

April 9, 2025

Honorable Marvin Abney
Chairman, House Committee on Finance
Rhode Island State House
82 Smith Street
Providence, RI 02903

Re: H5757 – AN ACT RELATING TO TAXATION — STATE TAX OFFICIALS

Dear Chairman Abney and Honorable Members of the Committee:

If you ask any business owner what they value most in a state tax system, you'll likely hear the same words: fair, predictable, and transparent.

Unfortunately, Rhode Island's current tax enforcement policies — especially around delinquent interest rates and audit timeframes — fall short on all three counts. It's time we fixed that. H5757, currently before the General Assembly, is a much-needed step toward reforming outdated policies that hurt taxpayers and discourage economic growth.

Here's what the bill proposes:

- Capping delinquent tax interest rates at 12% — still high, but a meaningful improvement from our current 18% on “trust fund” taxes, the highest in the nation.
- Limiting standard audits to 3 years from filing, or 7 years in cases of fraud.
- Prohibiting audits beyond 10 years — offering closure and certainty to both individuals and businesses.

These are common-sense measures that would bring Rhode Island into better alignment with federal IRS guidelines and the majority of our peer states. The IRS, for example, allows audits up to three years in most cases, with a six-year window for major discrepancies. Even neighboring states like Massachusetts and Connecticut have more modest interest rates and clearer statutes of limitations than we do.

Why does this matter to the business community?

Because Rhode Island's tax enforcement policies are punitive, not productive. Businesses that fall behind on taxes — often due to temporary cash flow problems or unanticipated downturns or tariffs and are hit with punishing interest rates and inflexible payment plans. In Rhode Island, even beginning a payment plan often requires a 50% upfront payment, which most states — and the IRS — do not require.

These policies don't increase compliance — they increase debt. And they damage trust.

For many businesses, especially small and family-run operations, records from more than 10 years ago may no longer exist — making it nearly impossible to defend against decades-old audits. It becomes a guessing game with high financial stakes.

In this economic climate — where high interest rates, supply chain volatility Tariffs, and rising costs are already squeezing margins — we should be doing everything we can to make Rhode Island a better place to do business. That means creating systems that are fair, modern, and administratively reasonable.

Rhode Island has the opportunity to become a leader in taxpayer fairness and smart enforcement. Let's build a tax system that encourages voluntary compliance, provides resolution pathways, and gives both citizens and businesses the confidence to invest, hire, and grow.

H5757 won't fix everything, but it's a strong start. Let's pass it — and then keep going.

Thank you for your consideration.

Respectfully,

Karl Wadensten