



Rhode Island Department of Revenue

Division of Taxation

Via Electronic Mail

March 19, 2025

The Honorable Arthur J. Corvese
Chair, House Committee on Labor
Rhode Island State House
Providence, RI 02903

**RE: Letter Regarding House Bill 5940 – An Act Relating to Labor and Labor Relations –
The Rhode Island Opportunity for Employee Ownership Act**

Dear Chair Corvese:

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 5940 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 Title 28 of the Rhode Island General Laws, entitled “Labor and Labor Relations,” by adding a new chapter, Chapter 28-61, entitled “The Rhode Island Opportunity for Employee Ownership Act.” According to the bill’s explanation, The Rhode Island Opportunity for Employee Ownership Act would establish employee ownership opportunities through a process as outlined in the bill. The bill also provides for an exemption from R.I. Gen. Laws § 44-30-2.7, “to pay the state capital gains tax on any gains from the sale[,]” for owners that sell a qualified business, as defined in the bill, under \$1,000,000. The bill is set to take effect upon passage.

R.I. Gen. Laws § 44-30-2.7 provided for capital gains rates for specific assets, those held for more than five (5) years, and applied to tax years beginning in 2007 and ending prior to January 1, 2010. Thus, this statute had limited applicability for only the tax years 2007 through 2009, and no exemption from capital gains tax is necessary from R.I. Gen. Laws § 44-30-2.7 for subsequent tax years. As you know, there are federal capital gains tax rates, however, Rhode Island does not have a specific capital gains tax rate and would tax any personal income under R.I. Gen. Laws § 44-30-2.6 as income. The Division is concerned that including an exemption under a statute that no longer applies may cause confusion and potential erroneous refund claims.

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

A handwritten signature in blue ink, appearing to read "Msavage", is positioned above a horizontal line.

Neena S. Savage
Tax Administrator

cc: The Honorable Members of the House Committee on Labor
(via: HouseLabor@rilegislature.gov)
The Honorable Jennifer A. Stewart (via: rep-stewart@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