

DOR Rhode Island Department of Revenue
Division of Taxation

Via Electronic Mail

May 14, 2024

The Honorable Marvin L. Abney
Chair, House Committee on Finance
Rhode Island State House
Providence, RI 02903

RE: Letter Regarding House Bill 7037 – An Act Relating to Taxation – Sales and Use Taxes – Liability and Computation

Dear Chair Abney:

I am writing on behalf of the Rhode Island Department of Revenue, Division of Taxation (“Division”), to: i) express concerns regarding issues with proposed House Bill 7037 as currently drafted; ii) explain the background and current statutory context in order to clarify the intended and unintended consequences of this bill; and iii) make recommendations and request your support in implementing those recommendations.

This letter is not intended as a position in support of or opposition to the bill, but only as recommendations on drafting to provide clarity in the bill and to aid tax administration and compliance.

As you know, this bill would amend R.I. Gen. Laws § 44-18-7.1, entitled “Sales and Use Taxes — Liability and Computation – Additional definitions” to add the phrase “including hair loss” to the definition of “Prosthetic device” in subsection (t). The bill would also amend R.I. Gen. Laws § 44-18-30, entitled “Gross receipts exempt from sales and use taxes,” to add “any scalp hair prosthesis or wig worn for hair loss when recommended by a physician to treat a medical condition” to the sales and use tax exemption for prosthetic devices and mobility enhancing equipment. The bill’s effective date is upon passage.

The Division is concerned that the bill’s wording may cause confusion because the placement of the amendments creates conflicting provisions; the addition to subsection (11) appears to only require the recommendation from a doctor rather than a prescription, which conflicts with the requirement that a prosthetic device be sold on prescription (except for those items specifically recognized in R.I. Gen. Laws § 44-18-30(11)). Additionally, the State of Rhode Island Division of Taxation is a signatory to the Streamlined Sales and Use Tax Agreement (“SSUTA”) pursuant to R.I. Gen. Laws § 44-18.1-1. The SSUTA mandates that a member state comply with its numerous terms, including consistent definitions and notification requirements. As such, amending the definition of “Prosthetic device” in R.I. Gen. Laws § 44-18-7.1(t) would need to be

reviewed with the Streamlined Sales Tax Governing Board to ensure compliance with the SSUTA. Further, the Division recommends an effective date of October 1, 2024, to allow for reasonable notice under the SSUTA and to ensure proper implementation of the change for all stakeholders.

The Division takes no position with respect to the remainder of the proposed legislation. Rather, the Division is concerned solely with the issues of clarity, tax compliance, and tax administration. As such, the Division respectfully suggests that the bill be redrafted for clarity.

I look forward to working with you to address the issues raised in this letter and appreciate your consideration.

Very truly yours,



Neena S. Savage
Tax Administrator

cc: The Honorable Members of the House Committee on Finance (via: HouseFinance@rilegislature.gov)
The Honorable Tina L. Spears (via: rep-spears@rilegislature.gov)
Nicole McCarty, Esquire, Chief Legal Counsel to the Speaker of the House
Lynne Urbani, Director of House Policy
Thomas A. Verdi, Director, Department of Revenue