**Last Week at the State House**

H.7905 Sub A, An Act Relating to Labor and Labor Relations – Fair Employment Practices passed the House Labor Committee and is headed to the House floor for a vote this week. This bill voids the use of non-disclosure or non-disparage agreements in civil rights matters.

H.7928, which requires larger business to file taxes electronically was held for further study, as was S.2264 which creates a new tax bracket (8.99%) for individuals making over $500,000.

S.2486 SubA, An Act Relating to Labor and Labor Relations – Dignity at Work Act passed the Senate Labor Committee on a 6-1 vote. (Senator de la Cruz voted “no”). The amendment transferred the authority to handle workplace bullying cases to the Human Rights Commission, added a severability clause and a liberal construction clause – meaning it should be interpreted to allow individuals greater ability to file complaints. The full Senate is scheduled to vote on the bill Tuesday.

S.2775, An Act Relating to Labor and Labor Relations – Payment of Wages was held for further study, but it is getting a lot of attention and debate. The House companion bill is H.7677. These bills were introduced at the request of the Attorney General, and they designate failure to pay wages on time, failure to pay wages at time of termination or misclassification of employees as independent contractors, as felonies. **NOTE:** ***If these bills are important to your business, now is the time to reach out to both the House and Senate!***  <http://webserver.rilin.state.ri.us/BillText/BillText22/SenateText22/S2775.pdf>

<http://webserver.rilin.state.ri.us/BillText/BillText22/HouseText22/H7677.pdf>

**Unemployment Trust Fund Still Needs Your Help**

Prior to the pandemic, the UI Trust Fund had over $500 million in it and businesses were being taxed at a “schedule F rate”. The Fund was healthy enough that discussions were underway to drop the tax rate to “schedule E” (the lower the alphabetical designation, the lower the corresponding tax rate). As of a couple months ago, the fund dropped to about $195 million and the tax rate paid by employers is now at “schedule H” which is two schedules higher than the pre-pandemic rate. The $300 million drop in funds came from the business community alone. Without help from the State or the federal government, the business community will bear the burden of paying back the $300 million.

We know that at least $70 million in fraudulent claims were paid out in Rhode Island. Of the $70 million, about $37 million was paid by the Trust Fund – meaning paid by Rhode Island employers. At the very least, employers should not be responsible to pay fraudulent claims.

Employers did not want to shut their doors to customers. They did not want to lay off or terminate employees. The State made the choice to close non-essential businesses and told people to stay home. From a public health perspective, this may have been the correct choice; but it was still a choice made ***by the State***. If it were not for the pandemic, employers would be paying less in unemployment insurance premiums today. ARPA funds are intended to be used to address losses associated with the pandemic. The UI Trust Fund experienced great loss due almost entirely due to the pandemic.

Lastly, it is important to stress that once the ARPA funds are spent, those funds are gone. Should the General Assembly choose not to replenish the UI Trust Fund, and Rhode Island experiences another downturn in the economy, there will be no funds to assist the UI trust fund. In that case, the tax rate would have to be further increased or the state would have to borrow from the federal government.

Please contact your legislators now and express how important it is to replenish the Unemployment Insurance Trust Fund. Call or send an email telling your own experience with unemployment insurance taxes; or use the RI Business Coalition Voter Voice link to register your support for H.7385 which calls for a full replenishment of the Fund. <https://www.votervoice.net/RIBC/campaigns/94532/respond>

**This Week at the State House**

**Tuesday, May 17th**

On Tuesday, at the Rise (approximately 4:30 pm) in Room 35, the House Finance Committee is scheduled to hear testimony on H.7440, An Act Relating to Taxation – Personal Income Tax. H.7440 proposes to add one new income tax bracket at a rate of 8.99% on taxable income over $403,500 (in 2011 dollars). Adjusted for inflation, the new tax bracket would apply to taxable income over approximately $500,000 (in 2022 dollars), This act would take effect on January 1, 2023 and would not apply retroactively.

