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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2026

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A N A C T

RELATING TO TAXATION -- CITY OF PROVIDENCE: TRANSFER OF PORTION OF
STATE INCOME TAXES OF NEW EMPLOYEES OF NOT-FOR-PROFIT HEALTH CARE
INSTITUTIONS AND EDUCATIONAL INSTITUTIONS

Introduced By: Senators Burke, Ciccone, Bissailon, Mack, Famiglietti, Kallman,
Patalano, and Thompson

Date Introduced: April 20, 2026

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 44 of the General Laws entitled "TAXATION" is hereby amended by
2 adding thereto the following chapter:

3 CHAPTER 73

4 CITY OF PROVIDENCE: TRANSFER OF PORTION OF STATE INCOME TAXES OF NEW

5 EMPLOYEES OF NOT-FOR-PROFIT HEALTH CARE INSTITUTIONS AND

6 EDUCATIONAL INSTITUTIONS

7 **44-73-1. Definitions.**

8 As used in this chapter, unless the context clearly indicates otherwise:

9 (1) "City" means the city of Providence.

10 (2) "Director" means the director of the state division of taxation.

11 (3) "Educational institution" means any not-for-profit provider of higher education
12 including, but not limited to, private colleges and universities.

13 (4) "Healthcare institution" means any facility or campus providing not-for-profit
14 healthcare services including, but not limited to, hospitals and other licensed inpatient centers,
15 ambulatory surgical or treatment centers, skilled nursing centers, residential treatment centers,
16 convalescent, extended care and rehabilitation facilities, health maintenance organizations, health
17 clinics, free-standing emergency rooms, diagnostic, laboratory and imaging centers, visiting
18 nurses' associations, or other therapeutic health settings.

1 (5) “Health service corporation” means any not-for-profit entity formed for purposes
2 including, but not limited to, establishing, maintaining managing and operating a healthcare system,
3 service, network or plan, for conducting scientific or medical research, and/or for training health
4 care providers and researchers.

5 (6) “Initial employment level” means for the tax year January 1, 2025 to December 31,
6 2025, the aggregate and average numbers of persons employed by the institution for whom state
7 income taxes were withheld and reported to and/or paid to the state division of taxation.

8 (7) “Institution” or “institutions” means collectively not-for-profit healthcare institutions,
9 health service corporations, and educational institutions as defined in this subsection.

10 (8) “New employee” or “new employment” means for each calendar year beginning
11 January 1, 2026, the number of persons employed by the institution during that year, over and above
12 the number of employees reported as the initial employment level, and for whom state income taxes
13 were withheld by an institution and submitted and/or paid to the state division of taxation.

14 (9) “Not-for-profit corporation” means a legal entity, whether a corporation, partnership or
15 other entity, formed for some charitable or benevolent purpose and not-for-profit which has been
16 exempted from taxation pursuant to the Rhode Island general laws or Internal Revenue Code §
17 501(c)(3), 26 U.S.C. § 501(c)(3).

18 (10) “State” means State of Rhode Island.

19 **44-73-2. Procedures.**

20 (a) No later than July 30, 2026, all institutions defined in § 44-73-1 shall provide to the
21 director the initial employment level for the institution for the calendar year 2025, and the total
22 amount of state income taxes withheld from the payroll and provided to the state department of
23 revenue for the aggregate number of employees for the calendar year 2025, A copy of the
24 information shall at the same time be provided to the city’s chief financial officer.

25 (b) No later than December 31, 2026, each institution shall provide the director and the
26 city’s chief finance officer with the following:

27 (1) The aggregate number of new employees for the period January 1, 2026 through
28 December 31, 2026 for whom state income taxes were withheld and submitted to the state
29 department of revenue; and

30 (2) The total amount of annual state income taxes submitted to the division of taxation for
31 all new employees.

32 (c) No later than December 31 of each subsequent calendar year, each institution shall
33 provide the director and the city’s chief finance officer with the following:

34 (1) The aggregate number of new employees for the individual calendar year; and

1 (2) The total amount of annual state income taxes submitted to the division of taxation for
2 all new employees for the individual calendar year, including estimated state taxes; and

3 (3) The total aggregate number of employees for all calendar years since the initial
4 reporting period; and

5 (4) The total amount of annual state income taxes submitted to the division of taxation,
6 including estimated state taxes, for the total aggregate number of employees for all calendar years
7 since the initial reporting period.

8 (d) All data provided to the director and the chief financial officer shall be signed by the
9 person compiling the data and the person authorized to sign on behalf of the corporation.

