

2025 -- S 0415

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2025

A N A C T

RELATING TO PROPERTY -- FIRST TIME HOME BUYER SAVINGS PROGRAM ACT

Introduced By: Senators Paolino, Raptakis, E Morgan, and Appollonio

Date Introduced: February 26, 2025

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 34 of the General Laws entitled "PROPERTY" is hereby amended by
2 adding thereto the following chapter:

3 CHAPTER 50

4 FIRST TIME HOME BUYER SAVINGS PROGRAM ACT

5 **34-50-1. First time home buyer savings program act.**

6 (a) The general treasurer, in conjunction with the division of taxation and the state
7 investment commission, shall establish, in any form as they deem appropriate, a first time home
8 buyer program to allow persons to save money for the sole purpose of the purchase of a first home.

9 (b) All money received in connection with the program shall deposited into a first time
10 home buyer saving account fund. Money accrued by participants in the program fund may only be
11 used towards the purchase of a first home.

12 (c) The state investment commission shall invest money within the program fund in any
13 investments that are authorized by the general laws, including equities and fixed-income securities.
14 The composition of investments shall be determined by the state investment commission.

15 **34-50-2. Funding by participant.**

16 (a) A participant in the program may contribute up to fifty thousand dollars (\$50,000) and
17 may subtract this amount from federal adjusted gross income pursuant to § 44-30-12.

18 (b) A participant may subtract up to one hundred and fifty thousand dollars (\$150,000) of
19 interest and dividend income from federal adjusted gross income pursuant to § 44-30-12.

1 **34-50-3. Withdrawal of funds by participant.**

2 A participant may at any time withdraw funds from the participant’s account in the program
3 to be used for a qualified purchase of a first home, in an amount up to the value of the account at
4 the time the withdrawal is implemented.

5 **34-50-4. Penalty for withdrawal of funds for non-qualified purposes.**

6 In the event that a participant requests a withdrawal from an account in the program other
7 than a withdrawal used for a qualified purchase of a first home, the modifications to federal adjusted
8 gross income shall be forfeited and the participant shall be taxed at the normal tax rate.

9 SECTION 2. Section 44-30-12 of the General Laws in Chapter 44-30 entitled "Personal
10 Income Tax" is hereby amended to read as follows:

11 **44-30-12. Rhode Island income of a resident individual.**

12 (a) **General.** The Rhode Island income of a resident individual means the individual’s
13 adjusted gross income for federal income tax purposes, with the modifications specified in this
14 section.

15 (b) **Modifications increasing federal adjusted gross income.** There shall be added to
16 federal adjusted gross income:

17 (1) Interest income on obligations of any state, or its political subdivisions, other than
18 Rhode Island or its political subdivisions;

19 (2) Interest or dividend income on obligations or securities of any authority, commission,
20 or instrumentality of the United States, but not of Rhode Island or its political subdivisions, to the
21 extent exempted by the laws of the United States from federal income tax but not from state income
22 taxes;

23 (3) The modification described in § 44-30-25(g);

24 (4)(i) The amount defined below of a nonqualified withdrawal made from an account in
25 the tuition savings program pursuant to § 16-57-6.1. For purposes of this section, a nonqualified
26 withdrawal is:

27 (A) A transfer or rollover to a qualified tuition program under Section 529 of the Internal
28 Revenue Code, 26 U.S.C. § 529, other than to the tuition savings program referred to in § 16-57-
29 6.1; and

30 (B) A withdrawal or distribution that is:

31 (I) Not applied on a timely basis to pay “qualified higher education expenses” as defined
32 in § 16-57-3(12) of the beneficiary of the account from which the withdrawal is made;

33 (II) Not made for a reason referred to in § 16-57-6.1(e); or

34 (III) Not made in other circumstances for which an exclusion from tax made applicable by

