



State of Rhode Island

Department of State | Office of the Secretary of State

Gregg M. Amore, *Secretary of State*

March 19, 2025

The Honorable Arthur J. Corvese, Chair
House Committee on Labor

RE: H5940 – An Act Relating to Labor and Labor Relations – The Rhode Island Opportunity for Employee Ownership Act

Dear Chair Corvese,

I write to you today with concerns regarding House Bill 5940, legislation that aims to increase opportunities for employee ownership of small businesses. In the Department of State's role as Rhode Island's business registry and provider of thoughtful guidance and comprehensive services to business owners, we are concerned that the legislation, as currently drafted, requires information the Department cannot provide that may unintentionally put employee-owners at risk of creating unforeseen tax-related consequences.

This legislation would give the Department of State the responsibility to maintain an employee-owned business resource list – a list of local and regional entities qualified to offer guidance with starting, converting, or maintaining an employee-owned business and to identify qualified businesses to which targeted communications would be directed regarding employee-owned business opportunities.

The Business Services Division cannot fulfill the parameters set in this legislation as our office does not statutorily record the information required to properly identify a qualified business entity as defined in this bill. For example, ownership is not recorded in the corporate registry, nor do we hold employee-related information.

In addition, this legislation does not provide the guidance required to certify resources to assist employee-owned businesses in starting, converting, or maintaining their existence. Furthermore, our office is ministerial in its role and is not statutorily authorized to provide legal advice to private businesses, nor is it authorized by the Legislature to promulgate rules and regulations to administer a program. This legislation may also expose the Department of State to potential liability should an investment structured by a designated "qualified" expert fail.

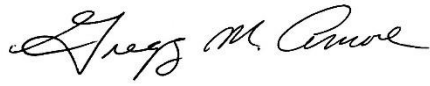
More importantly, we do not have the proper resources to establish and maintain the registry as this legislation proposes. We estimate the cost to administer an employee-owned business resource list would be similar to the \$78,000 we spend annually to mail the annual report announcement letters to all registered businesses.

However, the Division does provide education-based resources to the general public to assist with planning, starting, and maintaining a Rhode Island business. Understanding succession planning is a critical element to business planning; we look forward to continuing to partner with stakeholders and our resource partners to enhance access to succession-related information and resources.

Therefore, I urge the committee to hold this House Bill 5940 for further study at this time. The Department of State is happy to work with the sponsor and other State agencies, stakeholders, and our resource partners to enhance access to information and resources and support amendments to address our concerns.

Thank you for your consideration. If you have any questions, please feel free to contact Michelle Arias, Director of Intergovernmental Affairs, at marias@sos.ri.gov.

Sincerely,

A handwritten signature in black ink that reads "Gregg M. Amore". The signature is fluid and cursive, with the first name "Gregg" being the most prominent.

Gregg M. Amore
Secretary of State

cc: The Honorable Members of the House Committee on Labor
The Honorable Jennifer Stewart