**Last Week At the State House**

Governor McKee delivered his “State of the State Address” as required by the Rhode Island Constitution.  He highlighted what he considers his accomplishments and then he proceeded to outline his priorities for 2024 which included insights into items to be included in his FY 2025 budget proposal. The Governor’s budget was formally introduced as H.7225. As a reminder, the Governor submits the budget to the House of Representatives. The language is then formally introduced by the House Finance Chairman, Representative Marvin Abney at this time, on behalf of the Governor; and now the House and Senate will begin to hold hearings on the 226 - page document. We will be breaking down the budget articles of interest in upcoming editions.

**This Week At the State House**

Tuesday, January 23rd

The Senate Committee on Finance in conjunction with the Senate Committee on Environment & Agriculture, will meet at 5:00 pm in the Senate Lounge to hear a presentation from DEM Director Terry Gray and Karen Bradbury from the Office of Energy Resources. The presentation is an update on the activities of the Executive Climate Change Coordinating Council (EC4). The EC4 is legally bound by statutory law to adopt a plan to meet the mandatory climate change emission reduction targets. The Chamber has been following this issue closely. We do expect the EC4 to include, in its plan, policy changes such as building heat source conversions to electric or geothermal heat, and requiring the phase-in use of electric vehicles state-wide. The meeting will be televised by Capitol Television on: Cox Communications, channels 15 and 61 for high definition; i3Broadband (Formerly Full Channel) on 15; and Verizon, on channel 34. Livestreaming is available at **https://capitoltvri.cablecast.tv**.

Thursday, January 25th

Vehicle barriers at retail establishments is a topic of discussion at the House Corporations Committee at the Rise (approximately 4:30pm) in the House Lounge. H.7084, An Act Relating to Health and Safety – Vehicle Barrier requires commercial property owners in install these barriers as part of any new construction or renovation of a retail property. The bill “encourages” business owners to install barriers to protect pedestrians at existing properties. Lastly the bill “asks” insurance companies to consider offering insurance discounts to businesses that install barriers. The full language of the bill can be found at: <https://webserver.rilegislature.gov/BillText/BillText24/HouseText24/H7084.pdf>

The House Committee on Municipal Government & Housing is meeting at the Rise (approximately 4:30 pm) in Room 101. On the agenda is H.7108, An Act Relating to Health and Safety – Refuse Disposal. H.7108 bars trash haulers from emptying dumpsters within 100 feet of a dwelling unit between 10pm and 8am.

**What’s in the Governor’s Budget?**

Article 6 – Relating to Taxes and Fees.

Article 6 addresses a variety of fee eliminations, targeted tax increases and shifting of revenues.

The Governor proposes to waive a number of what he termed “nuisance fees.” The Governor estimated the changes to the business fee portion of the elimination to save businesses about $50,000.

* Manufacturers that also must obtain a rectifier’s license or other state license to perform operations are the first mentioned in the Article. The fee for the additional licenses would be waived
* $25 fee for real estate brokers and salespersons that move from one firm to another
* $50 filing fee for estates of decedents with a death on or after January 1, 2025
* $30 surcharge added to moving vehicle violations and speeding violations (the revenue collected was allocated to the substance abuse prevention program and the school student substance abuse assistance program). In the Governor’s briefing to the business community, it was not clear whether this portion of the fee elimination was included in the $50,000 estimate of savings. It is unlikely that this was included in the estimate.

The budget includes a reduction in the corporate minimum tax from $400 to $350 starting January 1, 2025. The Governor’s budget office estimates this will save businesses $3 million in the next year and $6 million in the following year.

Anyone operating as a pass-through entity is encouraged to read page 19 of Article 6 <https://webserver.rilegislature.gov/BillText24/HouseText24/Article-006.pdf> The Article changes the state tax credit definition which is the amount of tax paid by the pass-through entity level that is passed through to an owner. The Governor proposes to change the definition starting January 1, 2025 to “ninety percent (90%) of the amount of tax paid by the pass-through entity at the entity level that is passed through to an owner on a pro rata basis.” The Chamber is reviewing this proposed change and will provide further information in the future.

