

**2026 -- S 2365 SUBSTITUTE A**

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LC004571/SUB A  
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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 -- PERSONAL INCOME TAX

Introduced By: Senators Felag, Burke, Tikoian, LaMountain, Lauria, Bissaillon, Urso,  
and Murray

Date Introduced: January 30, 2026

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1           SECTION 1. Section 44-30-12 of the General Laws in Chapter 44-30 entitled "Personal  
2 Income Tax" is hereby amended to read as follows:

3           **44-30-12. Rhode Island income of a resident individual.**

4           (a) **General.** The Rhode Island income of a resident individual means the individual's  
5 adjusted gross income for federal income tax purposes, with the modifications specified in this  
6 section.

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

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

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

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

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

19           (A) A transfer or rollover to a qualified tuition program under Section 529 of the Internal

1 Revenue Code, 26 U.S.C. § 529, other than to the tuition savings program referred to in § 16-57-  
2 6.1; and

3 (B) A withdrawal or distribution that is:

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

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

7 (III) Not made in other circumstances for which an exclusion from tax made applicable by  
8 Section 529 of the Internal Revenue Code, 26 U.S.C. § 529, pertains if the transfer, rollover,  
9 withdrawal, or distribution is made within two (2) taxable years following the taxable year for  
10 which a contributions modification pursuant to subsection (c)(4) of this section is taken based on  
11 contributions to any tuition savings program account by the person who is the participant of the  
12 account at the time of the contribution, whether or not the person is the participant of the account  
13 at the time of the transfer, rollover, withdrawal, or distribution;

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

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

21 (B) The amount of the person’s contribution modification pursuant to subsection (c)(4) of  
22 this section for the person’s taxable year of the withdrawal and the two (2) prior taxable years less  
23 the amount of any nonqualified withdrawal for the two (2) prior taxable years included in  
24 computing the person’s Rhode Island income by application of this subsection for those years. Any  
25 amount added to federal adjusted gross income pursuant to this subdivision shall constitute Rhode  
26 Island income for residents, nonresidents, and part-year residents;

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

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

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

32 (8) For any taxable year beginning on or after January 1, 2020, the amount of any Paycheck  
33 Protection Program loan forgiven for federal income tax purposes as authorized by the Coronavirus  
34 Aid, Relief, and Economic Security Act and/or the Consolidated Appropriations Act, 2021 and/or

1 any other subsequent federal stimulus relief packages enacted by law, to the extent that the amount  
2 of the loan forgiven exceeds \$250,000, including an individual's distributive share of the amount  
3 of a pass-through entity's loan forgiveness in excess of \$250,000; and

4 (9) For the taxable year beginning on or before January 1, 2025, the amount of any income,  
5 deduction or allowance that would be subject to federal income tax but for the Congressional  
6 enactment of the One Big Beautiful Bill Act or any other similar Congressional enactment. The  
7 enactment of the One Big Beautiful Bill Act or any other similar Congressional enactment and any  
8 Internal Revenue Service changes to forms, regulations, and/or processing which go into effect  
9 during the current tax year or within six (6) months of the beginning of the next tax year shall be  
10 deemed grounds for the promulgation of emergency rules and regulations under § 42-35-2.10 to  
11 effectuate the purpose of preserving the Rhode Island tax base under Rhode Island law with respect  
12 to the One Big Beautiful Bill Act or any other similar Congressional enactment.

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

15 (1) Any interest income on obligations of the United States and its possessions to the extent  
16 includible in gross income for federal income tax purposes, and any interest or dividend income on  
17 obligations, or securities of any authority, commission, or instrumentality of the United States to  
18 the extent includible in gross income for federal income tax purposes but exempt from state income  
19 taxes under the laws of the United States; provided, that the amount to be subtracted shall in any  
20 case be reduced by any interest on indebtedness incurred or continued to purchase or carry  
21 obligations or securities the income of which is exempt from Rhode Island personal income tax, to  
22 the extent the interest has been deducted in determining federal adjusted gross income or taxable  
23 income;

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

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

28 (4) Contributions made to an account under the tuition savings program, including the  
29 "contributions carryover" pursuant to subsection (c)(4)(iv) of this section, if any, subject to the  
30 following limitations, restrictions, and qualifications:

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

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

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

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

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

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

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

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

15 (B) That part of any remaining contribution carryover at the end of the taxable year which  
16 exceeds the amount of any nonqualified withdrawals during the year and the prior two (2) taxable  
17 years not included in the addition provided for in this subdivision for those years. Any such part  
18 shall be disregarded in computing the contributions carryover for any subsequent taxable year;

19 (v) For any taxable year for which a contributions carryover is applicable, the taxpayer  
20 shall include a computation of the carryover with the taxpayer’s Rhode Island personal income tax  
21 return for that year, and if for any taxable year on which the carryover is based the taxpayer filed a  
22 joint Rhode Island personal income tax return but filed a return on a basis other than jointly for a  
23 subsequent taxable year, the computation shall reflect how the carryover is being allocated between  
24 the prior joint filers;

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

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

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

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

1 organ transplantation occurs.

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

5 (A) Travel expenses.

6 (B) Lodging expenses.

7 (C) Lost wages.

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

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

11 (i) For tax years beginning on or after January 1, 2016, until the tax year beginning January  
12 1, 2027:

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

17 (B) A married individual filing jointly or individual filing qualifying widow(er) who has  
18 attained the age used for calculating full or unreduced Social Security retirement benefits whose  
19 joint federal adjusted gross income for the taxable year is less than one hundred thousand dollars  
20 (\$100,000), an amount equal to the Social Security benefits includible in federal adjusted gross  
21 income.

22 (ii) For the tax years beginning on or after January 1, 2027:

23 (A) For a person who files a return as an unmarried individual, head of household, or  
24 married filing separate whose federal adjusted gross income for the taxable year is less than eighty  
25 thousand dollars (\$80,000); or

26 (B) A married individual filing jointly or individual filing qualifying widow(er) whose joint  
27 federal adjusted gross income for the taxable year is less than one hundred thousand dollars  
28 (\$100,000), an amount equal to the Social Security benefits includible in federal adjusted gross  
29 income.

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

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

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

1           ~~(iii)~~(iv) For the purposes of this section the cost-of-living adjustment for any calendar year  
2 is the percentage (if any) by which the consumer price index for the preceding calendar year  
3 exceeds the consumer price index for the base year. The consumer price index for any calendar  
4 year is the average of the consumer price index as of the close of the twelve-month (12) period  
5 ending on August 31, of such calendar year.

6           ~~(iv)~~(v) For the purpose of this section the term “consumer price index” means the last  
7 consumer price index for all urban consumers published by the department of labor. For the purpose  
8 of this section the revision of the consumer price index which is most consistent with the consumer  
9 price index for calendar year 1986 shall be used.

10           ~~(v)~~(vi) If any increase determined under this section is not a multiple of fifty dollars  
11 (\$50.00), such increase shall be rounded to the next lower multiple of fifty dollars (\$50.00). In the  
12 case of a married individual filing separate return, if any increase determined under this section is  
13 not a multiple of twenty-five dollars (\$25.00), such increase shall be rounded to the next lower  
14 multiple of twenty-five dollars (\$25.00);

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

17           (i) For tax years beginning on or after January 1, 2017, until the tax year beginning January  
18 1, 2022, a modification shall be allowed for up to fifteen thousand dollars (\$15,000), and for tax  
19 years beginning on or after January 1, 2023, until the tax year beginning January 1, 2024, a  
20 modification shall be allowed for up to twenty thousand dollars (\$20,000), and for tax years  
21 beginning on or after January 1, 2025, a modification shall be allowed for up to fifty thousand  
22 dollars (\$50,000), of taxable pension and/or annuity income that is included in federal adjusted  
23 gross income for the taxable year:

24           (A) For a person who has attained the age used for calculating full or unreduced Social  
25 Security retirement benefits who files a return as an unmarried individual, head of household, or  
26 married filing separate whose federal adjusted gross income for such taxable year is less than the  
27 amount used for the modification contained in subsection (c)(8)(i)(A) or subsection (c)(8)(ii)(A) of  
28 this section an amount not to exceed \$15,000 for tax years beginning on or after January 1, 2017,  
29 until the tax year beginning January 1, 2022, and an amount not to exceed twenty thousand dollars  
30 (\$20,000) for tax years beginning on or after January 1, 2023, until the tax year beginning January  
31 1, 2024, and an amount not to exceed fifty thousand dollars (\$50,000) for tax years beginning on  
32 or after January 1, 2025, of taxable pension and/or annuity income includible in federal adjusted  
33 gross income; or

