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**NORTHERN RHODE ISLAND  
CHAMBER OF COMMERCE**

June 10, 2024

The Honorable Marvin Abney  
House Finance Committee  
State House  
Providence, RI 02903

RE: H.7927, An Act Relating to Taxation – Taxation of Banks

Dear Chairman Abney and Committee Members:

The Northern RI Chamber of Commerce (NRICC) represents businesses in the communities of Burrillville, Central Falls, Cumberland, Foster, Glocester, Johnston, Lincoln, North Providence, North Smithfield, Pawtucket, Scituate, Smithfield and Woonsocket. The Chamber strongly encourages the committee to pass H.7927, An Act Relating to Taxation – Taxation of Banks.

In 2015, the General Assembly adopted a major change in the way it taxes businesses operating in multiple states. While some businesses are taxed based on the proportion of sales in Rhode Island versus the sales in other states (referred to as a single sales factor test), financial institutions are taxed based on a calculation that considers the payroll generated in the state, the property valuation in the state and the sales generated in the state (referred to as a three-factor test). The single sales factor was chosen for most businesses because the three-factor test penalizes businesses that increase the number of employees in the state and that add to their physical footprint here. At the time of adoption, the use of the three-factor test made sense for financial institutions given the other economic programs available to this industry. However, those programs are no longer in use, creating a much different landscape for some financial institutions.

H.7297 allows a banking institution to choose to be taxed under the single sales factor test.

Massachusetts recently passed legislation adopting the single sales factor test and included financial institutions. This change creates a strong economic incentive for these businesses to move across the border. The House Fiscal Analysis estimates the revenue loss at \$7.7 million for FY2025 and \$15.4 million for FY2026.



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However, that must be considered along with the potential revenue loss in income and corporate tax loss should a financial institution choose to relocate. Twenty-six states have adopted the single sales factor apportionment for banks.

We urge the committee look favorably upon this amendment request. Thank you for your consideration.

Respectfully,

A handwritten signature in black ink, appearing to read "Elizabeth Catucci", written in a cursive style.

Elizabeth Catucci  
President/CEO  
Northern Rhode Island Chamber of Commerce

cc: Speaker K. Joseph Shekarchi