



STATE OF RHODE ISLAND
OFFICE OF GOVERNOR DANIEL J. MCKEE

February 8, 2022

The Honorable Marvin Abney
Chairman, House Committee on Finance
Room 35, Rhode Island State House
Providence, RI 02903

RE: 2022-H 7123 – Article 8

Dear Chairman Abney:

I write to offer my strong support of House Bill 7123 – Article 8, Relating to Small Business. Our Administration drafted this article based on years of feedback from the small business community, particularly as we work to recover from COVID-19. These eight (8) recommendations will help make Rhode Island a more small business-friendly state.

This interagency article benefits all businesses across all industries. Specifically, Article 8:

- **Codifies liquor-to-go:** Allows brewpubs and restaurants to sell alcoholic beverages with take-out food, boosting profit margins for the hospitality industry which has been particularly hard-hit by COVID-19,
- **Permits cottage food licenses:** Rhode Island is currently the only state in the union that lacks a cottage food program. To level the playing field, we are proposing 2.0 FTEs for the Department of Health to assist with registrations and investigations. This will allow the State to remain a competitive place to do business. Allowing individuals to sell the food they produce at-home seeks to promote entrepreneurship. This program has been designed with safety in mind,
- **Expands the Small Business Development Fund (SBDF):** Allows local and/or community-based lenders to partake in this tax credit program; SBDF currently allows only for out-of-state entities to participate. The proposal will also establish a selection process for reviewing and approving applications,
- **Reduces interest rate for delinquent tax payments:** Rhode Island's current interest rate for non-trust fund (e.g., personal and corporate income) delinquent tax payments is 18%. This recommendation will reduce the rate to 12%, closer aligning us with our fellow New England States, allowing Rhode Island to remain a competitive place to do business,
- **Establishes a Taxpayer Steward:** As one of the recommendations of the McKee-Matos Administration's 2030 Plan, the State's Taxpayer Steward will help drive long-

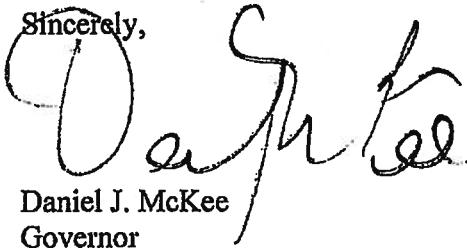
term economic development by assisting both small businesses and individuals through the taxation process,

- **Reforms corporate minimum tax for small business:** As Lt. Governor, one of the things I heard most during my business outreach was the need to reduce taxes and fees. As such, I am proposing to reduce the corporate minimum tax by \$25 from \$400 to \$375. This will benefit around 6,000 C-corps and 59,000 other entities. Rhode Island will remain competitive with its neighboring states,
- **Reforms tangible taxes for small businesses:** As a former mayor and business owner, I understand firsthand the complexity of and the burden of tangible taxes. Municipalities assess tangible property tax on property owned and used by a business. Currently, the statutory authority to offer an exemption from taxation varies from municipality to municipality. Our proposal would provide greater local flexibility across all 39 cities and towns by giving each community the discretion to adopt – or not adopt – an exemption up to whatever property value threshold they choose, and
- **Reforms trade-in value of motorcycles:** Provides an exemption from sales tax for the trade-in value of motorcycles. Under current law, an exemption is provided for only private passenger automobiles not used for hire.

Nearly 99% of businesses in Rhode Island are small business and these small businesses employ over half of our workforce. I cannot emphasize this enough: *small businesses are the backbone of Rhode Island's economy, and we need to fight for them.*

Throughout my time as Mayor of Cumberland, Lieutenant Governor, and now Governor, I remain committed to working with our small business community and finding pragmatic solutions to help them succeed. I look forward to working closely with the General Assembly to further this effort.

Sincerely,



Daniel J. McKee
Governor

CC: The Honorable Members of the House Committee on Finance
Nicole McCarty, Esq.