34           (B) For a married individual filing jointly or individual filing qualifying widow(er) who

1 has attained the age used for calculating full or unreduced Social Security retirement benefits whose  
2 joint federal adjusted gross income for such taxable year is less than the amount used for the  
3 modification contained in subsection (c)(8)(i)(B) [or subsection \(c\)\(8\)\(ii\)\(B\)](#) of this section an  
4 amount not to exceed \$15,000 for tax years beginning on or after January 1, 2017, until the tax year  
5 beginning January 1, 2022, and an amount not to exceed twenty thousand dollars (\$20,000) for tax  
6 years beginning on or after January 1, 2023, until the tax year beginning January 1, 2024, and an  
7 amount not to exceed fifty thousand dollars (\$50,000) for tax years beginning on or after January  
8 1, 2025, of taxable pension and/or annuity income includible in federal adjusted gross income.

9 (ii) Adjustment for inflation.

10 The dollar amount contained by reference in subsections (c)(9)(i)(A) and (c)(9)(i)(B) of  
11 this section shall be increased annually for tax years beginning on or after January 1, 2018, by an  
12 amount equal to:

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

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

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

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

25 (v) If any increase determined under this section is not a multiple of fifty dollars (\$50.00),  
26 such increase shall be rounded to the next lower multiple of fifty dollars (\$50.00). In the case of a  
27 married individual filing a separate return, if any increase determined under this section is not a  
28 multiple of twenty-five dollars (\$25.00), such increase shall be rounded to the next lower multiple  
29 of twenty-five dollars (\$25.00).

30 (vi) For tax years beginning on or after January 1, 2022, [until the tax year beginning](#)  
31 [January 1, 2027](#), the dollar amount contained by reference in subsection (c)(9)(i)(A) shall be  
32 adjusted to equal the dollar amount contained in subsection (c)(8)(i)(A), as adjusted for inflation,  
33 and the dollar amount contained by reference in subsection(c)(9)(i)(B) shall be adjusted to equal  
34 the dollar amount contained in subsection (c)(8)(i)(B), as adjusted for inflation. [For tax years](#)

1 beginning on or after January 1, 2027, the dollar amount contained by reference in subsection  
2 (c)(9)(i)(A) shall be adjusted to equal the dollar amount contained in subsection (c)(8)(ii)(A), as  
3 adjusted for inflation, and the dollar amount contained by reference in subsection (c)(9)(i)(B) shall  
4 be adjusted to equal the dollar amount contained in subsection (c)(8)(ii)(B), as adjusted for  
5 inflation;

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

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

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

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

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

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

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

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

28 (14) For any taxable year beginning on or after January 1, 2026, the amount as determined  
29 by the tax administrator required to be added back in a prior year that would have been allowed  
30 under 26 U.S.C. § 174A as enacted in H.R.1 (Pub. L. 119-21) on July 4, 2025, but would not have  
31 been allowed as a deduction under 26 U.S.C. § 174 immediately prior to its enactment. At no time  
32 may the cumulative modification amount for each amortized expenditure exceed one hundred  
33 percent (100%) of said expenditure's expense amount.

34 (d) **Modification for Rhode Island fiduciary adjustment.** There shall be added to, or

1 subtracted from, federal adjusted gross income (as the case may be) the taxpayer's share, as  
2 beneficiary of an estate or trust, of the Rhode Island fiduciary adjustment determined under § 44-  
3 30-17.

4 (e) **Partners.** The amounts of modifications required to be made under this section by a  
5 partner, which relate to items of income or deduction of a partnership, shall be determined under §  
6 44-30-15.

7 SECTION 2. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

A N A C T

RELATING TO TAXATION -- PERSONAL INCOME TAX

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- 1 This act would eliminate the age requirement for modification on Social Security income.
- 2 This act would take effect upon passage.

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