



Rhode Island Manufacturers Association
The Economic Engine for Rhode Island

February 6, 2024

The Honorable Joseph J. Solomon, Jr.
Chair, House Corporations Committee
Rhode Island State House
82 Smith Street
Providence, RI 02903

Dear Chairman Solomon and Committee Members:

RE: H.7280, An Act Relating to Corporations, Associations, and Partnerships –
Rhode Island Business Corporation Act

Dear Chairman Solomon and Committee Members:

On behalf of Ri Manufacturers Association, I am writing to express my deep concerns regarding the proposed legislation H 7280: AN ACT RELATING TO CORPORATIONS, ASSOCIATIONS, AND PARTNERSHIPS -- RHODE ISLAND BUSINESS CORPORATION ACT. The bill makes numerous technical amendments to the statutes on taxes and corporations, associations and partnerships. H.7280 expands the authority by allowing the revocation to occur if a corporation or a limited liability company (LLC) fails to pay “any fees” to the Division of Taxation as well. The Secretary of State is also given authority to proactively ask the Division of Taxation if a corporation or LLC is compliant or non-compliant and can move forward based on the answer. This is not a manner that our members would embrace.

Rhode Island’s fees and penalties are among the highest in the United States. As the addition of the wording to include “any fees. Everyone on the committee should be deeply concerned with this. “Any fees” is too vague and may include license fees, audit fees, minimum corporate tax, application fees, or other industry specific fees levied by the State. A corporation or LLC could find its charter revoked for failing to pay a fifty-dollar fee. Once that charter is revoked, it may be re-instated upon payment of monies owed and payment of an additional penalty for

each year or part of a year that the charter was elapsed. H.7280, is not just bad for Rhode Island's business climate, but there is no justification to give authority to state agencies to revoke business charters. This is a measure that, while intended to enhance corporate accountability, risks undermining the economic stability and legal integrity of businesses throughout Rhode Island.

The prospect of charter revocation introduces a level of unpredictability and perceived hostility in the business environment. It is essential to consider the broader economic implications, including potential deterrence to investment and innovation. Revoking a business charter is a severe action that essentially amounts to a corporate "death penalty." Such measures should only be taken with formal fraud and extreme misconduct; this legislation pulls in every day small business owners and in my opinion, gives too much authority without proper oversight to the Division. The state has numerous existing laws and regulations to address corporate wrongdoing without needing to resort to corporate charter revocation. It is unthinkable to put the businesses and their employees' livelihoods at risk. There would be a concerning number of unintended consequences on innocent employees and the local communities where these businesses operate. Job losses and economic downturns in local areas could result from such actions, which would harm rather than protect public interests.

One another note, we are trying to bolster our economy by seeking to bring in new businesses ;and encourage the expansion of existing operations. What message are we sending to potential new businesses considering operating in our state. This is a negative message that undermines our efforts to broaden our economic base.

H.7280 is unnecessary and carries significant risks that could outweigh its intended benefits. I urge you to consider these concerns and stop this legislation from moving forward. Thank you for your consideration on this important issue.

Sincerely,

David M. Chenevert
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