



May 7, 2026

Honorable Marvin Abney
Chair
House Finance Committee
82 Smith Street
Providence, RI 02903

Re: Support H7397 - Testimony in Support of H7397 - An Act Relating to Taxation —
Business Corporation Tax

Dear Chair Abney and Honorable Members of the Committee:

On behalf of the Rhode Island Manufacturers Association (RIMA), representing more than 1,700 manufacturers and 70,000 employees across the state, we respectfully submit this testimony in support of H7397 - An Act Relating to Taxation — Business Corporation Tax.

Rhode Island's business community continues to face a reputation for policies that discourage entrepreneurship, investment, and economic growth at a time when our state should be focused on supporting and expanding small businesses, manufacturers, startups, minority-owned businesses (MBEs), women-owned businesses (WBEs), and veteran-owned businesses.

One of the clearest examples is Rhode Island's minimum entity tax structure. While Rhode Island is not entirely unique in assessing a minimum business entity tax, only a relatively small number of states impose mandatory taxes on businesses regardless of profitability or economic activity. Examples include:

- Rhode Island — \$400 minimum tax on corporations, LLCs, LPs, and LLPs
- California — \$800 annual LLC/entity tax
- New York — LLC filing fee based on New York-source gross income
- Tennessee — minimum excise/franchise structure
- Delaware — annual LLC/corporate taxes regardless of income
- Nevada — annual business license fee
- Washington — Business & Occupation (B&O) gross receipts tax
- Ohio — Commercial Activity Tax
- Oregon — minimum Corporate Activity Tax and excise taxes

By contrast, many states impose only:

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- a modest annual report filing fee; or
- business taxes only when taxable income exists.
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Rhode Island's system is considered particularly aggressive because the tax applies broadly across nearly all entity types and is assessed even when businesses generate little or no income.

Unfortunately, the problem does not end there.

Rhode Island also imposes one of the highest penalty and interest structures in the United States when these taxes are not paid. The combination of mandatory minimum taxation, punitive interest rates, and outdated collection processes creates unnecessary hardship for entrepreneurs and small business owners — particularly during periods of financial distress.

RIMA members routinely share stories of businesses that ceased operations or dissolved informally during economic downturns but were unaware that ongoing minimum entity taxes continued to accrue. In many of these cases, the businesses had zero income and no operational activity, yet years of penalties and compounding interest transformed relatively small obligations into financially devastating liabilities.

This system disproportionately impacts:

- small businesses,
- family-owned manufacturers,
- startups,
- minority-owned enterprises,
- women-owned businesses, and
- veteran-owned businesses attempting to establish themselves in Rhode Island.

At a time when states across the country are competing aggressively for employers, Rhode Island should not maintain policies that serve as a deterrent to business formation, survival, or reinvestment.

House Bill No. 7397 represents an important step toward improving fairness, modernizing Rhode Island's tax environment, and demonstrating that our state supports entrepreneurs rather than penalizing them during periods of hardship.

Manufacturing remains Rhode Island's economic engine, supporting nearly 70,000 jobs and more than 1,600 manufacturers statewide. To remain competitive, Rhode Island must



foster an economic climate that encourages businesses to start, grow, invest, and remain here long-term.

For these reasons, the Rhode Island Manufacturers Association respectfully urges favorable consideration of House Bill No. 7397.

Thank you for the opportunity to support this important legislation.

Respectfully submitted,

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