

Testimony in OPPOSITION to Repealing or Reducing the Corporate Minimum Tax: H-7928 & H-7489

House Finance Committee

May 2, 2024

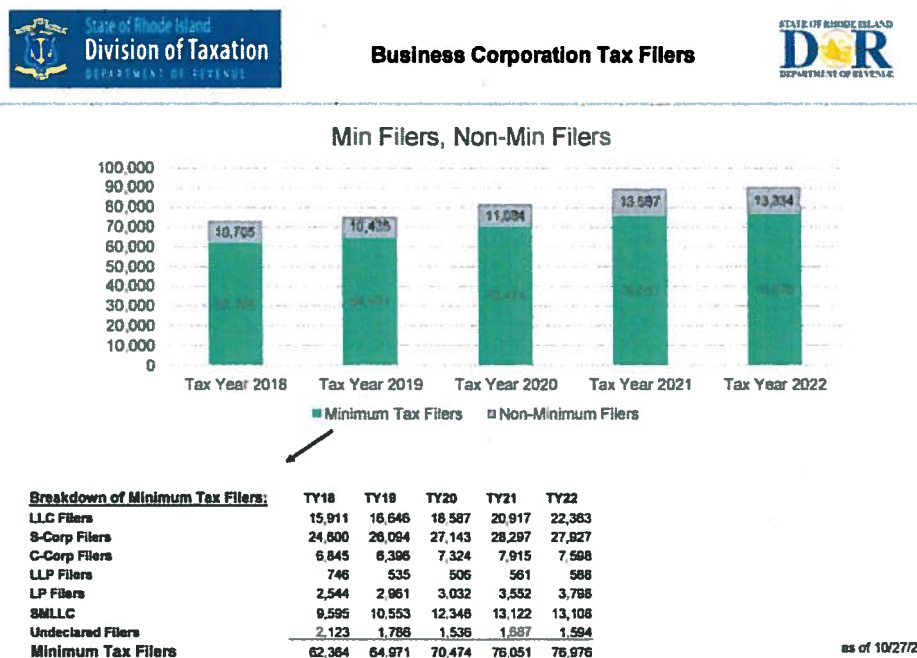
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The Economic Progress Institute **opposes H-7928** which would repeal Rhode Island’s corporate minimum tax and **H-7489** which would reduce this tax from \$400 to \$350.

Repealing the corporate minimum tax would cost the state over \$30 million in revenue each year, a major revenue loss at this time.

Reducing the tax by \$50 per corporation would result in a much smaller annual revenue loss, under \$4 million, yet it seems doubtful that much economic benefit would be produced from such a modest change.

Although it may be the case that \$400 per year could benefit the smallest Rhode Island micro business owners, repealing the corporate minimum would affect a much larger group. To start, in tax year 2022, **85.2% of corporate filers paid only the minimum**. As Division of Taxation testimony provided to the November 2023 Revenue Estimating Conference shows, most Rhode Island businesses pay only the minimum:¹



Furthermore, the Division of Taxation’s Statistics of Income Report for Tax Year 2019 shows that **thousands of corporations paying the minimum have gross receipts in the millions of dollars:**²

Rhode Island Division of Taxation

Business Corporations Tax - Statistics of Income (Minimum Filers - Tax Year 2019)

Total Gross Receipts	Number of Returns
Under \$25,000	34,362
\$25,000 - \$99,999	4,218
\$100,000 - \$249,999	3,834
\$250,000 - \$499,999	3,107
\$500,000 - \$999,999	2,913
\$1,000,000 - \$2,499,999	3,236
\$2,500,000 - \$4,999,999	2,278
\$5,000,000 - \$9,999,999	2,453
\$10,000,000 and over	11,151
Total	67,552

Rhode Island Gross Receipts	Number of Returns
Under \$25,000	43,656
\$25,000 - \$99,999	6,348
\$100,000 - \$249,999	5,143
\$250,000 - \$499,999	3,829
\$500,000 - \$749,999	1,964
\$750,000 - \$999,999	1,217
\$1,000,000 - \$2,499,999	2,775
\$2,500,000 - \$4,999,999	1,181
\$5,000,000 - \$9,999,999	769
\$10,000,000 and over	670
Total	67,552

For such corporations, \$400 each year hardly seems a burden that will make any major difference in operations. While \$400 may relieve some stress at the margins, such a tax cut on the individual level will not result, for example, in hiring a new employee. For these reasons, we urge you not to advance these proposals to the full House.

¹ <https://www.rilegislature.gov/Special/rcc/REC202311/Division%20of%20Taxation%20Nov%202023%20REC%2011.6.23.pdf>.

² <https://tax.ri.gov/sites/g/files/xkgbur541/files/2023-02/2019%20Corp%20SOI%20All.pdf>.