



# This Week in State Tax (TWIST)

July 28, 2025



## Rhode Island: FY 2026 budget bill contains safeguards against OBBB impacts

The Rhode Island budget bill, which took effect on June 29 without the governor's signature, includes provisions to protect the state individual and corporate income tax base from diminution due to the federal One Big Beautiful Bill Act (OBBBA, P.L. 119-21, signed into law July 4, 2025).

Specifically, for tax years beginning on or before January 1, 2025, Rhode Island taxpayers will be required to add to their taxable income for corporate taxpayers and adjusted gross income for individual taxpayers "any amount of income, deduction or allowance" that would be subject to federal income tax but for the OBBBA or any similar Congressional enactment. The language would appear to implicate, for example, the changes made by OBBBA to the federal treatment of research and experimental expenditures (IRC 174A), which allow for an immediate deduction of such costs for corporate tax purposes. The Rhode Island Department of Revenue is authorized to promulgate emergency rules and regulations necessary to "effectuate the purpose of preserving the Rhode Island tax base" due to federal legislation, form updates, regulations, or processing changes that go into effect in the current tax year or within six months of the beginning of the next tax year under the OBBBA or similar enactment. In addition, the budget bill requires the Department to convene an advisory group to review and analyze the potential impacts of adopted federal tax actions and to report to the governor and legislature by October 31, 2025, with options to address any changes affecting Rhode Island revenues. Please contact [Jamie Posterro](#) with questions about [H.B. 5076A](#).

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