Governor’s FY 2020 Budget: Articles

Staff Presentation to the House Finance Committee
February 28, 2019
Introduction

- **Article 5**
  - Sections 7 & 10 Hotel Taxes
  - Sections 9 & 12 - Sales Tax Expansion
    - Hunting, Shooting, Trapping
    - Commercial Building Services
    - Lobbying
    - Interior Design Services
    - Digital Services
  - Sections 1 & 18 Weapons Dealers & Firearms Excise Tax
Hotel Tax

- Article 5 increases hotel tax from 5% to 6% and changes the distribution to ensure the increase accrues to state general revenues
  - Budget assumes $4.4 million
- Hotel tax has changed numerous times in recent years
  - How it is distributed
  - What is taxed
Hotel Tax Distribution

- Hotel room rental subject to occupancy taxes:
  - Sales Tax – 7.0%
    - General Fund
  - State Hotel Tax – 5.0%
    - Commerce (previously General Fund), municipalities, regional tourism districts, and Providence/Warwick CVB
  - Local Hotel Tax – 1.0%
    - Municipalities
# Hotel Tax Distribution

- State has 4 shared regional districts

### South County
- Charlestown
- Coventry
- East Greenwich
- Exeter
- Hopkinton
- Narragansett
- North Kingstown
- Richmond
- South Kingstown
- West Greenwich
- Westerly

### Northern RI
- Burrillville
- Central Falls
- Cumberland
- Glocester
- Lincoln
- North Smithfield
- Pawtucket
- Smithfield
- Woonsocket

### Aquidneck Island
- Barrington
- Bristol
- Jamestown
- Little Compton
- Middletown
- Newport
- Portsmouth
- Warren

### Statewide
- Cranston
- Foster
- Johnston
- North Providence
- West Warwick
Hotel Tax Distribution

- 3 municipalities have own districts:
  - Warwick
  - Providence
  - Block Island (New Shoreham)

- Current law divides state into 8 districts:
  - East Providence is unique case:
    - Not in shared district
    - Division of Taxation holding district share until it joins district - $0.4 million as of January 2019
## Hotel Tax Distribution

- **Example - $150 Hotel Room**
  - State 5.0% Hotel Tax - $7.50

<table>
<thead>
<tr>
<th>Room Rental from Hotel</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Room Charge</td>
<td>$150.00</td>
</tr>
<tr>
<td>Sales Tax – General Fund</td>
<td>10.50</td>
</tr>
<tr>
<td>Hotel Tax – Multiple Recipients</td>
<td>7.50</td>
</tr>
<tr>
<td>Local Hotel Tax - Municipality</td>
<td>1.50</td>
</tr>
<tr>
<td>Total Charge to Occupant</td>
<td>$169.50</td>
</tr>
<tr>
<td><strong>Total Taxes Collected</strong></td>
<td>$19.50</td>
</tr>
</tbody>
</table>
## Hotel Tax Distribution - Detail

- **Example - $150 Hotel Room**
  - State 5.0% Hotel Tax - $7.50

<table>
<thead>
<tr>
<th>Region</th>
<th>Districts</th>
<th>Providence/Warwick CVB</th>
<th>Cities &amp; Towns</th>
<th>Commerce Corp</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warwick</td>
<td>$2.25</td>
<td>$1.80</td>
<td>$1.88</td>
<td>$1.58</td>
</tr>
<tr>
<td>Providence</td>
<td>$2.25</td>
<td>$1.80</td>
<td>$1.88</td>
<td>$1.58</td>
</tr>
<tr>
<td>Omni</td>
<td>$2.25</td>
<td>$1.50</td>
<td>-</td>
<td>$3.75</td>
</tr>
<tr>
<td>Statewide</td>
<td>-</td>
<td>$0.38</td>
<td>$1.88</td>
<td>$5.25</td>
</tr>
<tr>
<td>All Other Regionals</td>
<td>$3.38</td>
<td>$0.38</td>
<td>$1.88</td>
<td>$1.88</td>
</tr>
</tbody>
</table>

- Example - $150 Hotel Room
- State 5.0% Hotel Tax - $7.50
Hotel Tax Distribution

