



Rhode Island Department of Revenue

Division of Taxation

Via Electronic Mail

May 6, 2025

The Honorable Marvin L. Abney
Chair, House Committee on Finance
Rhode Island State House
Providence, RI 02903

RE: Letter Regarding House Bill 5403 – An Act Relating to Taxation – Business Corporation Tax

Dear Chair Abney:

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 5403 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 amends R.I. Gen. Laws § 44-11-2, entitled “Business Corporation Tax – Imposition of tax,” to remove subsection (e), thereby repealing the corporation minimum tax of \$400 imposed under current law. The effective date is upon passage.

There are several potential issues with the bill that impact tax administration, including, but not limited to:

- As currently drafted, the bill’s language does not specify an effective tax year start date for the repeal of the corporation minimum tax, which could have a cumulative effect and lead to the potential for amended returns and refund claims for prior tax years. This does not appear to be the intent of the bill and creates unintended statutory gaps and consequences in administration.
- The effective date for the bill is upon passage. However, the Division would respectfully request that the language be changed so that the effective date is tied to a tax year (i.e., effective for tax years beginning on or after January 1, 2026).
- As R.I. Gen. Laws § 44-11-2(e) applies only to S corporations, amendments to other statutes referencing R.I. Gen. Laws § 44-11-2(e) would be necessary to effectuate a universal repeal of the corporation minimum tax and avoid disparity between and among statutes.

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,

A handwritten signature in blue ink, appearing to read "MSavage", written in a cursive style.

Neena S. Savage
Tax Administrator

cc: The Honorable Members of the House Committee on Finance (via:
HouseFinance@rilegislature.gov)
The Honorable Stephen M. Casey (rep-casey@rilegislature.gov)
Nicole McCarty, Esquire, Chief Legal Counsel to the Speaker of the House
Lynne Urbani, Director of House Policy
Thomas A. Verdi, Director, Department of Revenue