



This Week in State Tax (TWIST)

June 15, 2026



Rhode Island: Governor McKee signs budget bill with high earner surtax and OB3 changes

Rhode Island has joined the growing list of states to implement a new tax on high earners. The Fiscal Year 2027 budget legislation, which passed the legislature on June 5 and was signed by Gov. McKee on June 12, will phase in a new 8.99 percent individual income tax rate applicable to those with taxable income above \$1 million. The current highest rate is 5.99 percent; the new law imposes a 1 percent tax on incomes more than \$1 million in 2027, and additional 1 percent in 2028, and an additional 1 percent for 2029 and future years, for the total of 8.99 percent.

In addition, the budget makes permanent certain changes to the state's conformity to the Internal Revenue Code (IRC) that had previously been adopted on a temporary basis in response to the federal One Big Beautiful Bill Act (OB3) (P.L. 119-21). Rhode Island had previously decoupled from all OB3 provisions for tax years beginning on or before January 1, 2025. Under the budget bill, for tax years beginning on or after January 1, 2026 both corporate and individual taxpayers will be required to capitalize and amortize domestic research and experimental expenditures under IRC section 174 as it existed immediately prior to OB3, rather than using the new IRC section 174A. The bill also appears to require taxpayers to apply the IRC section 163(j) limitation without regard to depreciation, amortization or depletion (i.e., applying the limitation as it existed prior to OB3). [Note that the legislative language is not entirely clear in this regard.] Finally, the budget requires the Department of Revenue to administer a 75-day tax amnesty to be concluded before February 15, 2027. Further information on the amnesty will be provided in a subsequent TWIST. Contact [Jamie Posterro](#) with questions about [H. 7127](#).

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