- Article 5 Example - $150 Hotel Room
  - State 6.0% Hotel Tax - $9.00

<table>
<thead>
<tr>
<th>Room Rental from Hotel</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Room Charge</td>
<td>$150.00</td>
</tr>
<tr>
<td>Hotel &amp; Sales Taxes – General Fund</td>
<td>12.00</td>
</tr>
<tr>
<td>Hotel Tax – Multiple Recipients</td>
<td>7.50</td>
</tr>
<tr>
<td>Local Hotel Tax - Municipality</td>
<td>1.50</td>
</tr>
<tr>
<td>Total Charge to Occupant</td>
<td>$171.00</td>
</tr>
<tr>
<td>Total Taxes Collected</td>
<td>$21.00</td>
</tr>
</tbody>
</table>
## Hotel Tax Distribution

- **Article 5 Example - $150 Hotel Room**
  - **State 6.0% Hotel Tax - $9.00**

<table>
<thead>
<tr>
<th>Region</th>
<th>Districts</th>
<th>Providence/Warwick CVB</th>
<th>Cities &amp; Towns</th>
<th>Commerce Corp</th>
<th>General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warwick</td>
<td>$2.25</td>
<td>$1.80</td>
<td>$1.87</td>
<td>$1.58</td>
<td>$1.50</td>
</tr>
<tr>
<td>Providence</td>
<td>$2.25</td>
<td>$1.80</td>
<td>$1.87</td>
<td>$1.58</td>
<td>$1.50</td>
</tr>
<tr>
<td>Omni</td>
<td>$2.25</td>
<td>$1.50</td>
<td>-</td>
<td>$3.74</td>
<td>$1.50</td>
</tr>
<tr>
<td>Statewide</td>
<td>-</td>
<td>$0.38</td>
<td>$1.87</td>
<td>$5.25</td>
<td>$1.50</td>
</tr>
<tr>
<td>All Other Regionals</td>
<td>$3.38</td>
<td>$0.38</td>
<td>$1.87</td>
<td>$1.87</td>
<td>$1.50</td>
</tr>
</tbody>
</table>
Hotel Tax Distribution

- **FY 2016 Budget: major state tourism and marketing campaign**
  - Decreased shares for all districts & tourism/marketing entities
  - General Fund share to Commerce
  - Expanded application of taxes
    - Expansion to unlicensed rentals to CC
- Regional districts must incorporate state campaign to receive share
## Expansion of Hotel Taxes:

<table>
<thead>
<tr>
<th>Rental – All Booking Methods</th>
<th>7.0% Sales Tax</th>
<th>5.0% State Hotel Tax</th>
<th>1.0% Local Hotel Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel/Motel</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>B&amp;B (3+ rooms)</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td><strong>B&amp;B (≤ 3 rooms)</strong></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Hotel/Motel/B&amp;B + other amenities</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Tour Operator Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>House/Condo/Apt. space (≤ 30 days)</strong></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>House/Condo/Apt. space (31+ days)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Entire House/Condo/Apt. (≤ 30 days)</strong></td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Entire House/Condo/Apt. (31+ days)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Concerns over statewide campaign rollout and impact to regionals
- Temporary reversal of regional reductions

FY 2017 Budget
- One year reprieve
  - Distribution tax returned to CY 2015 shares
  - Regional districts’ increase taken from Commerce Corporation’s share

FY 2019
- Permanent change to splits
  - Regional shares partially restored
## Hotel Tax Distribution

### Distribution – Prior to Jan 1, 2016

<table>
<thead>
<tr>
<th>Region</th>
<th>Districts</th>
<th>Providence Warwick CVB</th>
<th>Cities &amp; Towns</th>
<th>General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warwick</td>
<td>31.0%</td>
<td>23.0%</td>
<td>25.0%</td>
<td>21.0%</td>
</tr>
<tr>
<td>Providence**</td>
<td>31.0%</td>
<td>23.0%</td>
<td>25.0%</td>
<td>21.0%</td>
</tr>
<tr>
<td>Statewide*</td>
<td>[47.0%]</td>
<td>7.0%</td>
<td>25.0%</td>
<td>68.0%</td>
</tr>
<tr>
<td>All Other Regionals</td>
<td>47.0%</td>
<td>7.0%</td>
<td>25.0%</td>
<td>21.0%</td>
</tr>
</tbody>
</table>

