



NORTHERN RHODE ISLAND
CHAMBER OF COMMERCE

**2024 EXECUTIVE
COMMITTEE**

Chair

Amy Vogel
Dr. Day Care

Chair Elect

Jennifer Morrison
Amica

Secretary

Steve Noyes
PKF O'Connor Davies LLP

Treasurer

Betty Robson
JF Moran

Immediate Past Chair

Jeffrey Cascione
Navigant Credit Union

Executive Committee

At-Large Member

Jean Harrington
Duffy & Sweeney, LTD

Dan Orovitz

Washington Trust

Legal Counsel

Michael A. Gamboli, Esq.
Partridge Snow & Hahn
LLP

President/CEO

Liz Catucci

May 16, 2024

The Honorable Marvin Abney
House Finance Committee
State House
Providence, RI 02903

RE: Governor McKee's Budget Amendment #19 – Financial Institution Tax

Dear Chairman Abney and Committee Members:

The Northern RI Chamber of Commerce (NRICC) represents businesses in the communities of Burrillville, Central Falls, Cumberland, Foster, Glocester, Johnston, Lincoln, North Providence, North Smithfield, Pawtucket, Scituate, Smithfield and Woonsocket. The Chamber strongly encourages the committee to include, in the final budget, Governor McKee's requested amendment regarding the tax treatment of financial institutions.

In 2015, the General Assembly adopted a major change in the way it taxes businesses operating in multiple states. While some businesses are taxed based on the proportion of sales in Rhode Island versus the sales in other states (referred to as a single sales factor test), financial institutions are taxed based on a calculation that considers the payroll generated in the state, the property valuation in the state and the sales generated in the state (referred to as a three-factor test). The single sales factor was chosen for most businesses because the three-factor test penalizes businesses that increase the number of employees in the state and that add to their physical footprint here. At the time of adoption, the use of the three-factor test made sense for financial institutions given the other economic programs available to this industry. However, those programs are no longer in use, creating a much different landscape for some financial institutions.

Amendment #19 allows a banking institution to choose to continue the use of the three-factor test, or to choose the single sales factor test. Once chosen, the institution must stick with that test for five years.



NORTHERN RHODE ISLAND
CHAMBER OF COMMERCE

Massachusetts recently passed legislation adopting the single sales factor test and included financial institutions. This change creates a strong economic incentive for these businesses to move across the border. The House Fiscal Analysis estimates the revenue loss at \$7.7 million for FY2025 and \$15.4 million for FY2026. However, that must be considered along with the potential revenue loss in income and corporate tax loss should a financial institution choose to relocate. Twenty-six states have adopted the single sales factor apportionment for banks.

We urge the committee look favorably upon this amendment request. Thank you for your consideration.

Respectfully,

A handwritten signature in black ink, appearing to read 'Elizabeth Catucci', written in a cursive style.

Elizabeth Catucci
President/CEO - Northern Rhode Island Chamber of Commerce

cc: Speaker K. Joseph Shekarchi