1 Section 529 of the Internal Revenue Code, 26 U.S.C. § 529, pertains if the transfer, rollover,
2 withdrawal, or distribution is made within two (2) taxable years following the taxable year for
3 which a contributions modification pursuant to subsection (c)(4) of this section is taken based on
4 contributions to any tuition savings program account by the person who is the participant of the
5 account at the time of the contribution, whether or not the person is the participant of the account
6 at the time of the transfer, rollover, withdrawal, or distribution;

7 (ii) In the event of a nonqualified withdrawal under subsection (b)(4)(i)(A) or (b)(4)(i)(B)
8 of this section, there shall be added to the federal adjusted gross income of that person for the
9 taxable year of the withdrawal an amount equal to the lesser of:

10 (A) The amount equal to the nonqualified withdrawal reduced by the sum of any
11 administrative fee or penalty imposed under the tuition savings program in connection with the
12 nonqualified withdrawal plus the earnings portion thereof, if any, includible in computing the
13 person's federal adjusted gross income for the taxable year; and

14 (B) The amount of the person's contribution modification pursuant to subsection (c)(4) of
15 this section for the person's taxable year of the withdrawal and the two (2) prior taxable years less
16 the amount of any nonqualified withdrawal for the two (2) prior taxable years included in
17 computing the person's Rhode Island income by application of this subsection for those years. Any
18 amount added to federal adjusted gross income pursuant to this subdivision shall constitute Rhode
19 Island income for residents, nonresidents, and part-year residents;

20 (5) The modification described in § 44-30-25.1(d)(3)(i);

21 (6) The amount equal to any unemployment compensation received but not included in
22 federal adjusted gross income;

23 (7) The amount equal to the deduction allowed for sales tax paid for a purchase of a
24 qualified motor vehicle as defined by the Internal Revenue Code § 164(a)(6); and

25 (8) For any taxable year beginning on or after January 1, 2020, the amount of any Paycheck
26 Protection Program loan forgiven for federal income tax purposes as authorized by the Coronavirus
27 Aid, Relief, and Economic Security Act and/or the Consolidated Appropriations Act, 2021 and/or
28 any other subsequent federal stimulus relief packages enacted by law, to the extent that the amount
29 of the loan forgiven exceeds \$250,000, including an individual's distributive share of the amount
30 of a pass-through entity's loan forgiveness in excess of \$250,000.

31 (c) **Modifications reducing federal adjusted gross income.** There shall be subtracted
32 from federal adjusted gross income:

33 (1) Any interest income on obligations of the United States and its possessions to the extent
34 includible in gross income for federal income tax purposes, and any interest or dividend income on

1 obligations, or securities of any authority, commission, or instrumentality of the United States to
2 the extent includible in gross income for federal income tax purposes but exempt from state income
3 taxes under the laws of the United States; provided, that the amount to be subtracted shall in any
4 case be reduced by any interest on indebtedness incurred or continued to purchase or carry
5 obligations or securities the income of which is exempt from Rhode Island personal income tax, to
6 the extent the interest has been deducted in determining federal adjusted gross income or taxable
7 income;

8 (2) A modification described in § 44-30-25(f) or § 44-30-1.1(c)(1);

9 (3) The amount of any withdrawal or distribution from the “tuition savings program”
10 referred to in § 16-57-6.1 that is included in federal adjusted gross income, other than a withdrawal
11 or distribution or portion of a withdrawal or distribution that is a nonqualified withdrawal;

12 (4) Contributions made to an account under the tuition savings program, including the
13 “contributions carryover” pursuant to subsection (c)(4)(iv) of this section, if any, subject to the
14 following limitations, restrictions, and qualifications:

15 (i) The aggregate subtraction pursuant to this subdivision for any taxable year of the
16 taxpayer shall not exceed five hundred dollars (\$500) or one thousand dollars (\$1,000) if a joint
17 return;

18 (ii) The following shall not be considered contributions:

19 (A) Contributions made by any person to an account who is not a participant of the account
20 at the time the contribution is made;

21 (B) Transfers or rollovers to an account from any other tuition savings program account or
22 from any other “qualified tuition program” under section 529 of the Internal Revenue Code, 26
23 U.S.C. § 529; or