**Wednesday, May 18th**

The long talked about legislation to legalize the adult use of marijuana is scheduled for a vote in the Senate Judiciary Committee at 3:30 in room 313 at the state house, while the House bill is scheduled for a vote at the Rise (approximately 4:30 pm) in the House Finance Committee in room 35. The amendments to the two bills have not been posted for public review yet, but are expected to be posted later today or tomorrow. Both meetings will be streamed live through Capitol TV at [http://rilegislature.gov/CapTV/Pages/default.aspx](https://www.rilegislature.gov/CapTV/Pages/default.aspx)

**Thursday, May 19th**

The House Finance Committee has a somewhat new bill on the agenda for Thursday at the Rise in room 35. Filed last month, H.8119, An Act Relating to Health and Safety – Comprehensive Health Insurance Program, creates a comprehensive, single-payer health care insurance program. The 92-page bill, creates an agency that will oversee health insurance for Rhode Island residents as well as retirees who have the insurance but then choose to retire in another state. The health care program would include Medicaid and Medicare patients. It is envisioned to cover an extensive range of services including: Primary and preventive care; Approved dietary and nutritional therapies; Inpatient care; Outpatient care; Emergency and urgently needed care; Prescription drugs and medical devices; Laboratory and diagnostic services; Palliative care; Mental health services; Oral health, including dental services, periodontics, oral surgery, and endodontics; Substance abuse treatment services; Physical therapy and chiropractic services; Vision care and vision correction; Hearing services, including coverage of hearing aids; Podiatric care; Comprehensive family planning, reproductive, maternity, and newborn care; Short-term rehabilitative services and devices; Durable medical equipment; Gender affirming health care; and Diagnostic and routine medical testing. The program’s director must create a procedure that may permit additional medically necessary goods and services beyond that provided by federal laws. Private insurance companies are not permitted to sell duplicative services to someone covered by the single-payer plan. H.8119 then creates a trust fund to pay for the services rendered. The trust fund will accept federal Medicaid and Medicare dollars, and will collect a 10% payroll tax to be paid 80% by the employer, 20% by the employee (the employer can choose to pay up to 100%). The bill also includes a 10% tax on unearned income although the director has the authority to adjust the percentage of tax to allow for a “progressive exemption or credit for individuals with lower unearned income levels.” A 6% tax is also assessed on hospitals’ net patient services revenue. The bill can be viewed in its entirety at: <http://webserver.rilin.state.ri.us/BillText/BillText22/HouseText22/H8119.pdf>

**Revenue Estimating Conference Update**

As you may have read, the Revenue Estimating Conference met last week and determined that revenues are $580 million higher than anticipated back in November. The $580 million breaks down into an addition $386.7 million in FY2022 and $193 million in FY2023.

For FY2022 – the current fiscal year - $284 million of the increase in revenue came largely from the personal income tax. Other significant increase in revenue collections included: $45 million business corporations, $43 million sales and use tax, $18 million insurance companies, $7.8 million state department receipts, and $2.3 million realty transfer taxes. The state also received $700,000 more in alcohol tax revenue than anticipated.

In FY2023, the conferees believe the state will get $123 million more from the personal income tax, $74 million from increased sales tax revenue, $17.6 million from the insurance company tax and $11.6 million more from the business corporation tax. There are some revenue sources which are anticipated be less such as the cigarette tax collections, estate tax revenues and a few general business taxes like public utility gross tax revenues. The conferees also estimate caseload expenses to be about $159 million more than anticipated since last November with a portion of the $159 million coming from federal dollars.

What became increasing clear as the revenue discussion evolved over the seven hours, is that both revenues and expenses are difficult to estimate when a war is taking place, inflation is high, supply chains are tenuous and individuals are still deciding where and how to return to the workplace.

**Remote Work Tax Implications**

During the Revenue Estimating Conference, the Division of Taxation provided testimony to the conferees surrounding the personal income tax. Director of Taxation Neena Savage clarified the status of an income tax reciprocal agreement made between a few states during the Covid 19 pandemic. During the pandemic, if an employee normally worked from an office in Massachusetts, but was permitted to work from a Rhode Island home, that employer was able to pay income taxes to the Commonwealth of Massachusetts as it would have prior to the pandemic. The agreement has expired. If the employee continues to work from a Rhode Island home, then Rhode Island tax withholding applies. This same change applies to an employee of a Rhode Island employer who is working remotely from his/her home in Massachusetts. Please contact your accountant if this situation applies to your company.

There are no new bills to report this week.