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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2025

A N A C T

RELATING TO TAXATION -- STATE TAX OFFICIALS

Introduced By: Senators Thompson, Tikoian, DiPalma, Vargas, E Morgan, Murray,
Patalano, Pearson, de la Cruz, and Rogers
Date Introduced: March 07, 2025

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-1-7 of the General Laws in Chapter 44-1 entitled "State Tax
2 Officials" is hereby amended to read as follows:

3 **44-1-7. ~~Interest on delinquent payments~~ Interest on delinquent payments and audit**
4 **limitations.**

5 (a) Whenever the full amount of any state tax or any portion or deficiency, as finally
6 determined by the tax administrator, has not been paid on the date when it is due and payable,
7 whether the time has been extended or not, there shall be added as part of the tax or portion or
8 deficiency interest at the rate as determined in accordance with subsection (b) of this section,
9 notwithstanding any general or specific statute to the contrary.

10 (b) Each January 1 the tax administrator shall compute the rate of interest to be in effect
11 for that calendar year by adding two percent (2%) to the prime rate, which was in effect on October
12 1 of the preceding year, except:

13 (1) Before January 1, 2023, in no event shall the rate of interest exceed twenty-one percent
14 (21%) per annum nor be less than eighteen percent (18%) per annum;

15 (2) On and after January 1, 2023, in no event shall the rate of interest exceed twenty-one
16 percent (21%) per annum nor be less than twelve percent (12%) per annum except:

17 (i) For trust fund taxes as established by §§ 44-19-35 and 44-30-76, in no event shall the
18 rate of interest exceed twenty-one percent (21%) per annum nor be less than eighteen percent (18%)
19 per annum.

1 (3) On or after January 1, 2026, the interest rate on all delinquent tax payments, including,
2 but not limited to, sales and trust fund taxes, shall be capped at twelve percent (12%) per annum,
3 no exclusions. This cap shall serve as both a floor and a ceiling, ensuring consistency in the
4 application of interest rates.

5 (i) The interest rate assessed on all tax payments, including delinquent taxes, shall be the
6 rate in effect on the date of the notification of delinquency, and not the date of the original tax
7 obligation.

8 (c) “Prime rate” as used in subsection (b) of this section means the predominant prime rate
9 quoted by commercial banks to large businesses as determined by the board of governors of the
10 Federal Reserve System.

11 (d) Notwithstanding any provisions of the general laws to the contrary, the tax
12 administrator shall waive interest and penalty on the taxable portion of each Paycheck Protection
13 Program loan taxed pursuant to §§ 44-11-11(a)(1)(iv), 44-14-11, and 44-30-12(b)(8) and forgiven
14 during tax year 2020 provided that the tax on that portion is paid in full on or before March 31,
15 2022. The tax administrator shall make available suitable forms with instructions for making tax
16 payments on the taxable portion of such forgiven Paycheck Protection Program loans.

17 (e) The tax administrator’s authority to audit taxpayers shall be limited to:

18 (1) For ordinary tax returns, the audit period shall not exceed three years (3) years from the
19 date of filing.

20 (2) In cases involving fraud, the audit period shall not exceed seven (7) years from the date
21 of filing.

22 (3) Under no circumstances shall the tax administrator initiate or conduct an audit,
23 investigation or tax collection for any period in excess of ten (10) years from the date of the original
24 filing or required filing deadline, whichever is later.

25 (4) The tax administrator shall be prohibited from requesting filings or attempting to collect
26 tax liabilities for any period in excess of seven (7) years, regardless of whether a formal audit has
27 been initiated.

28 (5) These limitations shall apply without exception.

29 (f) The interest rate assessed on delinquent tax payments shall be the rate in effect on the
30 date of the notification of delinquency, and not the date of the original tax obligation.

31 SECTION 2. This act shall take effect on January 1, 2026, and shall apply to all
32 assessments, audits and tax payments, including delinquent taxes, initiated on or after this date.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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1 This act would cap the interest rate for all delinquent taxes at twelve percent (12%). This
2 act would also limit the tax administrator’s authority to audit taxpayers to three (3) years from the
3 date of the tax filing. For fraudulent returns, the audit period shall not exceed seven (7) years, and
4 no audit can be performed beyond ten (10) years.

5 This act would take effect on January 1, 2026, and would apply to all assessments, audits
6 and tax payments, including delinquent taxes, initiated on or after this date

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