

Rhode Island Department of Revenue
Division of Taxation

Via Electronic Mail

May 2, 2024

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

RE: Letter Regarding House Bill 7931 – An Act Relating to Taxation – Sales and Use Tax Holiday

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 7931 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 Title 44 of the Rhode Island General Laws, entitled “Taxation,” to add a chapter, 19.1, entitled “Sales and Use Tax Holiday” to create a sales tax holiday for the second Saturday and Sunday of July every year for “any non-business retail sale made by a retailer located in Rhode Island” with certain exclusions and limitations.

There are several potential issues with the bill that impact tax administration, including, but not limited to:

- **Potential non-compliance with statutory requirements:** Rhode Island 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 must comply with its numerous terms, including but not limited to, Section 322 of the SSUTA, which relates to Sales Tax Holidays and requires, in part:
 - Not to apply exemptions unless the items are specifically defined in Part II or Part III(B) of the Library of Definitions;
 - Provide notice of the exemption period at least sixty days prior to the first day of the calendar month in which the exemption period will begin;

- Numerous other requirements related to layaway sales, bundled sales, coupons and discounts, splitting of items normally sold together, rain checks, exchanges, delivery charges, order date, back orders, returns, and differing time zones.
- **Time constraints:** Given the complexities in informing business owners and other taxpayers of these detailed requirements, it is necessary that the Sales Tax Holiday timing allow adequate time to plan the Sales Tax Holiday and also be in compliance with the SSUTA's 60-day notice requirement.
- **Ambiguity:** In addition to the requirements of the SSUTA, House Bill 7931, as currently drafted, needs to specify certain undefined terms such as "non-business retail sale" which must comply with the SSUTA. The bill, as drafted, would result in the same item being both taxable and nontaxable based on the nature of the sale and format of the item sold.

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

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 Jon D. Brien (via: rep-brien@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