



March 19, 2026

The Honorable Louis P. DiPalma, Chairman  
Senate Finance Committee  
State House  
Providence, RI 02903

Re: H.7027, Article 5, Sections 2 and 6 Decouple from federal research and development expensing

Dear Chairman DiPalma,

The undersigned members of the Rhode Island Business Coalition are writing in opposition to Article 5, Sections 2 and 6 of the Governor's Fiscal Year 2027 budget submission regarding decoupling from the federal research and development (R&D) expensing provisions included in HR 1.

Last year, Congress enacted HR 1 which included tax cuts for individuals and businesses. Among the tax provisions is a change in the allowable deduction in research and development expenses, from an amortization over five years to allowing for the expensing in the year the costs were incurred.

Decoupling the state from this change will make Rhode Island less competitive and attractive to the businesses we are looking to bring to the state and to retain. Rhode Island already ranks poorly according to several measures of the business climate in the state by national firms that provide fifty state comparisons. These are important as they discuss what other organizations think about our state and are used by companies to determine relative competitiveness of our state. Such fifty state comparisons are not the only analysis that is done by business, but it is a way of measuring our state.

The state currently ranks 40th (12th lowest) among states overall on the Tax Foundation's 2026 State Tax Competitiveness Index. According to the Tax Foundation rankings, the Ocean State ranks in the bottom third of states for its corporate income taxes (32nd). WalletHub's 2026 Best

The Rhode Island Business Coalition represents 50 industries and 6,280 businesses that employ 231,200 people throughout Rhode Island.

and Worst States to Start a Business ranked Rhode Island last in the nation. CNBC's America's Top States for Business for 2025 ranked the state 46th (4th lowest).

Coalition members believe Rhode Island should be taking steps to make our state more competitive with neighboring states on tax policy. In addition to making our state less competitive from a tax perspective, decoupling will also add to the complexity of tax filing administration and preparation by requiring businesses to maintain two separate sets of records. These changes are particularly challenging for small businesses, which are the backbone of our state's economy.

While we recognize the fiscal impact of these changes to the state budget, we believe it is important to understand the challenges this places on businesses who pay taxes, grow jobs, and contribute to communities across our state.

For these reasons, we ask that the Committee not support the decoupling changes included in these sections of the Governor's budget proposal.

Sincerely,

David Chenevert, Chairman, Rhode Island Business Coalition  
Associated Builders and Contractors – Rhode Island Chapter  
Greater Newport Chamber of Commerce  
National Federation of Independent Business  
Northern Rhode Island Chamber of Commerce  
Propane Gas Association of New England  
Rhode Island Hospitality Association  
Rhode Island Lumber and Building Materials Dealers Association  
Rhode Island Small Business Economic Summit Regulations Subcommittee  
Rhode Island Small Business Summit Tax and Budget Committee  
Rhode Island Society of CPAs  
Rhode Island Staffing Association

cc. Senate Finance Committee members