**Call to Action!! – Tangible Tax Reduction and Misclassification/Wage Payment Felony**

The Chamber needs your help on two items: (1) efforts to reduce the tangible tax on business and (2) a push to change misclassification of individuals as independent contractors or to pay wages incorrectly from a misdemeanor to a felony.

**Tangible Tax Reduction** - The House and Senate have two different visions for the reduction of the tangible tax. H.5800 and H.6014 propose to phase down the taxation on corporate tangible property, similarly to the way in which the state’s motor vehicle excise tax was phased down and eliminated. The first reduction of $5,000 in assessed value occurs in the tax year ending December 31, 2024. The following year the reduction increases to $20,000 in value, then to $50,000 in value in the tax year ending December, 2026; $100,000 in 2027, and to $250,000 in December, 2028. The Senate bill, S.928, eliminates $100,000 in value for property tax year 2024.

An estimated 85% of all current tangible property taxpayers would have no tax liability once the $100,000 exemption level is reached. That means approximately 32,000 small businesses would no longer be required to file the annual tax form and to pay the tax.

Property taxes levied by cities and towns represent arguably the most onerous and anticompetitive tax burden imposed on businesses in Rhode Island. Rhode Island has some of the nation’s highest property taxes in the country – 9th highest property tax collections per capita. Why is this important? Because, studies have shown that high commercial real estate and tangible taxes discourage investment and hinder economic development, and tangible taxes may also discourage businesses from making the capital investments needed to expand or to become more productive.

The House has scheduled a hearing on H.5800 and H.6014 Wednesday, April 19th at 4:00pm in Room 35. Please consider submitting testimony by Wednesday at 12:00 noon to [HouseFinance@rilegislature.gov](mailto:HouseFinance@rilegislature.gov) . Address testimony to: Chairman Marvin Abney and Committee Member, House Finance Committee. Describe your experience with the filing and paying of the tangible tax and how it affects your business. We will provide an alert when the hearing is scheduled in the Senate Finance Committee.

**Misclassification and Wage Payment Felony –** We have asked for your help in previous years and we are doing so again this year as this issue is discussed in the state house. The Attorney General has requested a change in the law to increase in the criminal consequences for failing to pay employees properly and for classifying individuals as independent contractors when they should be considered employees. The Chamber has previously supported increasing civil penalties for failing to pay employees, and for failing to pay wages after a designated period of time. However, there are times when employers and employees differ in their calculation of wages; perhaps an employee worked in various roles subject to different wages, or the availability of holiday pay is in question. There are times when an employer may not pay wages on the specific required date as a result of technical difficulties, weather events or personal extenuating circumstances. These anomalies should not result in prison time and the loss of a business. Perhaps the most difficult part of this discussion deals with the independent contractor designation. The IRS factors still rule as the guide for deciding whether an individual is an employee or and independent contractor. The federal government is debating a change to the definition, but faces the same challenge as states like Rhode Island – there are too many business models for varying industries so that a “one size fits all” definition of independent contractor causes irreparable harm. This is the time to reach out to legislators to explain how your company uses independent contractors and how wage calculation can sometimes be tricky.

**Thank you for your help!**

**This Week At the State House**

**Tuesday, April 18th**

The House Finance Committee is meeting at the Rise (approximately 4:30pm) in Room 35. The members will be taking testimony on H.5620, An Act Relating to Taxation – State Tax Officials. This bill reduces the interest assessed on delinquent tax payments to four calendar years prior to the date of the Division of Taxation’s notice of delinquency to the taxpayer. Under current law, the interest is assessed to the original date of delinquency. The bill can be viewed at: <http://webserver.rilegislature.gov/BillText/BillText23/HouseText23/H5620.pdf> Written testimony can be submitted to: [HouseFinance@rilegislature.gov](mailto:HouseFinance@rilegislature.gov)

The House Committee on Small Business is voting on H.5328, An Act Relating to Health and Safety – Food Allergy Awareness in Food Service Establishments. An amended version will be offered that requires, starting January 1, 2024, all menus to include the following language: “Before placing your order, please inform your server if any person in your party has a food allergy. Consumers especially vulnerable to foodborne illnesses should eat seafood and other foods of animal origin only if cooked thoroughly. Food allergens can cause serious illness, anaphylaxis shock and death.”

The Senate Commerce Committee is looking for input from retailers on S.759, An Act Relating to Commercial Law – Gift Card Fraud. S.759 bans businesses of any type from selling gift cards unless a notice is posted at the location of the sale cautioning consumers about potential gift card scams and disclosing what a consumer should do in the event the person is a victim of a gift card scam. Employers must also train employees on how to identify and respond to gift card fraud. The bill can be viewed at: <http://webserver.rilegislature.gov/BillText/BillText23/SenateText23/S0759.pdf> Testimony must be submitted by 3:00 pm Tuesday at [slegislation@rilegislature.gov](mailto:slegislation@rilegislature.gov)

**Wednesday, April 19th**

The House Finance Committee is taking testimony on the tangible tax reduction bills mentioned above.

The following new bill has been filed:

Senate Bill No. [928](http://webserver.rilin.state.ri.us/BillText/BillText23/SenateText23/S0928.pdf) Murray, Ruggerio, Valverde, DiPalma, DiMario, Picard, Felag, Euer, Lauria, Miller**,**AN ACT RELATING TO TAXATION -- STATEWIDE TANGIBLE PROPERTY TAX EXEMPTION (Creates a tax exemption of one hundred thousand dollars ($100,000) relating to assessment of municipal tangible property commencing with the December 31, 2024 tax assessment for taxes payable in calendar year 2025.) <http://webserver.rilin.state.ri.us/BillText/BillText23/SenateText23/S0928.pdf>