

**D**  **R** Rhode Island Department of Revenue  
Division of Taxation

*Via Electronic Mail*

June 3, 2021

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

**RE: Letter of Concern Regarding House Bill 6374 – An Act Relating to Corporations, Associations, and Partnerships--Corporations– General Provisions**

Dear Chairperson, Solomon:

I am writing on behalf of the Rhode Island Department of Revenue, Division of Taxation (“Division”), to: i) express concerns regarding issues with proposed House Bill 6374 as currently drafted; ii) explain the background and current statutory context in order to clarify the intended and unintended consequences of this bill; and iii) make recommendations and request your support in implementing those recommendations.

This letter is not intended as a position in support of or opposition to the bill, but only as recommendations on drafting to provide clarity in the bill and to aid tax administration and compliance.

As you know, this bill, in two separate provisions, would allow the Secretary of State (with respect to Title 7) and the Tax Administrator (with respect to payment of the minimum corporate tax, R.I. Gen. Laws § 44-11-2(e)), if a state of emergency is declared in this or in any other state or by the federal government renders compliance with the identified statutory provisions, impossible or unreasonable, to promulgate emergency rules and regulations to modify filing procedures and waive or compromise fees and/or penalty fees, and minimum corporate taxes.

It is unclear the scope of impact on the Secretary of State’s fees and penalties, but with respect to the minimum corporate tax imposed in R.I. Gen. Laws § 44-11-2(e), there are approximately 65,000 (Tax Year 2019) minimum filers with an estimated revenue impact of \$26 Million.

As this Committee knows, the Division routinely works with taxpayers to provide relief, if substantiated by facts/circumstances. Generally, as more fully explained below, due to the breadth and ambiguity of the language in this bill, the provisions will be difficult to implement and administer. Additionally, please consider the following issues:

1. As drafted, this bill may be construed as broad and ambiguous with provisions that are difficult to define and implement. For instance, this bill allows suspension of fees and

taxes based on federal declarations of emergency and declarations of emergencies in other states. As drafted, there is no criteria for determining what fees, taxes, and penalties are “impossible or unreasonable” given that the fees are relatively small.

2. Based on the significant volume of filers, additional resources will be required to implement the changes on what is proposed to be an emergency basis, the breadth of which is uncertain as it can be triggered by declarations in other states. Given that the Division processes over three (3) million transactions every year, its computer system will have to be programmed to implement the suspension of fees/taxes and penalties, which will require time and suspension of other revenue generation activities. Further, such changes will require testing and assurance that all downstream revenue reconciliation, and taxpayer accounting records are accurate.
3. Similar to 1 above, given that the current corporate minimum tax is four hundred (\$400) and able to be filed and paid electronically, it is unclear what factors would deem compliance impossible or unreasonable as required in the proposed bill.
4. The triggering event for this potential relief (an emergency declaration in any other state and/or federal government) may be difficult to administer and would create unlimited opportunity and potential abuse by special interests to propose suspension of the payment of the tax.
5. This also sets precedent for other special interests to lobby for such relief with respect to other larger taxes and fees.

The Division takes no position with respect to the remainder of the proposed legislation. Rather, the Division is concerned solely with the issues of clarity, tax compliance, and tax administration. As such, the Division respectfully suggests that the bill be redrafted for clarity.

I look forward to working with you to address the issues raised in this letter 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](mailto:HouseCorporations@rilegislature.gov) )  
The Honorable Julie A. Casimiro  
Guillermo Tello, Acting Director, Department of Revenue