10 (e) No later than September 1 of each fiscal year beginning with fiscal year 2028, the state
11 shall remit or transfer to the city treasurer an amount representing twenty-five percent (25%) of the
12 state income taxes of the aggregate number of total new employees since the initial reporting period.

13 SECTION 2. Section 35-4-1 of the General Laws in Chapter 35-4 entitled "State Funds" is
14 hereby amended to read as follows:

15 **35-4-1. Revenue credited to general fund — Exceptions — Deposits.**

16 All receipts and revenue of the state shall be credited by the general treasurer to the general
17 fund of the state with the exception of receipts or revenue pertaining to the following funds:

18 (1) Permanent school fund;

19 (2) Touro Jewish synagogue fund;

20 (3) Land-grant fund of 1862;

21 (4) Veterans' home fund;

22 (5) United States cooperative vocational education fund;

23 (6) United States industrial rehabilitation fund;

24 (7) Forestry cooperative fund;

25 (8) State sinking fund;

26 (9) Fire insurance fund;

27 (10) Fund for relief of firemen;

28 (11) Fund for relief of policemen;

29 (12) Coastal Resources Management Council Dredge Fund;

30 (13) Funds received from the federal government in accordance with the provisions of parts
31 1 and 2 of title V of the Social Security Act, 42 U.S.C. § 501 et seq.;

32 (14) Any other funds that may by federal law or regulation, or by enactment of the general
33 assembly, be allocated to a specific fund, provided, that nothing contained in this section shall
34 amend or modify: § 19-3.1-9, which pertains to securities deposited by trust companies and national

1 banks having trust departments; § 19-5-15, which pertains to credit unions; nor § 27-1-5, which
2 pertains to deposits of securities by insurance companies with the general treasurer; ~~and~~

3 (15) Funds received until June 30, 2002, from the northeast dairy compact commission,
4 which was enacted into law in Rhode Island by P.L. 1993, ch. 106, § 2-24-1 et seq. These funds
5 are to be passed from the northeast dairy compact commission through the department of
6 elementary and secondary education to reimburse school districts for school milk that is exempted
7 from the federal over-order price regulation obligation at 7 CFR 1301. These funds are to be placed
8 in a restricted receipt account established within the department of elementary and secondary
9 education separate from all other accounts within the department of elementary and secondary
10 education. All funds deposited in the restricted receipt account established in this section shall be
11 disbursed prior to June 30, 2002; [and](#)

12 [\(16\) State withholding taxes received by the director of revenue for calendar years 2026](#)
13 [and thereafter, which shall be remitted to the city of Providence pursuant to chapter 73 of title 44.](#)

14 SECTION 3. Section 45-13-1 of the General Laws in Chapter 45-13 entitled "State Aid" is
15 hereby amended to read as follows:

16 **45-13-1. Apportionment of annual appropriation for state aid.**

17 (a) As used in this chapter, the following words and terms have the following meanings:

18 (1) "Income" means the most recent estimate of per-capita income for a city, town or
19 county as reported by the United States Department of Commerce, Bureau of the Census.

20 (2) "Population" means the most recent estimates of population for each city and town as
21 reported by the United States Department of Commerce, Bureau of the Census.

22 (3) "Reference year" means the second fiscal year preceding the beginning of the fiscal
23 year in which the distribution of state aid to cities and towns is made provided however that the
24 reference year for distributions made in fiscal year 2007-2008 shall be the third fiscal year
25 preceding the beginning of the fiscal year 2007-2008 and provided further that the reference year
26 for distributions made in fiscal year 2008-2009 shall be the fourth fiscal year preceding the
27 beginning of the fiscal year 2008-2009.

28 (4) "Tax effort" means the total taxes imposed by a city or town for public purposes or the
29 totals of those taxes for the cities or towns within a county (except employee and employer
30 assessments and contributions to finance retirement and social insurance systems and other special
31 assessments for capital outlay) determined by the United States Secretary of Commerce for general
32 statistical purposes and adjusted to exclude amounts properly allocated to education expenses.

33 (b) Aid to cities and towns shall be apportioned as follows: For each county, city or town,
34 let R be the tax effort divided by the square of per capita income, i.e., $R = (\text{tax effort})/(\text{income} \times \text{population})$

1 income).

2 The amount to be allocated to the counties shall be apportioned in the ratio of the value of
3 R for each county divided by the sum of the values of R for all five (5) counties.

4 The amount to be allocated for all cities and for all towns within a county shall be the
5 allocation for that county apportioned proportionally to the total tax effort of the towns and cities
6 in that county.

