



April 9, 2025

**Honorable Marvin Abney**

Chairman, House Committee on Finance  
Rhode Island State House  
82 Smith Street  
Providence, RI 02903

**Re: H5757 AN ACT RELATING TO TAXATION -- STATE TAX OFFICIALS {LC1837/1}**

**Dear Chairman Abney and Honorable Members of the Committee:**

On behalf of the Rhode Island Business Leaders Alliance, I respectfully submit testimony in strong support of **H5757 AN ACT RELATING TO TAXATION -- STATE TAX OFFICIALS {LC1837/1}**. The legislation proposes critical reforms to Rhode Island's tax enforcement practices by capping the delinquent tax interest rate at 12%, limiting the audit window to 3 years from the date of tax filing (or 7 years in cases involving fraud), and prohibiting audits beyond 10 years under any circumstances.

Rhode Island currently imposes the **highest penalty interest rate in the country** on taxpayers. Even reducing it to 12%—as proposed in this legislation—merely brings us to the **middle of the pack nationally**, not the forefront. This is not a break for taxpayers; it's a long-overdue correction.

Although Rhode Island law purports to follow IRS guidelines, taxpayers and tax professionals routinely report audits stretching back **15 years or more**—far exceeding the **3-year federal standard**, and even the 7-year lookback allowed in cases of fraud. This practice is not only excessive but unrealistic, especially for individual taxpayers.

Most individuals do **not retain W-2s or tax documents beyond 5–7 years**, and many CPA firms follow similar document retention policies. Critically, neither the IRS nor the Social Security Administration can provide past W-2s beyond a certain number of years, making it **impossible** in many cases for taxpayers to defend themselves or even verify whether a tax is truly owed. The state continues to refer to these individuals as delinquent taxpayers – and yet we have many cases that we can show the state is wrong.



Even worse is the state's penalty and collections process. The interest and penalties assessed often far exceed the original tax due—resulting in an **unreasonable and punitive financial burden**. Rhode Island also imposes a **50% down payment requirement** just to initiate a payment plan. This policy is unique and unnecessarily harsh—**no other state nor the IRS imposes such a condition**. In other words,

As a result of these outdated and aggressive policies, per capita, Rhode Island is **owed more in back taxes than neighboring states**, despite having a much smaller population. Our antiquated tax enforcement mechanisms are **counterproductive** and have created an environment that is neither fair nor functional for taxpayers or tax professionals.

This bill brings **much-needed fairness, transparency, and balance** to the tax system. It aligns Rhode Island more closely with federal practices, limits unreasonable retroactive audits, and curbs interest rates that have been a barrier to resolution.

It is time for Rhode Island to **modernize its tax enforcement**, adopt a more equitable approach, and give taxpayers a fair chance to comply without undue burden.

I urge you to support H5757.

Thank you for your consideration.

Respectfully submitted,

*Melissa Travis*

Melissa Travis

Chairman

Rhode Island Business Leaders Alliance