24 (C) A change of the beneficiary of the account;

25 (iii) The subtraction pursuant to this subdivision shall not reduce the taxpayer’s federal
26 adjusted gross income to less than zero (0);

27 (iv) The contributions carryover to a taxable year for purpose of this subdivision is the
28 excess, if any, of the total amount of contributions actually made by the taxpayer to the tuition
29 savings program for all preceding taxable years for which this subsection is effective over the sum
30 of:

31 (A) The total of the subtractions under this subdivision allowable to the taxpayer for all
32 such preceding taxable years; and

33 (B) That part of any remaining contribution carryover at the end of the taxable year which
34 exceeds the amount of any nonqualified withdrawals during the year and the prior two (2) taxable

1 years not included in the addition provided for in this subdivision for those years. Any such part
2 shall be disregarded in computing the contributions carryover for any subsequent taxable year;

3 (v) For any taxable year for which a contributions carryover is applicable, the taxpayer
4 shall include a computation of the carryover with the taxpayer's Rhode Island personal income tax
5 return for that year, and if for any taxable year on which the carryover is based the taxpayer filed a
6 joint Rhode Island personal income tax return but filed a return on a basis other than jointly for a
7 subsequent taxable year, the computation shall reflect how the carryover is being allocated between
8 the prior joint filers;

9 (5) The modification described in § 44-30-25.1(d)(1);

10 (6) Amounts deemed taxable income to the taxpayer due to payment or provision of
11 insurance benefits to a dependent, including a domestic partner pursuant to chapter 12 of title 36 or
12 other coverage plan;

13 **(7) Modification for organ transplantation.**

14 (i) An individual may subtract up to ten thousand dollars (\$10,000) from federal adjusted
15 gross income if the individual, while living, donates one or more of their human organs to another
16 human being for human organ transplantation, except that for purposes of this subsection, "human
17 organ" means all or part of a liver, pancreas, kidney, intestine, lung, or bone marrow. A subtract
18 modification that is claimed hereunder may be claimed in the taxable year in which the human
19 organ transplantation occurs.

20 (ii) An individual may claim that subtract modification hereunder only once, and the
21 subtract modification may be claimed for only the following unreimbursed expenses that are
22 incurred by the claimant and related to the claimant's organ donation:

23 (A) Travel expenses.

24 (B) Lodging expenses.

25 (C) Lost wages.

26 (iii) The subtract modification hereunder may not be claimed by a part-time resident or a
27 nonresident of this state;

28 **(8) Modification for taxable Social Security income.**

29 (i) For tax years beginning on or after January 1, 2016:

30 (A) For a person who has attained the age used for calculating full or unreduced Social
31 Security retirement benefits who files a return as an unmarried individual, head of household, or
32 married filing separate whose federal adjusted gross income for the taxable year is less than eighty
33 thousand dollars (\$80,000); or

34 (B) A married individual filing jointly or individual filing qualifying widow(er) who has

1 attained the age used for calculating full or unreduced Social Security retirement benefits whose
2 joint federal adjusted gross income for the taxable year is less than one hundred thousand dollars
3 (\$100,000), an amount equal to the Social Security benefits includible in federal adjusted gross
4 income.

5 (ii) Adjustment for inflation. The dollar amount contained in subsections (c)(8)(i)(A) and
6 (c)(8)(i)(B) of this section shall be increased annually by an amount equal to:

7 (A) Such dollar amount contained in subsections (c)(8)(i)(A) and (c)(8)(i)(B) of this section
8 adjusted for inflation using a base tax year of 2000, multiplied by;

9 (B) The cost-of-living adjustment with a base year of 2000.

10 (iii) For the purposes of this section the cost-of-living adjustment for any calendar year is
11 the percentage (if any) by which the consumer price index for the preceding calendar year exceeds
12 the consumer price index for the base year. The consumer price index for any calendar year is the
13 average of the consumer price index as of the close of the twelve-month (12) period ending on
14 August 31, of such calendar year.

