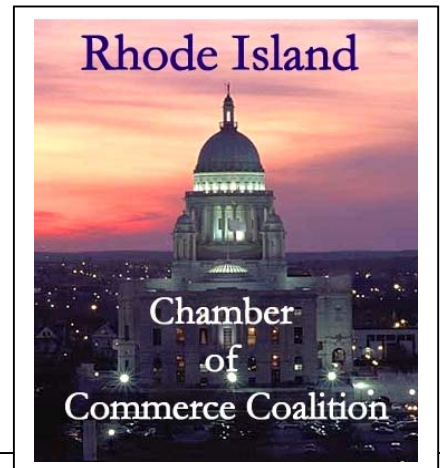


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2008 General Assembly session proved to be a great success for the business community

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Rhode Island's business community enjoyed a very successful 2008 legislative session under the State House dome. Although those words may sound like sweet music to the ears of business owners and employees now, the year didn't start out with such promise.

The 2008 legislative session was the second session of a two-year term of office for legislators. Members of the Senate and House of Representatives began work on a holiday, when for the first time in recent memory the General Assembly convened on January 1st. (The State Constitution requires that the General Assembly begin on the first Tuesday of January each year.) Almost as quickly as the session started, discussion on Smith Hill was dominated by how to solve the state's fiscal problems. All estimates were that Rhode Island would face an unprecedented \$400 million budget deficit in fiscal year 2009, beginning July 1st of this year. That's not to mention the immediate need to deal with an existing unbalanced budget of \$150 million. The \$150 million unbalanced budget was of immediate concern because that deficit was for the 2008 fiscal year ending on June 30th. Rhode Island government is not permitted to deficit spend, and any holes in the budget must be plugged prior to the end of the fiscal year. Proposals to raise taxes and institute new taxes were being aggressively promoted by many legislators, labor union officials, social service advocates and others, as a solution to budget woes. The business community, advocating for a responsible state budgeting approach, was in for a long and hard battle.

One of the most prominent tax packages being considered would have caused wide spread damage to an already suffering state economy. Among other things, the proposal sought to:

- Increase personal income tax to 27.5%

- Assess a sales tax on dry cleaning, jewelry repair, golf and membership fees, movie tickets, marina expenses, janitorial, landscaping, architectural, management consulting, property management and interior design fees
- Repeal the Jobs Development Act
- Mandate a 2% tax on all legal and accounting services
- Institute a sales tax on bus/van/truck rentals and companies
- Increase the capital gains tax three fold
- Eliminate the capital investment in small business credit
- Hike financial services taxes
- Eliminate the Biotechnology Tax Credit
- Create new interstate phone taxes
- Eliminate the Scholarship Tuition Tax Credit
- Reapply a sales tax on boat manufacturing product line literature
- Repeal most passive investment tax treatment
- Eliminate the Research and Development Tax Credit for employers of 30 or fewer employees

Prompted by this and other proposals, Chamber members emailed their legislators by the thousands and flocked to the State House to express their opposition to increasing taxes or creating new taxes. More than 300 people showed up the day the new and increased tax proposals were discussed. In fact, so many people came to oppose the tax package that the Rhode Island Capitol Police had to set up three overflow rooms equipped with televisions so that people could see the hearing. The proposal was soundly rejected as the business community achieved the first of what was to be many successes before the gavel came down ending the legislative session.

The most important victory of the year was found in passage of both the 2008 Supplemental Budget and the 2009 State Budget. **Neither budget included new or increased taxes.** Considering the bleak financial news at the start of the year, that was a tremendous win.

Other legislative successes for the business community include:

- ✓ A new law extending (with no time limit) the deadline beyond July 1st for businesses to comply with costly and difficult sprinkler requirements mandated by the Fire Safety Code. Good cause must be shown, but this extension will help keep businesses in place and employees secure in their jobs.
<http://www.rilin.state.ri.us/BillText08/HouseText08/H8313.pdf>
- ✓ A new law requiring that one member of the Fire Safety Code Board of Review be an officer, partner, or proprietor of a Rhode Island company that is a small business as defined by the United States Small Business Administration.
<http://www.rilin.state.ri.us/BillText08/SenateText08/S2367.pdf>

- ✓ A new law (included in the 2009 State Budget) prohibiting cities, towns and school districts from naming a specific health insurance provider in contracts. This law will save millions of tax dollars in a short period of time.
<http://www.rilin.state.ri.us/BillText08/HouseText08/H7390Aaa.pdf>
- ✓ No changes to the Property Tax Reform Law of 2006, despite tremendous pressure from state labor organizations and others. This law limits property tax levy growth to 4% by 2012.
- ✓ A law easing restrictions on allowing privatization of state services.
<http://www.rilin.state.ri.us/BillText08/HouseText08/H8435A.pdf>
- ✓ Creation of a legislative commission to study the “underground economy and employee misclassification”. The study will be applied to workers’ compensation, taxation and unemployment. The commission is expected to suggest possible solutions to the problems, in turn reducing the impact on government, law-abiding businesses, and workers. (The “underground economy” is defined by Beacon Mutual Insurance Company as those companies and employers who skirt responsibility for workers’ compensation premium, payroll and unemployment taxes.)
<http://www.rilin.state.ri.us/PublicLaws/law08/res08/res08372.htm>

Defeat of legislation proposing:

- Exemptions to the Deceptive Trade Practices Act, allowing further class action lawsuits against business.
- Automatically increasing the minimum wage each year based on the consumer price index.
- An 8% payroll tax on certain businesses that do not provide health insurance for employees.
- A costly and burdensome requirement on businesses for the destruction of documents containing customer information.
- Reporting by certain employers of highly proprietary information regarding personnel costs that would then be made public.
- Eliminating the ability of employees to vote in private on whether to join a labor union.
- [Effectively] requiring businesses that receive notice that the business has been sued, to settle the suit or risk paying damages equal to three times the judgment amount.

The Chambers are also very pleased with vetoes by Governor Carcieri of three pieces of legislation that the business community considered harmful:

- A proposal that would overturn a recent Supreme Court decision, and allow a person alleging employment discrimination to end run the current one year statute of limitations.

- Requiring certain criminal records automatically be destroyed upon completion of a five-year period. (Employers often use criminal background checks to ensure that a potential employee is a proper fit for a business. If access to criminal records is erased, background checks could be ineffective.)
- Allowing additional time for certain types of insurance lawsuits to be filed against businesses or individuals.

The Rhode Island Chamber of Commerce Coalition would like to thank all its members for their support and encouragement during the 2008 General Assembly session. With your involvement, the business community continues to further its ongoing goal of growing the economic prosperity of our state and its citizens.

The Chambers would also like to offer special thanks and appreciation to Governor Donald Carcieri, Speaker of the House William Murphy, Senate President Joseph Montalbano, House Majority Leader Gordon Fox, Senate Majority Leader Teresa Paiva Weed, House Finance Committee Chairman Steven Costantino, Senate Finance Committee Chairman Stephen Alves, House Minority Leader Robert Watson, Senate Minority Leader Dennis Algieri, the members of the House Finance Committee and the members of the Senate Finance Committee. The time and energy that these elected officials invested in crafting the 2008 Supplemental Budget and the 2009 State Budget, as well as the strong leadership and fiscal responsibility they displayed, deserves much praise.

Stay tuned during the coming months for updates on General Assembly matters, election news and other relevant government affairs issues. And remember, thanks to you **The Chamber of Commerce Coalition** continues to be [your](#) voice at the **Rhode Island State House**.

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