1, 2016 through December 31, 2026, Rhode Island's Social Security income modification has required recipients to stay under a certain income threshold (AGI of less than $80,000 for an unmarried individual, head of household, or married filing separate, or AGI of less than $100,000 for a married individual filing jointly or individual filing qualifying widow(er)) and required the taxpayer to have reached full retirement age to qualify for the modification.

House Bill 7127 Substitute A, as amended, the State Fiscal Year 2027 budget, eliminates the age threshold requirement for tax years beginning on or after January 1, 2027 (while keeping the income threshold).

Effective: Tax years beginning on or after 1/1/2027
Citation: House Bill 7127 Substitute A, as amended, Article 6 § 5
Affects: Rhode Island General Laws § 44-30-2.6(c)

Changes to Definitions for Cigar and Pipe Tobacco Distributers

The State Fiscal Year 2027 budget, amends Rhode Island General Laws § 44-20-1(4) to allow for a Cigarette, Tobacco, and ENDS (CTE) Distributor's License to be issued to CTE dealers with greater than 50% annual sales comprised of cigars.

As with all CTE distributors, this licensing expansion requires the distributors to remit any related taxes on all purchases and allows those qualifying distributors to purchase pipe tobacco products from an unlicensed manufacturer, importer, or distributor.

A distributor who qualifies for a CTE Distributor's License under the amended distributor definition may hold said license at the same location as its CTE Dealer's License. Those seeking a CTE Distributor's License in line with this law change should contact the Division of Taxation's Excise Tax Section at Tax.Excise@tax.ri.gov.

Effective: Upon passage, 6/12/2026
Citation: House Bill 7127 Substitute A, as amended, Article 6 § 3
Affects: Rhode Island General Laws §§ 44-20-1(4), 44-20-8.2, 44-20-4.1

Hospital Licensing Fee

House Bill 7127 Substitute A, as amended, the State Fiscal Year 2027 budget, sets the hospital licensing fee for State Fiscal Year 2027 at the same rate as Fiscal Year 2026. The licensing fee for Fiscal Year 2027 is as follows:

STATE FISCAL YEAR 2027: The hospital licensing fee for the State's Fiscal Year 2027 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, will identify the hospitals in each tier, subject to the definitions in statute, and will notify 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.

There is also a hospital licensing fee for Fiscal Year 2027 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 fiscal year ending on or after January 1, 2023.

The licensing fee is due before June 25 of each fiscal year, and tax returns for the hospital licensing fee are due on or before August 1 of each fiscal year.

Effective: Upon passage, 6/12/2026
Citation: House Bill 7127 Substitute A, as amended, Article 8 § 1
Affects: Rhode Island General Laws § 23-17-38.1

Child Tax Credit

The State Fiscal Year 2027 budget creates a refundable $330 Child Tax Credit for each child claimed on an eligible taxpayer's return, for tax years beginning on and after January 1, 2027.

For the purposes of this legislation, a child is defined as an individual who is eighteen years of age or under as of December 31 of the tax year for which the eligible taxpayer is filing. To be eligible, a taxpayer claiming the credit must be a Rhode Island resident who files a personal income tax return.

The income limit phase-out for this credit follows:

- For an eligible taxpayer filing a return as a single, married filing separately, head of household, or qualifying widow/widower:
  - With an adjusted gross income (AGI) that exceeds $88,500:
    - The credit amount is reduced by 20 percentage points for each $2,875, or fraction thereof, by which the eligible taxpayer's adjusted gross income above the $88,500 threshold.
- For eligible taxpayers filing a return as married filing jointly:
  - With an adjusted gross income (AGI) that exceeds $110,640:
    - The credit amount is reduced by 20 percentage points for each $3,590, or fraction thereof, by which the eligible taxpayer's adjusted gross income above the $110,640 threshold.

The credit and the above income thresholds and limits will be adjusted annually for inflation.

Effective: Tax years beginning on or after 1/1/2027
Citation: House Bill 7127 Substitute A, as amended, Article 6 §§ 4, 5
Affects: Rhode Island General Laws §§ 44-30-104, 44-30-2.6

Rebuild Rhode Island Tax Credits

The "Rebuild Rhode Island Tax Credit" program provides tax credits to qualified commercial, residential, and mixed-use projects. 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). The tax credit may also 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.

House Bill 7127 Substitute A, as amended, the State Fiscal Year 2027 budget, increases the maximum aggregate credit amount from $225M to $250M. The program's sunset has also been extended from December 31, 2026 to December 31, 2027.