15 (iv) For the purpose of this section the term “consumer price index” means the last
16 consumer price index for all urban consumers published by the department of labor. For the purpose
17 of this section the revision of the consumer price index which is most consistent with the consumer
18 price index for calendar year 1986 shall be used.

19 (v) If any increase determined under this section is not a multiple of fifty dollars (\$50.00),
20 such increase shall be rounded to the next lower multiple of fifty dollars (\$50.00). In the case of a
21 married individual filing separate return, if any increase determined under this section is not a
22 multiple of twenty-five dollars (\$25.00), such increase shall be rounded to the next lower multiple
23 of twenty-five dollars (\$25.00);

24 **(9) Modification of taxable retirement income from certain pension plans or**
25 **annuities.**

26 (i) For tax years beginning on or after January 1, 2017, until the tax year beginning January
27 1, 2022, a modification shall be allowed for up to fifteen thousand dollars (\$15,000), and for tax
28 years beginning on or after January 1, 2023, until the tax year beginning January 1, 2024, a
29 modification shall be allowed for up to twenty thousand dollars (\$20,000), and for tax years
30 beginning on or after January 1, 2025, a modification shall be allowed for up to fifty thousand
31 dollars (\$50,000), of taxable pension and/or annuity income that is included in federal adjusted
32 gross income for the taxable year:

33 (A) For a person who has attained the age used for calculating full or unreduced Social
34 Security retirement benefits who files a return as an unmarried individual, head of household, or

1 married filing separate whose federal adjusted gross income for such taxable year is less than the
2 amount used for the modification contained in subsection (c)(8)(i)(A) of this section an amount not
3 to exceed \$15,000 for tax years beginning on or after January 1, 2017, until the tax year beginning
4 January 1, 2022, and an amount not to exceed twenty thousand dollars (\$20,000) for tax years
5 beginning on or after January 1, 2023, until the tax year beginning January 1, 2024, and an amount
6 not to exceed fifty thousand dollars (\$50,000) for tax years beginning on or after January 1, 2025,
7 of taxable pension and/or annuity income includible in federal adjusted gross income; or

8 (B) For a married individual filing jointly or individual filing qualifying widow(er) who
9 has attained the age used for calculating full or unreduced Social Security retirement benefits whose
10 joint federal adjusted gross income for such taxable year is less than the amount used for the
11 modification contained in subsection (c)(8)(i)(B) of this section an amount not to exceed \$15,000
12 for tax years beginning on or after January 1, 2017, until the tax year beginning January 1, 2022,
13 and an amount not to exceed twenty thousand dollars (\$20,000) for tax years beginning on or after
14 January 1, 2023, until the tax year beginning January 1, 2024, and an amount not to exceed fifty
15 thousand dollars (\$50,000) for tax years beginning on or after January 1, 2025, of taxable pension
16 and/or annuity income includible in federal adjusted gross income.

17 (ii) Adjustment for inflation. The dollar amount contained by reference in subsections
18 (c)(9)(i)(A) and (c)(9)(i)(B) of this section shall be increased annually for tax years beginning on
19 or after January 1, 2018, by an amount equal to:

20 (A) Such dollar amount contained by reference in subsections (c)(9)(i)(A) and (c)(9)(i)(B)
21 of this section adjusted for inflation using a base tax year of 2000, multiplied by;

22 (B) The cost-of-living adjustment with a base year of 2000.

23 (iii) For the purposes of this section, the cost-of-living adjustment for any calendar year is
24 the percentage (if any) by which the consumer price index for the preceding calendar year exceeds
25 the consumer price index for the base year. The consumer price index for any calendar year is the
26 average of the consumer price index as of the close of the twelve-month (12) period ending on
27 August 31, of such calendar year.

28 (iv) For the purpose of this section, the term “consumer price index” means the last
29 consumer price index for all urban consumers published by the department of labor. For the purpose
30 of this section, the revision of the consumer price index which is most consistent with the consumer
31 price index for calendar year 1986 shall be used.