7 The amount to be allocated to any city or town is the amount allocated to all cities or all
8 towns within the county apportioned in the ratio of the value of R for that city (or town) divided by
9 the sum of the values of R for all cities (or all towns) in that county; provided, further, that no city
10 or town shall receive an entitlement in excess of one hundred forty-five percent (145%) of that city
11 or town's population multiplied by the average per capita statewide amount of the annual
12 appropriation for state aid to cities and towns. Any excess entitlement shall be allocated to the
13 remainder of the cities and towns in the respective county in accordance with the provisions of this
14 section.

15 For fiscal year 2004, notwithstanding the provisions of subsection (a), aid calculations shall
16 be based on a blended rate of ninety percent (90%) of the data from the 1990 census and ten percent
17 (10%) of the data from the 2000 census. In each of the succeeding nine (9) fiscal years, the
18 calculations shall be based on a blended rate that increases the percentage of data utilized from the
19 2000 census by ten percent (10%) from the previous year and decreases the percentage of the data
20 utilized from the 1990 census by ten percent (10%) from the previous year.

21 (c) The total amount of aid to be apportioned pursuant to subsection (b) above shall be
22 specified in the annual appropriation act of the state and shall be equal to the following:

23 (1) For fiscal years ending June 30, 1994 through June 30, 1998, the total amount of aid
24 shall be based upon one percent (1%) of total state tax revenues in the reference year.

25 (2) For the fiscal year ending June 30, 1999, the total amount of aid shall be based upon
26 one and three-tenths percent (1.3%) of total state tax revenues in the reference year.

27 (3) For the fiscal year ending June 30, 2000, the total amount of aid shall be based upon
28 one and seven-tenths percent (1.7%) of total state tax revenues in the reference year.

29 (4) For the fiscal year ending June 30, 2001, the total amount of aid shall be based upon
30 two percent (2.0%) of total state tax revenues in the reference year.

31 (5) For the fiscal year ending June 30, 2002, the total amount of aid shall be based upon
32 two and four-tenths percent (2.4%) of total state tax revenues in the reference year.

33 (6) For the fiscal year ending June 30, 2003, the total amount of aid shall be based upon
34 two and four-tenths percent (2.4%) of total state tax revenues in the reference year.

1 (7) For the fiscal year ending June 30, 2004, the total amount of aid shall be based upon
2 two and seven-tenths percent (2.7%) of total state tax revenues in the reference year.

3 (8) For the fiscal year ending June 30, 2005, the total amount of aid shall be fifty-two
4 million four hundred thirty-eight thousand five hundred thirty-two dollars (\$52,438,532).

5 (9) For the fiscal year ending June 30, 2006, the total amount of aid shall be based upon
6 three percent (3%) of total state tax revenues in the reference year.

7 (10) For the fiscal year ending June 30, 2007 the total amount of aid shall be sixty-four
8 million six hundred ninety-nine thousand three dollars (\$64,699,003).

9 (11) For the fiscal year ending June 30, 2008, the total amount of aid shall be sixty-four
10 million six hundred ninety-nine thousand three dollars (\$64,699,003).

11 (12) [Deleted by P.L. 2009, ch. 68, art. 6, section 3.]

12 (13) [Deleted by P.L. 2007, ch. 73, art. 25, section 1.]

13 (14) [Deleted by P.L. 2007, ch. 73, art. 25, section 1.]

14 (d) For the fiscal year ending June 30, 2008 the apportionments of state aid as derived
15 through the calculations as required by subsections (a) through (c) of this section shall be adjusted
16 downward statewide by ten million dollars (\$10,000,000).

17 (e) For the fiscal year ending June 30, 2009, the total amount of aid shall be twenty-five
18 million dollars (\$25,000,000) with such distribution allocated proportionately on the same basis as
19 the original enactment of general revenue sharing of FY 2009.

20 (f) For the fiscal year ending June 30, 2009 and thereafter, funding shall be determined by
21 appropriation; provided, however, that no portion of the state income tax paid to the city of
22 Providence pursuant to chapter 73 of title 44 shall be considered part of an appropriation or
23 allocation to the city of Providence under this chapter, but shall be considered a separate allocation
24 to the city.

25 SECTION 4. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

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RELATING TO TAXATION -- CITY OF PROVIDENCE: TRANSFER OF PORTION OF
STATE INCOME TAXES OF NEW EMPLOYEES OF NOT-FOR-PROFIT HEALTH CARE
INSTITUTIONS AND EDUCATIONAL INSTITUTIONS

1 This act would provide that a portion of state income taxes from employees working at not-
2 for-profit healthcare institutions, health service institutions, and educational institutions be
3 allocated to the city of Providence to offset expenses related to the growth in the healthcare and
4 educational areas.

5 This act would take effect upon passage.

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