

Rhode Island Department of Revenue Division of Taxation

Via Electronic Mail

February 6, 2024

The Honorable Representative Joseph J. Solomon, Jr.
Chair, House Committee on Corporations
Rhode Island State House
Providence, RI 02903

RE: Letter of Support Regarding House Bill 7280 – An Act Relating to Corporations, Associations, and Partnerships – Rhode Island Business Corporation Act

Dear Chairperson Solomon:

I am writing on behalf of the Rhode Island Department of Revenue, Division of Taxation (“Division”), to: i) express support for proposed House Bill 7280; ii) explain the background and current statutory context for this bill; and iii) request your support for this bill. The purpose of House Bill 7280 is to clean up specific issues with tax-related laws to enhance compliance with and enforcement of statutory mandates.

Background

This omnibus bill addresses and amends certain statutes to clarify or update statutory language and/or address issues raised during the course of administering/enforcing these statutes. The amendments to sections relating to corporations and LLCs are supported by the Secretary of State’s Office and would allow for necessary sharing of information to effectuate changes passed in 2017.

There is also a further clarification on the lookback period with respect to non-filers. That is, there is no exception for non-filers, who normally enjoy no lookback period under all but the sales tax statutes (a six-year lookback under regulation became caselaw in *Couture v. Norberg*, 114 R.I. 704 (R.I. 1975)). This means that a taxpayer can fail to file returns for ten (10) years or more and avoid all collection activity for that period. The proposed change to R.I. Gen. Laws §§ 44-11-7.1, 44-19-13, 44-23-9, and 44-30-83 would carve out non-filers so that the ten-year limitations period would not apply to taxpayers that failed to file a return as required.

The various statutes and their updates will be summarized in the next section.

Technical Amendments

Sections 1-3, 7-8: These sections amend various sections relating to corporations and LLCs as follows:

- Corporate entities may have their articles of incorporation revoked for failure to pay any state taxes and fees, not just corporate tax (§ 7-1.2-1310).

- Foreign corporations may have their certificates of authority revoked for failure to pay any state taxes and fees, not just corporate taxes (§ 7-1.2-1414).
- The following amendments deem lack of tax compliance as public data that may be presented publicly on the Secretary of State's website to evidence basis for revocation or lack of good standing with the Secretary of State's filing requirements and to implement communications between the Secretary of State and the Division consistent with the intent of the current statutory scheme:
 - The Division may share tax information with the Secretary of State's Office in limited circumstances (§§ 7-1.2-1805 and 7-16-77).
 - The Division may send a list of LLCs that fail to pay their state taxes to the Secretary of State's Office and the revocation notice may generally state the revocation's basis (§ 7-16-67.1).
 - The Tax Division may send a list of corporations that fail to pay their state taxes to the Secretary of State's Office and the revocation notice may generally state the revocation's basis (§ 44-11-26.1).

Section 3: This amendment is a technical revision to R.I. Gen. Laws § 44-11-29 to require that the Division be notified of the proposed major sale or transfer of assets by requesting the letter of good standing that shall be received by the Division at least five (5) business days prior to the sale or transfer.

Sections 3-6: These amendments preclude non-filers from the ten-year assessment limitation to more closely conform with other statutory provisions that generally exempt non-filers from the normal three-year statute of limitations for assessments (§§ 44-11-7.1, 44-19-13, 44-23-9, 44-30-83).

Recommendation

For the reasons above, and to aid in tax compliance and administration, the Division supports House Bill 7280 and believes it will provide a net benefit for the State and taxpayers, while not having a negative fiscal impact on the State.

I look forward to working with you and appreciate your consideration.

Very truly yours,



Neena S. Savage
Tax Administrator

cc: The Honorable Members of the House Committee on Corporations (via: HouseCorporations@rilegislature.gov)
Representative Alex S. Finkelman (via: rep-finkelman@rilegislature.gov)
Nicole McCarty, Esquire, Chief Legal Counsel to the Speaker
Thomas A. Verdi, Director, Department of Revenue