



Rhode Island Department of Revenue

Division of Taxation

Via Electronic Mail

April 9, 2025

The Honorable Marvin L. Abney
Chair, House Committee on Finance
Rhode Island State House
Providence, RI 02903

RE: Letter Regarding House Bill 5757 – An Act Relating to Taxation – State Tax Officials

Dear Chair Abney:

I am writing on behalf of the Rhode Island Department of Revenue, Division of Taxation (“Division”), to: i) express concerns regarding issues with proposed House Bill 5757 as currently drafted; ii) explain the background and current statutory context in order to clarify the intended and unintended consequences of this bill; and iii) make recommendations and request your support in implementing those recommendations.

This letter is not intended as a position in support of or opposition to the bill, but only as recommendations on drafting to provide clarity in the bill and to aid tax administration and compliance.

As you know, this bill would amend R.I. Gen. Laws § 44-1-7, entitled “Interest on delinquent payments,” by altering the interest rate to be applied to delinquent tax liabilities for all taxes, inclusive of trust funds, as of January 1, 2026. As drafted, the bill amends the current interest rate range of twelve percent (12%) to twenty-one percent (21%) for non-trust fund taxes and eighteen percent (18%) to twenty-one percent (21%) for trust fund taxes to not more than twelve percent (12%) for each year. The bill would also change the application of the interest rate to be based on the time of the “notification of delinquency” and not the “date of the original tax obligation” for all periods and bills after January 1, 2026. Lastly, the bill would limit the tax administrator’s authority to audit taxpayers to three (3) years from the date of filing, but for fraudulent returns, which audits cannot exceed seven (7) years – with no audit or collection permitted beyond ten (10) years of filing. The bill is set to take effect on January 1, 2026, and apply to all assessments, audits, and tax payments (including delinquent taxes), initiated on or after that date.

There are several potential issues with the bill that impact tax administration, including, but not limited to:

- The limitation on audits to be three years prior to the date of filing, except in cases of fraud, ignores non-filers, late filers, and those that misappropriate trust fund taxes, which are collected from either consumers or employees and held in trust for the state. This would allow those who are delinquent in filings to benefit from not filing returns as the three-year period would only begin upon the filing. Further, if a retailer or employer failed to pay taxes collected from consumers (sales tax, hotel tax, meals and beverage tax) or employees (withholding), essentially stealing the funds from individual taxpayers, they would still only be subject to a three-year audit period. Currently, the Division conducts three-year audits for taxpayers from the date of notification of the audit and if trust fund taxes have not been remitted, the audit period is extended to six years. The Division also has a number of compliance programs based on federal tax information for individual and business filers that is reliant on the reporting of information by individuals and businesses, and from the Internal Revenue Service, which could be impacted by this bill.
- The exception from the three-year audit limitation period for fraud, with an extension to seven years, does not account or allow for situations of tax evasion and tax avoidance. This would allow taxpayers to only be subject to a three-year audit if the Division could not satisfy the standard for establishing fraud.
- Limiting both audit and collections to ten years from the original filing or filing due date of the return, whichever is later, without regard for insufficient payments, payment reversals, amendments, adjustments, non-filers, late filers, nor federal audit changes would benefit noncompliant taxpayers to the detriment of compliant taxpayers. Again, this would result in those taxpayers who fail to file or file late avoiding liability for periods outside of three years due to their ability to avoid detection or due to their late filings.
- The higher interest rate on taxes held in trust for the State deters noncompliance and lowering that rate on overdue taxes may have incalculable impacts on tax revenue based on enhanced noncompliance as retailers and/or employers who find themselves in financial distress choose to pay other higher interest debt such as credit cards and other debt, instead of remitting taxes collected from their customers to the Division of Taxation. The revenue from hotel tax and meals and beverage tax are distributed to municipalities, Commerce Corporation, and tourism bureaus in accordance with specific state statutes. The failure to timely remit employees' taxes withheld by employers, payroll companies, and tax professionals negatively impacts employees as a misappropriation of taxes paid by the employees through the withholding.
- A detailed review of the interplay between the proposed amendments and other statutory provisions in Title 44 as they relate to interest assessments is required. The bill should be consistent with other statutory provisions in Title 44 to ensure that there are no unintended consequences that result from this proposal.
- The Division's current audit periods are consistent with those of the IRS. The concerns intended to be addressed in this bill may be based on a misunderstanding of audits versus billing for noncompliant taxpayers.

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The Division takes no position with respect to the remainder of the proposed legislation. Rather, the Division is concerned solely with the issues of clarity, tax compliance, and tax administration. As such, the Division respectfully suggests that the bill be redrafted for clarity.

I look forward to working with you to address the issues raised in this letter and appreciate your consideration.

Very truly yours,



Neena S. Savage
Tax Administrator

cc: The Honorable Members of the House Committee on Finance
(via: HouseFinance@rilegislature.gov)
The Honorable Carol Hagan McEntee (via: rep-mcentee@rilegislature.gov)
Nicole McCarty, Esquire, Chief Legal Counsel to the Speaker of the House
Lynne Urbani, Director of House Policy
Thomas A. Verdi, Director, Department of Revenue