



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 5753 – 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 5753 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 would amend R.I. Gen. Laws § 44-11-2, entitled "Imposition of tax," to add new language to Subsection (e), entitled "Minimum tax," which states, "provided, however, no small business corporation having an election in effect under subchapter S, shall be required to pay such tax in its first year of existence that a tax return is due." The bill is set to take effect upon passage.

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

- The Division respectfully suggests that the bill be redrafted to define "existence." Further, the definition of existence should be linked to the date of incorporation of the new entity.
- The bill currently does not align to the tax years of the new entity or reference the tax year of the entity's incorporation and immediately subsequent year. The bill's reference to "its first year of existence" may allow for it to span two tax years.
- The bill is effective upon passage. The Division respectfully requests that the bill's language involving the effective date be changed to specify the tax year(s) to which the proposed amendment would apply by including language in the bill that it applies to tax years beginning on or after January 1, 2026.

The Division takes no position with respect to the remainder of the proposed legislation. Rather,

the Division is concerned solely with the issues of tax policy, 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 Finance (via:
HouseFinance@rilegislature.gov)
The Honorable Gregory J. Costantino (rep-costantino@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