32 (v) If any increase determined under this section is not a multiple of fifty dollars (\$50.00),
33 such increase shall be rounded to the next lower multiple of fifty dollars (\$50.00). In the case of a
34 married individual filing a separate return, if any increase determined under this section is not a

1 multiple of twenty-five dollars (\$25.00), such increase shall be rounded to the next lower multiple
2 of twenty-five dollars (\$25.00).

3 (vi) For tax years beginning on or after January 1, 2022, the dollar amount contained by
4 reference in subsection (c)(9)(i)(A) shall be adjusted to equal the dollar amount contained in
5 subsection (c)(8)(i)(A), as adjusted for inflation, and the dollar amount contained by reference in
6 subsection(c)(9)(i)(B) shall be adjusted to equal the dollar amount contained in subsection
7 (c)(8)(i)(B), as adjusted for inflation;

8 (10) **Modification for Rhode Island investment in opportunity zones.** For purposes of
9 a taxpayer's state tax liability, in the case of any investment in a Rhode Island opportunity zone by
10 the taxpayer for at least seven (7) years, a modification to income shall be allowed for the
11 incremental difference between the benefit allowed under 26 U.S.C. § 1400Z-2(b)(2)(B)(iv) and
12 the federal benefit allowed under 26 U.S.C. § 1400Z-2(c);

13 (11) **Modification for military service pensions.**

14 (i) For purposes of a taxpayer's state tax liability, a modification to income shall be allowed
15 as follows:

16 (A) For the tax years beginning on January 1, 2023, a taxpayer may subtract from federal
17 adjusted gross income the taxpayer's military service pension benefits included in federal adjusted
18 gross income;

19 (ii) As used in this subsection, the term "military service" shall have the same meaning as
20 set forth in 20 C.F.R. § 212.2;

21 (iii) At no time shall the modification allowed under this subsection alone or in conjunction
22 with subsection (c)(9) exceed the amount of the military service pension received in the tax year
23 for which the modification is claimed;

24 (12) Any rebate issued to the taxpayer pursuant to § 44-30-103 to the extent included in
25 gross income for federal tax purposes; ~~and~~

26 (13) For tax years beginning on or after January 1, 2025, in the case of a taxpayer that is
27 licensed in accordance with chapters 28.6 and/or 28.11 of title 21, the amount equal to any
28 expenditure that is eligible to be claimed as a federal income tax deduction but is disallowed under
29 26 U.S.C. § 280E; and

30 (14) Modification for a taxpayer participating in the first time home buyer savings act.

31 (i) For purposes of a taxpayer's state tax liability, a modification to federal adjusted gross
32 income shall be allowed as follows:

33 (A) A taxpayer may subtract from federal adjusted gross income an amount up to fifty
34 thousand dollars (\$50,000) contributed to the first time home buyer savings account; and

1 (B) A taxpayer may subtract from federal adjusted gross income an amount up to one
2 hundred fifty thousand dollars (\$150,000) of interest and dividends included in federal adjusted
3 gross income.

4 (d) **Modification for Rhode Island fiduciary adjustment.** There shall be added to, or
5 subtracted from, federal adjusted gross income (as the case may be) the taxpayer's share, as
6 beneficiary of an estate or trust, of the Rhode Island fiduciary adjustment determined under § 44-
7 30-17.

8 (e) **Partners.** The amounts of modifications required to be made under this section by a
9 partner, which relate to items of income or deduction of a partnership, shall be determined under §
10 44-30-15.

11 SECTION 3. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO PROPERTY -- FIRST TIME HOME BUYER SAVINGS PROGRAM ACT

1 This act would establish the first time home buyer savings program fund for first time home
2 buyers. This act would allow modifications to federal adjusted gross income for fifty thousand
3 dollars (\$50,000) in contributions and one hundred and fifty thousand dollars (\$150,000) of interest
4 and dividends.

5 This act would take effect upon passage.

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