



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 Society of CPAs/RI Business Forum, 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 strikes all the wrong chords for our members and their clients.

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” ??? This language 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. Our CPA professional members work with clients daily. We all believe it is crucial to address corporate misconduct effectively without resorting to measures that could have far-reaching negative implications.

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, for multinational corporations, the threat of charter revocation in one jurisdiction can have ripple effects globally. It could complicate international operations and relationships, affecting not just the business in question but also the home country's reputation as a place for doing business.

While the goal of ensuring corporate accountability is commendable, 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. I am available for further discussion on achieving our shared goals of a fair, accountable, and thriving business environment. Thank you for your consideration on this important issue.

Sincerely,

Sincerely,

Melissa Travis

Melissa Travis
President/CEO
RISCPA/RI Business Forum