*Statewide regional “share” goes to general fund too 47% +21% = 68%
**Except Omni hotel: CVB= 12%, CCA=30%, State=27%, no local %
## Hotel Tax Allocation

### Distribution – after June 30, 2018

<table>
<thead>
<tr>
<th>Region</th>
<th>Districts</th>
<th>Providence/Warwick CVB</th>
<th>Cities &amp; Towns</th>
<th>Commerce Corp.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warwick</td>
<td>30.0%</td>
<td>24.0%</td>
<td>25.0%</td>
<td>21.0%</td>
</tr>
<tr>
<td>Providence</td>
<td>30.0%</td>
<td>24.0%</td>
<td>25.0%</td>
<td>21.0%</td>
</tr>
<tr>
<td>Omni</td>
<td>30.0%</td>
<td>20.0%</td>
<td>-</td>
<td>50.0%</td>
</tr>
<tr>
<td>Statewide</td>
<td>-</td>
<td>5.0%</td>
<td>25.0%</td>
<td>70.0%</td>
</tr>
<tr>
<td>All Other Regionals</td>
<td>45.0%</td>
<td>5.0%</td>
<td>25.0%</td>
<td>25.0%</td>
</tr>
</tbody>
</table>
# Hotel Tax Allocation

## Distribution – Article 5

<table>
<thead>
<tr>
<th>Region</th>
<th>Districts</th>
<th>Providence/Warwick CVB</th>
<th>Cities &amp; Towns</th>
<th>Commerce Corp.</th>
<th>General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warwick</td>
<td>25.0%</td>
<td>20.0%</td>
<td>20.8%</td>
<td>17.5%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Providence</td>
<td>25.0%</td>
<td>20.0%</td>
<td>20.8%</td>
<td>17.5%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Omni</td>
<td>25.0%</td>
<td>16.7%</td>
<td>-</td>
<td>41.6%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Statewide</td>
<td>-</td>
<td>4.2%</td>
<td>20.8%</td>
<td>58.3%</td>
<td>16.7%</td>
</tr>
<tr>
<td>All Other Regionals</td>
<td>37.5%</td>
<td>4.2%</td>
<td>20.8%</td>
<td>20.8%</td>
<td>16.7%</td>
</tr>
<tr>
<td>5% Hotel Tax</td>
<td>FY 2015</td>
<td>FY 2016*</td>
<td>FY 2017</td>
<td>FY 2018</td>
<td></td>
</tr>
<tr>
<td>-----------------------</td>
<td>---------</td>
<td>----------</td>
<td>---------</td>
<td>---------</td>
<td></td>
</tr>
<tr>
<td>Regional Districts</td>
<td>$6.9</td>
<td>$7.6</td>
<td>$7.8</td>
<td>$7.8</td>
<td></td>
</tr>
<tr>
<td>Municipalities</td>
<td>$4.0</td>
<td>$4.6</td>
<td>$4.6</td>
<td>$5.1</td>
<td></td>
</tr>
<tr>
<td>State/Commerce</td>
<td>$3.6</td>
<td>$4.6</td>
<td>$4.7</td>
<td>$6.2</td>
<td></td>
</tr>
<tr>
<td>Providence/Warwick CVB</td>
<td>$2.2</td>
<td>$2.4</td>
<td>$2.4</td>
<td>$2.4</td>
<td></td>
</tr>
<tr>
<td>Convention Center</td>
<td>$0.3</td>
<td>$0.2</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$17.1</strong></td>
<td><strong>$19.4</strong></td>
<td><strong>$19.6</strong></td>
<td><strong>$21.5</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Base expansion and redistribution first shows here

