

March 2, 2021

Honorable Marvin L. Abney
Chair, House Finance Committee
Rhode Island State House, Senate Lounge
Providence, RI 02903

Re: HB5213 An Act Relating to Taxation – Interest rate change for underpayments of tax

Dear Chairman Abney:

On behalf of the RI Hospitality Association, I write to express our support for HB5213, Relating to Taxation – State Tax Officials, which would change the rate of interest for underpayments of tax to prime rate plus six percent (6%) and limits the assessment of interest to four calendar years prior to the date on which notice of the delinquent payment is sent.

Rhode Island has the highest penalty interest rate at 18% in the United States; the average is 7%. This issue has been discussed for years because of the hardship it causes to impacted businesses and working families. The Rhode Island Division of Taxation performs desk audits and correspondence audits each year involving thousands of businesses and individual taxpayers and although taxpayers have a right to appeal, many will borrow to pay instead because the outstanding tax **DOUBLES** every 5.5 years. At a compounded rate of 18%, the penalty amount can be two or three times higher than the original tax owed!

Penalties can be assessed for something as simple as a misclassification, misunderstanding or other issue highlighted during an audit. This penalty is a barrier to attracting businesses to Rhode Island, but it can also be catastrophic to a small business owner and their family.

Thank you for your consideration on this topic. If you have any questions, please don't hesitate to contact me at sarah@rihospitality.org or 401-223-1120.

Sincerely,

Sarah R. Bratko, Esq.
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