Effective: Upon passage, 6/12/2026
Citation: House Bill 7127 Substitute A, as amended, Article 3 § 8
Affects: Rhode Island General Laws §§ 44-64.20-5, 44-64.20-10

Certain Tax Credit Programs Extended

The passage of House Bill 7127 Substitute A, as amended the State Fiscal Year 2027 budget, extends the sunsets of the following credits from December 31, 2026 to December 31, 2027. Please see following table:

Credit	Extension	Citation	Affects
Tax Increment Financing	Program's sunset extended from December 31, 2026 to December 31, 2027.	House Bill 7127 Substitute A, as amended, Article 3 § 9	42-64.21-9
Wavemaker Fellowship Program	Program's sunset extended from December 31, 2026 to December 31, 2027.	House Bill 7127 Substitute A, as amended, Article 3 § 13	42-64.26-12
Rhode Island Qualified Jobs Act	Program's sunset extended from December 31, 2026 to December 31, 2027.	House Bill 7127 Substitute A, as amended, Article 3 § 16	44-48.3-14

Please note, the "Historic Preservation Tax Credits 2013" program's sunset of June 30, 2026 was not extended, and therefore, no credits are authorized to be reserved on or after June 30, 2026.

Effective: Upon passage, 6/12/2026
Citation: House Bill 7127 Substitute A, as amended, Article 3 §§ 9, 13, 16
Affects: Rhode Island General Laws §§ 42-64.21-9, 42-64.26-12, 44-48.3-14

Ghost Preparers

The passage of House Bill 7613 Substitute A prohibits and penalizes tax preparers purposefully misleading their clients or acting as "ghost preparers" of tax returns. A "ghost preparer" is a compensated (or otherwise benefitting) tax preparer who does not self-identify on the returns they prepare or who does not comply with Preparer Tax Identification Number (PTIN) requirements in line with federal law.

The new law also provides for a penalty of up to $1,000 for each return filed by a preparer that willfully misleads or commits fraud against a taxpayer, purposefully circumvents state tax laws, or violates the preparer's duties and responsibilities in Rhode Island General Laws § 44-68-3.

In addition, the passage of this legislation empowers the Tax Administrator to publish a list of tax preparers who have had their return preparation privileges revoked or suspended. There is also a provision that establishes a penalty of up to $5,000 for any preparer that continues to operate after their privileges to do so are revoked or suspended.

Effective: Upon passage, 6/19/2026
Citation: House Bill 7613 Substitute A/Senate Bill 2810 Substitute A
Affects: Rhode Island General Laws Chapter 44-68

Nonresident Contractors

Nonresident contractors are contractors doing business in the state, but who do not have a permanent place of business in the state.

Under Rhode Island law, any person doing business with a nonresident contractor is required to withhold payment of 3% of the contract for 30 days after the completion of the contract. They must also request the Division audit the project's records and provide a Certificate of No Tax Due. At that time, the withheld funds can be released to the nonresident contractor.

The passage of House Bill 7809/Senate Bill 2815 extends the timeframe for withholding the funds to 60 days after the completion of the project. It also increases the timeframe the Division has to review the request from 30 days to 60 days.

In addition, the bill provides a penalty for noncompliance with the statute's withholding requirements.

Effective: Upon passage, 6/19/2026
Citation: House Bill 7809/Senate Bill 2815
Affects: Rhode Island General Laws § 44-1-6

Informational Returns

The passage of House Bill 8604 Substitute A/Senate Bill 3367 Substitute A amends Rhode Island General Laws § 44-30-58 to align the state and the federal threshold requirements for each type of informational return (e.g. 1099-R, 1099-INT, 1099-NEC). Previously, the state threshold for all informational returns was $100.

Effective: Upon passage, 6/23/2026
Citation: House Bill 8604 Substitute A/Senate Bill 3367 Substitute A
Affects: Rhode Island General Laws § 44-30-58

Taxation of Banks

The 2024 passage of Senate Bill 3152 Substitute A/House Bill 7927 Substitute A created 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 allowed 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.

The June 23, 2026 passage of House Bill 8611 amends the 2024 statute to deny banking institutions electing apportionment under Rhode Island General Laws § 44-14-14.1(f) the ability to claim any benefit pursuant to Rhode Island General Laws Chapter 42-64.5, the Jobs Development Act. Rhode Island General Laws § 42-64.5-3 provides a reduction of the tax on a financial institution's net income based on the number of additional Rhode Island jobs created by the company.

Effective: Upon passage, 6/23/2026
Citation: House Bill 8611
Affects: Rhode Island General Laws § 44-14-14.1

This document is an informal summary of recently enacted Rhode Island legislation and is for general information purposes only. It is not a substitute for the Rhode Island General Laws, or for Rhode Island Division of Taxation regulations, rulings, or notices. Citations listed in this document are from the original legislative text and are subject to revision. Some of the citations included in this publication refer to existing statutes that have been amended.

Neena S. Savage

Rhode Island Tax Administrator

STATE OF RHODE ISLAND

Division of Taxation

Department of Revenue