$ In millions
# Regional Occupancy Taxes

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Sales Tax</th>
<th>State Tax</th>
<th>Local Tax</th>
<th>Conv. Center Tax</th>
<th>Total Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rhode Island</td>
<td>7.0%</td>
<td>5.0%</td>
<td>1.0%</td>
<td>-</td>
<td>13.0%</td>
</tr>
<tr>
<td><em>Rhode Island – Art. 5</em></td>
<td>7.0%</td>
<td>6.0%</td>
<td>1.0%</td>
<td>-</td>
<td>14.0%</td>
</tr>
<tr>
<td>Connecticut</td>
<td>-</td>
<td>15.0%</td>
<td>-</td>
<td>-</td>
<td>15.0%</td>
</tr>
<tr>
<td>Massachusetts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bolton</td>
<td>-</td>
<td>5.7%</td>
<td>2.0%</td>
<td>-</td>
<td>7.70%</td>
</tr>
<tr>
<td>51 Communities</td>
<td>-</td>
<td>5.7%</td>
<td>4.0%</td>
<td>-</td>
<td>9.70%</td>
</tr>
<tr>
<td>124 Communities</td>
<td>-</td>
<td>5.7%</td>
<td>6.0%</td>
<td>-</td>
<td>11.70%</td>
</tr>
<tr>
<td>West Springfield</td>
<td>-</td>
<td>5.7%</td>
<td>4.0%</td>
<td>2.75%</td>
<td>12.45%</td>
</tr>
<tr>
<td>Springfield &amp; Chicopee</td>
<td>-</td>
<td>5.7%</td>
<td>5.0%</td>
<td>2.75%</td>
<td>13.45%</td>
</tr>
<tr>
<td>Boston, Cambridge, &amp;</td>
<td>-</td>
<td>5.7%</td>
<td>6.0%</td>
<td>2.75%</td>
<td>14.45%</td>
</tr>
<tr>
<td>Worcester</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Sales Tax

- Article 5 expands the application of the state sales tax to more items and services
  - Budget assumes $10.8 million of revenues
- The sales tax base has been changed in some way nearly annually
  - Keeping pace with buying habits and technology
  - Other policy choices
Expand items subject to RI’s 7% sales tax effective October 1, 2019

Projected impacts revised since budget submission

<table>
<thead>
<tr>
<th>Item/Service</th>
<th>FY 2020 Original</th>
<th>FY 2020 Revised</th>
<th>FY 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hunting, Trapping, &amp; Shooting Ranges</td>
<td>$0.6</td>
<td>$0.6</td>
<td>$1.1</td>
</tr>
<tr>
<td>Digital Downloads</td>
<td>2.6</td>
<td>2.6</td>
<td>4.7</td>
</tr>
<tr>
<td>Lobbying</td>
<td>0.9</td>
<td>0.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Interior Design</td>
<td>0.5</td>
<td>0.8</td>
<td>1.4</td>
</tr>
<tr>
<td>Commercial Building Services</td>
<td>6.2</td>
<td>10.1</td>
<td>18.2</td>
</tr>
<tr>
<td>Total</td>
<td>$10.8</td>
<td>$14.4</td>
<td>$25.8</td>
</tr>
</tbody>
</table>
Budget also assumes implementation expenses for Division of Taxation

<table>
<thead>
<tr>
<th>Sales Tax Expansion</th>
<th>FY 2020 Original</th>
<th>FY 2020 Revised</th>
<th>FY 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$10.8</td>
<td>$14.4</td>
<td>$25.8</td>
</tr>
<tr>
<td>Staffing (3.0 FTE)</td>
<td>(0.3)</td>
<td>(0.3)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Notices/Outreach</td>
<td>(0.3)</td>
<td>(0.3)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Impact</strong></td>
<td><strong>$10.3</strong></td>
<td><strong>$13.9</strong></td>
<td><strong>$25.5</strong></td>
</tr>
</tbody>
</table>

$ in millions
Hunting & Trapping - 114210

- Animal trapping, game preserves, commercial
- Fishing, hunting preserves
- Game retreats, propagation
- No taxation on assessments or fees for capital expenditures used within 3 years
All Other Amusement & Recreation Industries - 713990

- Shooting services include
  - Shooting galleries, ranges, clubs, trapshooting, skeet shooting, rifle clubs

- Other services within same code not proposed for taxation include
  - Recreational billiard or pool parlors, miniature golf
  - Dance halls, riding stables, boating club
  - Recreational: youth sports teams; sports clubs not operating sports facilities; day camps
Sec. 5 – Sales and Use Taxes

