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## **ACLU OF RI POSITION: SUPPORT IN PART**

### **TESTIMONY ON 26-H 7810, RELATING TO TAXATION – STATE TAX OFFICIALS April 8, 2026**

The ACLU of Rhode Island supports the provisions in this legislation that would set a clear limit on the amount of time that the Division of Taxation can go back to demand financial records from an individual as part of an audit.

By setting a maximum ten-year lookback period (and three and seven year limitations under specific circumstances), the legislation would ensure fairness in the audit process. Requiring a person to go back longer than that will often put the taxpayer in an extremely difficult, if not impossible, position of finding and documenting the financial records that support their position.

Advice from the IRS – and from our organization’s own auditors – is to keep financial records for seven years. Therefore, to expect taxpayers to keep records going back more than that period of time puts the individual at a distinct disadvantage in contesting any claims by the state that they owe taxes that go back that long. We understand that the Division believes it can, and should be able to, go back more than ten years if the taxpayer is alleged to be delinquent in their taxes. But we do not believe the state should be able to bootstrap that designation into a time-unlimited investigation into the person’s finances. Other statutes already contain a statute of limitations on the Taxation division, making their current practices that this bill seeks to halt somewhat dubious from our perspective. *See, e.g., R.I.G.L. 44-19-13(b).*

In terms of fundamental principles of due process, statutes of limitation serve an important purpose. They avert government overreach and ensure some level of finality to prevent stale investigations by public officials into alleged violations of the law. As time passes, it becomes much harder for a person to mount a defense to allegations of civil or criminal misdeeds or mistakes. Memories fade, and exculpatory evidence ceases to exist. For these reasons, we support this bill’s attempt to set clear statutes of limitations on the Division in conducting audits.

Thank you for considering our views.