The State’s business combined reporting statute and business net income statute are addressed. The language appears to allow for a net operating loss carry forward of 20 years instead of the current 10 years. The Governor’s budget team estimates this change would save businesses between $18 million to $32 million as it is phased in over the 10 additional years.

For businesses engaging in the sale of e-cigarette and vaping products, the Governor proposes to change the licensing process to include these sales in the same license as regular tobacco products. Any products sold without a license would be subject to confiscation by the state starting October 1, 2024. The budget also includes a tax on these products equal to 80% of the wholesale cost (an exemption exists for research products).

The Governor proposes to increase the cigarette tax by $.25 a pack. The language also calls for an age verification process to be adopted by online retailers of tobacco and electronic nicotine delivery systems.

The State Building Commissioner’s duties expands to include the annual inspection of all tent or membrane frame structures on state property.

Each year, the Tax Administrator is required to prepare a list of the top 100 delinquent taxpayers in the state. The Governor’s budget expands the requirement so that the annual list will include all taxpayers to owe at least $50,000 in state taxes.

For individuals living on social security after reaching the full age benefit period, the Governor proposes to increase the threshold for taxation of benefits from $20,000 to $50,000 starting January 1, 2025. This exemption only applies to individuals with certain qualified federal adjusted gross income levels.

Finally, Article 6 includes money for cities and towns to compensate them for the loss of the ability to collect automobile excise taxes. The amount of reimbursement is equal to last year’s levels.

The following new bills have been filed:

House Bill No. [7178](http://webserver.rilin.state.ri.us/BillText/BillText24/HouseText24/H7178.pdf) Corvese, J. Brien, Kennedy, Azzinaro, O'Brien**,**AN ACT RELATING TO STATE AFFAIRS AND GOVERNMENT -- ADMINISTRATIVE PROCEDURES (Requires that all agencies' final rules, promulgated pursuant to the administrative procedures act, be approved by general assembly action, but in no case later than December 31 of the year it is promulgated before it can become effective.)

<http://webserver.rilin.state.ri.us/BillText/BillText24/HouseText24/H7178.pdf>

House Bill No. [7233](http://webserver.rilin.state.ri.us/BillText/BillText24/HouseText24/H7233.pdf) Donovan, Speakman, Spears, Carson, Cardillo, Potter, Fogarty, Noret, Messier, McEntee**,**AN ACT RELATING TO FOOD AND DRUGS -- HEALTHY KIDS ACT (Establishes the Healthy Kids Act whereby restaurants would be required to offer at least two (2) healthy versions of children’s meals, or twenty-five percent (25%) of the children’s meals on its menu, whichever is greater.)

<http://webserver.rilin.state.ri.us/BillText/BillText24/HouseText24/H7233.pdf>

House Bill No. [7246](http://webserver.rilin.state.ri.us/BillText/BillText24/HouseText24/H7246.pdf) Boylan, Cortvriend, Carson, Spears, Bennett, Kislak, Shanley, Fogarty, McGaw, Alzate**,**AN ACT RELATING TO STATE AFFAIRS AND GOVERNMENT -- LONG-TERM ECONOMIC DEVELOPMENT (Adds climate change, sea-level rise and coastal resiliency to the analysis of data of the strategic plan for economic development policy.)

<http://webserver.rilin.state.ri.us/BillText/BillText24/HouseText24/H7246.pdf>

House Bill No. [7257](http://webserver.rilin.state.ri.us/BillText/BillText24/HouseText24/H7257.pdf) Cotter, Speakman, McGaw, Kazarian, Donovan, Spears, Potter, Alzate, Kislak, Morales**,**AN ACT RELATING TO TAXATION -- REAL ESTATE CONVEYANCE TAX (Increases conveyance tax for residential properties sold above $2,000,000 to a rate of $3.30 per $500, to be collected for RI housing for elderly affordable housing development. Provides and exemption to any entity developing elderly affordable housing.)

<http://webserver.rilin.state.ri.us/BillText/BillText24/HouseText24/H7257.pdf>