- Lobbying Services - 541820
  - Includes entities covered by the Rhode Island Lobbying Act
    - Services with respect to action or inaction by any member of the executive or legislative branch of state government or any public corporation
    - Only includes lobbying activities in-state
  - Estimate revised to exclude non-profit and reflect Oct. 1 start
Sec. 5 – Sales and Use Taxes

- **Commercial Building Services**
  - **Exterminating & Pest Control 561710**
    - Bird proofing, exterminating, fumigating, mosquito, termite & other pest services
  - **Janitorial Services 561720**
    - Aircraft, interior building cleaning, deodorizing, maid, restroom, window, venetian blind, disinfection, kitchen, and service station cleaning
  - **Carpet & Upholstery Cleaning Services 561740**
    - Carpet, rug, furniture, & upholstery cleaning
Sec. 5 – Sales and Use Taxes

- **Commercial Building Services**
  - **Landscaping Services - 561730**
    - Arborist, fertilization, hydroseeding, lawn, mowing, sod, spraying, weed control, cemetery plot, and interior landscaping
  - **Other Services - 561790**
    - Building exterior, chimney, driveway, swimming pool, duct, and gutter cleaning; parking lot cleaning & plowing
  - **Interior design - 561710**
    - Design or decorating consulting services
Sec. 5 – Sales and Use Taxes

- Digital products services
  - Software access not transferred to the user
    - Digital video
      - Streaming & on-demand rentals
    - Digital music
    - Digital books
- Other states
  - Connecticut taxes at 1.0%
  - Massachusetts does not tax
  - 26 other states have some form of this tax
Since 2011, sales tax has applied to digital media with tangible products, or ‘load and leave’

- Example downloading tax software

2018 expansion included third-party hosted subscription services

- Example using tax software via cloud service
Sales and Use Tax

- Who Pays
- Rates
- Comparison
- Recent proposed and enacted changes
Sales and Use Tax

- The purchaser pays at the time of sale
  - Use tax is generally self reported
- Retailer remits to the state monthly, by the 20th day of the month following the month in which the sale was made
- Small retailers, whose six months average is less than $200 per month, file quarterly
Sales and Use Tax: 2000-2020

[Bar chart showing sales and use tax millions from FY 2000 to FY 2020, with a significant increase in FY 2020.]

Millions
$0 $200 $400 $600 $800 $1,000 $1,200

## Sales and Use Tax Rates

<table>
<thead>
<tr>
<th>Effective Date</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 1947</td>
<td>1%</td>
</tr>
<tr>
<td>June 1, 1951</td>
<td>2%</td>
</tr>
<tr>
<td>June 1, 1964</td>
<td>3%</td>
</tr>
<tr>
<td>June 1, 1964</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Effective Date</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 1, 1965</td>
<td>4%</td>
</tr>
<tr>
<td>June 1, 1967</td>
<td>5%</td>
</tr>
<tr>
<td>June 1, 1976</td>
<td>6%</td>
</tr>
<tr>
<td>July 1, 1990</td>
<td>7%*</td>
</tr>
</tbody>
</table>

*Increase from 6% to 7% as originally enacted was to decrease to 6.5% on July 1, 1991; the law was amended in 1991 to retain 7% rate*
Meals & Beverage Tax Rate

- **Meals and Beverage Tax**
  - 7% sales tax – General Fund
  - 1% on tax on gross receipts from sale of food and beverages sold in or from eating and drinking establishments effective August 1, 2003 - locals
Hotel Tax Rates

- Hotel Tax
  - 7% sales and use tax – general fund
  - 5.0% charge for occupancy – regional tourism, state tourism and locals
  - 1% tax – locals
Comparison

- 45 states impose
- Only 1 state tax rate above 7%
  - California is 7.25%
- Many states have local option taxes increasing the total sales tax in some cases over 9%
- Rhode Island ranks 23rd on total sales tax rate – down 1 from 2018
Comparison

- Rhode Island’s tax rate is applied to a narrow base
- Exempts clothing and food
  - 60+ other categories
  - Generally does not tax services
- Differences among states more apparent outside New England
Sales and Use Tax

- Who Pays
- Rates
- Comparison
- Recent proposed and enacted changes
2011 – Chafee Budget Article

