



April 8 2026

Honorable Marvin L. Abney
Chairman, House Committee on Finance
Rhode Island State House
82 Smith Street
Providence, RI 02903

RE: H7810 - AN ACT RELATING TO TAXATION - STATE TAX OFFICIALS

Dear Chairman Abney and Honorable Members of the Committee:

My name is Joseph Lopes and I am the President/CEO of the Association of Builders & Contractors of Rhode Island, and the association is writing in support of H7810, An Act Relating to Taxation – State Tax Officials, and respectfully urge the Committee to give this legislation favorable consideration.

H7810 would establish reasonable and clearly defined rules for audits of filed tax returns by:

- Limiting audits of filed tax returns to three (3) years;
- Extending the audit window to seven (7) years in cases of fraud;
- Prohibiting audits of filed returns beyond ten (10) years under any circumstance; and
- Capping penalty interest on delinquent taxes at twelve percent (12%).

Fairness and Due Process for Rhode Island Taxpayers

As the President/CEO of ABC Rhode Island the association is deeply concerned by the Division of Taxation’s current audit practices. The Division routinely audits tax years dating back 10 years or more—long after the vast majority of taxpayers and their CPAs retain the underlying records used to prepare tax returns. Most businesses and individuals do not retain their tax documentation beyond 5 - 7 years. Government agencies such as the IRS and the Social Security Administration cannot reliably reconstruct records from decades past.

When audits reach this far into the past, Rhode Island taxpayers are placed in an impossible position: expected to defend themselves without access to the evidence that they need through no fault of their own. This undermines basic principles of fundamental fairness and due process. The Division’s current approach to audits disproportionately harms compliant taxpayers who filed their returns on time and in good faith and who are later accused by the Division of Taxation of owing money.

Excessive Penalty Interest Rates Harm Compliance

Rhode Island's interest rate on delinquent taxes is currently the highest in the nation. Reducing the penalty interest rate to 12% would not incentivize non-compliance. Taxpayers who fail to pay remain subject to penalties, enforcement actions, license suspensions, registration blocks, and collection activity. There is no practical incentive to delay payment. A more reasonable interest rate makes compliance and resolution more attainable for businesses trying to meet their obligations.

Broader Economic Considerations

Rhode Island's tax administration policies are national outliers. Excessive penalty interest rates, unusually long audit periods stretching back decades, a 50% down payment requirement for installment agreements, and a disparity between interest charged on liabilities and interest paid on refunds all create unnecessary stress and anxiety for businesses operating in the state.

At a time when Rhode Island faces unprecedented economic and budget challenges, modernizing tax administration offers a constructive and effective path forward. Fair, predictable rules promote voluntary compliance, reduce costly disputes, and support business retention and growth far more effectively than punitive enforcement alone.

Conclusion

H7810 strikes the right balance between effective tax enforcement and fundamental fairness. It aligns Rhode Island more closely with federal practices, protects compliant taxpayers, and preserves strong tools to address fraud and abuse.

I respectfully urge the Committee to support H7810.

Thank you for your time and consideration.

Sincerely,
Island
Joseph P Lopes
President
ABC Rhode Island