



OFFICE OF MANAGEMENT & BUDGET

State Budget Office

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State Fiscal Note for Bill Number:

2025-H 5753

Date of State Budget Office Approval: Monday, June 2, 2025

Date Requested: Monday, May 5, 2025

Date Due: Thursday, May 15, 2025

<i>Impact on Expenditures</i>	<i>Impact on Revenues</i>
FY 2025 \$0	FY 2025 \$0
FY 2026 \$0	FY 2026 \$(901,333)
FY 2027 \$0	FY 2027 \$(1,802,667)

Explanation by State Budget Office:

This proposal would exclude from the corporate minimum tax subchapter S corporations (S-corps) in the first year of their existence. Under current statute, all S-corps are subject to a minimum corporate income tax of \$400 annually.

Summary of Facts and Assumptions:

While the effective date of this proposal is upon passage, the Office of Revenue Analysis (ORA) assumed the change would be implemented for tax years beginning on or after January 1, 2026. ORA recommends the bill be amended to align the effective date with the start of a new tax year. The Division of Taxation submitted a letter to the House Committee on Finance on May 6, 2025 for the hearing on the bill to note technical concerns.

The analysis uses data provided by the Division of Taxation on the number of S-corp minimum filers for tax years 2021-2023 that did not previously file a tax return with the State of Rhode Island. The three-year average of the number of these minimum filers is 4,507, which equates to a minimum tax of \$1,802,667 (4,507 * \$400). ORA assumed this total minimum tax for S-corps in their first tax year applied to TY 2026 and TY 2027; ORA did not assume additional growth given the volatility in the number of new filers per year. Thus, the FY 2026 half-year fiscal impact is \$901,333 and the FY 2027 full-year fiscal impact is \$1,802,667.

Comments on Sources of Funds:

Business corporation taxes are general revenues.

Summary of Fiscal Impact:

FY 2025: Not applicable due to the assumed implementation date of January 1, 2026.

FY 2026: A general revenue loss of \$901,333 is forecast.

FY 2027: A general revenue loss of \$1,802,667 is forecast.

Budget Office Signature:

Joseph Codega Jr.
Digitally signed by Joseph Codega Jr.
Date: 2025.06.03 08:47:33 -0400

Fiscal Advisor Signature:

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