



OFFICE OF MANAGEMENT & BUDGET

State Budget Office

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 222-6300
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State Fiscal Note for Bill Number:

2025-S 0101

Date of State Budget Office Approval: Thursday, March 6, 2025

Date Requested: Friday, January 31, 2025

Date Due: Saturday, February 15, 2025

Impact on Expenditures		Impact on Revenues	
FY 2025	\$0	FY 2025	\$0
FY 2026	\$0	FY 2026	\$(20,428,400)
FY 2027	\$0	FY 2027	\$(42,157,764)

Explanation by State Budget Office:

This proposal would repeal the corporate minimum tax. Under current statute, all business corporations incorporated in Rhode Island 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. Additionally, the Department of Revenue, Division of Taxation notes technical concerns with the bill as drafted, including a similar concern related to the effective date that would result in potential refunds for prior years and resource expenditures to address system changes and refund issuances; the Division of Taxation likely will be submitting a letter to document these concerns for any hearing on the bill.

The analysis uses data on the number of minimum filers by tax year from the Division of Taxation reported at the November 2024 Revenue Estimating Conference through tax year 2023. The five-year average growth in the number of minimum filers is then calculated at 6.4 percent annual growth and applied to tax years 2024 through 2027. In TY 2023 there were 84,871 minimum filers. Using this methodology ORA estimates 90,276 minimum filers in TY 2024, 96,026 in TY 2025, 102,142 in TY 2026, and 108,647 in TY 2027.

Multiplying each of these estimates by \$400 annually per filer results in monetary estimates of \$40.9 million and \$43.5 million of general revenue from minimum filers in TYs 2026 and 2027, respectively. ORA averaged across two tax years to generate a fiscal year estimate in estimates of \$39.6 million in FY 2026 and \$42.2 million in FY 2027 in general revenue attributable to corporate minimum filers. Of the \$39.6 million estimate for FY 2026, \$19.2 million is attributable to TY 2025, which would still be collected as it is due prior to the assumed effective date of the act. Therefore, the estimated FY 2026 revenue loss is the remaining \$20.4 million. The revenue loss impact then annualizes to the full year impact of \$42.2 million in FY 2027.



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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 \$20,428,400 is forecast.

FY 2027: A general revenue loss of \$42,157,764 is forecast.

Budget Office Signature: _____

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Henshaw
Date: 2025.03.06 14:15:15 -05'00'

Fiscal Advisor Signature: _____