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Title 280 – DEPARTMENT OF REVENUE

CHAPTER 20 – DIVISION OF TAXATION

SUBCHAPTER 00 – GENERAL ADMINISTRATION

Part 1 – EQUAL ACCESS TO JUSTICE FOR SMALL BUSINESSES AND INDIVIDUALS

1.1 Purpose

These rules and regulations implement Chapter 92 of Title 42 of the Rhode Island General Laws. They govern the application and award of reasonable litigation expenses to the prevailing parties in adjudicatory proceedings conducted by the Division of Taxation.

1.2 Authority

The rules and regulations herein contained are promulgated pursuant to R.I. Gen. Laws § 42-92-4.

1.3 Application

These rules and regulations shall be liberally construed so as to permit the Division of Taxation to effectuate the purpose of Chapter 92 of Title 42 of the Rhode Island General Laws and other applicable state laws and regulations.

1.4 Severability

If any provision of these rules and regulations, or the application thereof to any person or circumstance, is held invalid by a court of competent jurisdiction, the validity of the remainder of the rules and regulations shall not be affected thereby.

1.5 Definitions

- A. "Adjudicative Officer" means the deciding official, without regard to whether the official is designated as an administrative law judge, a hearing officer or examiner, or otherwise, who presided at the adversary adjudication.
- B. "Adjudicatory Proceedings" means any proceeding conducted by, or on behalf of, the State of Rhode Island administratively or quasi-judicially which may result in the loss of benefits; the imposition of a fine, the adjustment of a tax assessment; the denial, the suspension or revocation of a license or permit; or which may

result in the compulsion or restriction of the activities of a party. Any agency charged by statute with investigating complaints shall be deemed to have substantial justification for said investigation and for the proceedings subsequent to said investigation.

- C. "Agency" means Rhode Island Division of Taxation ("Division of Taxation").
- D. "Party" means any individual whose net worth is less than five hundred thousand dollars (\$500,000) at the time the adversary adjudication was initiated; and, any individual, partnership, corporation, association, or private organization doing business and located in the state, which is independently owned and operated, not dominant in its field, and which employs one hundred (100) or fewer persons at the time the adversary adjudication was initiated.
- E. "Reasonable Litigation Expenses" means those expenses which were reasonably incurred by a party in adjudicatory proceedings, including, but not limited to, attorney's fees, witness fees of all necessary witnesses, and other such costs and expenses as were reasonably incurred, except that:
 - 1. The award of attorney's fees may not exceed one hundred and fifty dollars (\$150) per hour; unless the court determines that special factors justify a higher fee;
 - 2. No expert witness may be compensated at a rate in excess of the highest rate of compensation for experts paid by this state.
 - 3. Legal, professional, and all other reasonable expenses incurred prior to the commencement of the adjudicatory proceedings are not subject to claim or award under Chapter 92 of Title 42 of the Rhode Island General Laws.
 - 4. Adjudicatory proceedings are commenced when a taxpayer requests a hearing to the Tax Administrator within the time prescribed by statute.
- F. "Substantial Justification" means that the initial position of the Division of Taxation, as well as the Division of Taxation's position in the proceedings, has a reasonable basis in law and fact.

1.6 Procedures Governing Applications for Awards or Litigation Expenses

- A. All claims for an award of reasonable litigation expenses shall be made on an application form to be supplied by the Division of Taxation, and shall be filed within thirty (30) days of the mailing of a final decision by the Division of Taxation. In the event a party requests a rehearing after issuance of a final decision and

the request for rehearing is denied, the claim shall be filed within thirty (30) days of issuing the denial of rehearing.

- B. All claims filed pursuant to these regulations shall be filed in duplicate and shall contain:
 - 1. A statement that the claimant requesting the litigation expenses qualifies as a "party" pursuant to R.I. Gen. Laws § 42-92-2;
 - 2. A summary of the legal and factual basis for filing the claim;
 - 3. A detailed breakdown of the reasonable litigation expenses incurred by the party in the adjudicatory proceeding, including copies of invoices, bills, affidavits, and other documents requested by the hearing officer subsequent to the initial filing of the claim;
 - 4. A notarized statement swearing to the accuracy and truthfulness of the statements and information contained in the claim, and/or filed in support thereof.
- C. Upon receipt of a properly filed claim, the Tax Administrator shall forward the claim to the adjudicative officer who presided over the adversary adjudication and shall also forward a copy of the claim to the representative of the Tax Division who litigated the matter before the adjudicative officer.
- D. The representative of the Tax Division may file an objection to the claim for award setting forth his/her reasons therefore. Such objection must be filed with the adjudicative officer within thirty (30) days of receipt of the claim by the adjudicative officer, but the period for filing such objection may be extended for good cause.

1.7 Allowance of Awards

- A. Whenever a party which has provided the Division of Taxation with timely notice of its claim of litigation expenses as provided in these rules and prevails in the contested agency action, and the adjudicative officer finds that the agency was not substantially justified in the actions leading to the proceedings and in the proceedings itself, an award shall be made of reasonable litigation expenses.
- B. The decision of the adjudicative officer to make an award shall be made a part of the record and shall include written findings and conclusions with respect to the award, including a determination as to whether the claimant seeking the award, qualifies as a party under R.I. Gen. Laws § 42-92-2 and as to the reasonableness of the amount of the award. A copy of said fee determination shall be sent to the claimant. No other agency official may review the award.

- C. The adjudicative officer may recalculate the amount to be awarded to the prevailing party, without regard to the amount claimed to be due on the application for an award.

1.8 Disallowance of Awards

- A. No award of fees or expenses may be made if the adjudicative officer finds that the Division of Taxation was substantially justified in the actions leading to the proceeding and in the proceeding itself.
- B. The adjudicative officer may, at his/her discretion, deny fees or expenses if special circumstances make an award unjust.
- C. Notice of the decision disallowing an application for an award of fees and expenses shall include written findings and conclusions with respect to the denial of the award and shall be sent to the party by the Division of Taxation via regular mail.

1.9 Appeals

Any party dissatisfied with the fee determination by the adjudicatory officer may appeal to the Sixth Division District Court for a de novo [review of the record.](#)