- Sales and use tax rate reduction from 7% to 6%
- Expansion of sales tax base
- 1.0% sales tax on certain items currently exempt
  - Sunset if Congress acts on remote sales tax collection
Drop rate from 7% to 6%
  - $118 million reduction in revenues for each 1 percent change
Apply 6% percent tax to items currently not taxed - $198 million add
  - Goods - $22 million
  - Services - $123 million
  - Recreation & entertainment - $21 million
  - Labor on maintenance & repairs - $27 million
  - Other - $5 million
2011 – Chafee Budget Article

- **Goods - $22 million**
  - Prewritten software delivered electronically
  - Non Prescription Drugs
  - Newspapers
  - Trade-in value on insurance proceeds

- **Services - $123 million**
  - Home & blding services
  - Taxi cabs/transp
  - Scenic & sightseeing tours
  - Employment agencies
  - Pet Services
  - Personal Care - Salons
  - Business support services
  - Laundry & dry cleaning
2011 – Chafee Budget Article

- Recreation & entertainment - $21 million
  - Amusement Parks
  - Campgrounds
  - Membership Clubs

- Labor on Maintenance & Repairs - $27 million
  - Motor vehicles
  - Appliances, Clothing etc.
Apply 1% to some exempt items = $86.8 million including
- Manufacturing inputs & equip. - $45.0 million
- Sales to non profits - $10.6 million
- Clothing and footwear - $6.6 million
- Auto trade-in values - $2.5 million
- Home heating fuel - $2.2 million
Changes Since 2011

2012 Assembly

- Repealed sales tax on package tours & sightseeing services
- Removed exemption on clothing & footwear costing > $250 per item
- Added taxis, limos, charter bus services and pet care services
Changes Since FY 2012

- 2012 Assembly
  - Added provision that if Congress enacts legislation to require remote sellers to collect & remit taxes, the tiered clothing system would be repealed
  - 2013 Assembly added provision to lower rate from 7% to 6.5% upon federal action
    - Would maintain 8% on Meals and Beverage and Hotel with extra 0.5% going to locals
Changes Since FY 2012

- **2013 Assembly**
  - Exempted retail wine and spirit sales from December 1, 2013 – March 31, 2015
    - 2014 Assembly extended to June 30, 2015
    - 2015 Assembly made it permanent
  - Exempted qualified original art
- **2014 Assembly**
  - Established safe harbor for filers that use lookup table to estimate taxes owed on taxable items purchased from vendors that do not collect or remit sales tax
Changes Since FY 2012

2015 Assembly
- Exempted commercial energy sales from sales tax
- Expanded lodging covered by sales tax

2016 Assembly
- Clarified inclusion of transportation network companies
Changes Since FY 2012

- **2017 Assembly**
  - Exempted seeds for food
  - Strengthened collection efforts of existing taxable goods by remote sellers

- **2018 Assembly**
  - Added software as a service
  - Added security services
  - Exempted kegs for alcoholic beverages
Governor proposes imposing a 10% excise tax on firearms and firearm ammunition effective Oct. 1

- As defined under federal law

Retailer shall collect

- 10% in addition to 7% sales tax
- Must be separately stated from retail price

Exemptions for

- Police and certain Military uses
Art. 5, Secs. 1 & 18 Weapons Dealers & Firearms Excise Tax

- Budget assumes $0.8 million in revenues
  - FY 2021 impact $1.1 million
- Revenue estimates
  - Starts with sporting equipment sales and assumes 13% of those are for items covered
    - About half would be from hand guns for which high compliance is assumed because of the nature of the sale
    - Other half would be for long guns but only partial compliance assumed because of ease of out of state purchase
Proposal includes penalties for non-compliance

Firearms & Ammunition subject to federal excise tax
  - Excise of 10% for handguns; 11% for long guns & ammunition
    - Upon importation or manufacture
Art. 5, Secs. 1 & 18 Weapons Dealers & Firearms Excise Tax

- Dealer Licensing
  - Article adds language to make licensure of firearms dealers conditional upon compliance with Division of Taxation statutes
  - Collections compliance measure
Governor’s FY 2020 Budget: Articles

Staff Presentation to the House Finance Committee
February 28, 2019