



## RISCPA APPLAUDS GOV MCKEE FOR PRO-BUSINESS INITIATIVES



As expected, Governor McKee called for cutting Rhode Island's sales tax from 7% to 6.85%; the move could save Rhode Islanders approximately \$35 million per year. Although the new rate would be slightly higher than our neighboring states (6.35% Connecticut, 6.25% Massachusetts), the Governor indicated willingness to review additional cuts, but future cuts will be contingent on the state's budget and financial status.

Other tax cut measures important to RISCPA/RI Business Forum members include a two-year hold on the Rhode Island gas tax increase (if no action is taken would happen in July); the action is estimated to save Rhode Islander drivers about \$25 million. The complete list of actions proposed can be found in Governor McKee's press release:

- Reducing the state sales tax: Incrementally reducing the state's sales tax starting this year with a reduction from 7% to 6.85% resulting in a total savings of \$35 million annually. The State's sales tax was increased during the banking crisis of the 1990s with a promise that it would be later reduced – that promise was never kept.
- Reducing the corporate minimum tax: Lowering the corporate minimum tax from \$400 to \$375. This tax most negatively impacts Rhode Island's smallest businesses.
- Stopping the gas tax increase: Providing relief at the gas pump by stopping the scheduled 3-cent increase on the gas tax that is required by law to go into effect on July 1. This proposal will provide nearly \$25 million in tax relief over the next two years.
- Delivering energy bill rebates: Providing Rhode Islanders with a rebate for the 4% gross receipts tax on their electric bills and 3% gross receipts tax on their natural gas bills. This will result in \$35 million in total relief.
- Eliminating the litter tax for businesses: Ending the litter tax which is paid by local businesses. Under the current structure, the nearly \$1 million collected from this tax are not directed to support litter or environmental initiatives. In its place, the Governor is proposing targeted funding for the Keep Rhody Litter Free initiative.
- Workers Comp: Directing more than \$4 million into the Workers Compensation Fund to prevent an increase in the premiums paid by Rhode Island businesses.
- Truck trade-in: Exempting from the sales and use tax the trade-in value of trucks with a gross weight of 14,000 pounds or less to mirror exemptions for passenger cars and motorcycles. The exemption for trucks is projected to save individuals about \$3.7 million next fiscal year.

RISCPA/RI Business Forum led the effort for one of the most important legislative changes (more than 30 years in the making) which took effect on Jan 1st.

The interest rate on delinquent tax payments, previously eighteen percent (18%), one of the highest rates in the U.S., will now be based on tax type. For those tax types considered "trust fund" taxes, the interest rate has been set at eighteen percent (18%) per annum. For those tax types not considered "trust fund" taxes, the interest rate has been set at twelve percent (12%) per annum; efforts to cap the lookback period and more are being considered this session. The rate took effect for the calendar year (Jan 1) 2023. Interest on overpayments for the calendar year 2023 shall be at the rate of six and one-quarter percent (6.25%) per annum.