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February 25, 2025

The Honorable Marvin Abney, Chair
House Finance Committee
State House
82 Smith Street, Room 35
Providence, RI 02903

Re: Opposition to Digital Ad Tax in HB 5076 (Article 5, Chapter 44-72 of Appropriations Bill)

Dear Chairman Abney:

I am the executive director of the Internet Coalition (IC), a national trade association that represents member companies in state public policy discussions. The IC serves as an informational resource, striving to protect and foster the internet economy and the benefits it provides consumers.

I respectfully urge you to **remove the proposed digital ad tax** contained in Article 5, Chapter 44-72 of the Appropriations Bill, [HB 5076](#). This section proposes the imposition of a 10% tax on the digital advertising revenues of large businesses, prohibiting businesses from passing the cost of the tax onto customers.

The effects of this bill would be far-reaching, ultimately harming local businesses, raising costs for consumers, and jeopardizing the economic wellbeing of Rhode Island. The implementation of this tax would send a negative signal to the broader business community, suggesting that Rhode Island is an inhospitable environment for business growth and innovation. Such a move undermines the state's efforts to attract investment and retain businesses, particularly in the digital economy.

The growing reliance on digital advertising among businesses cannot be overstated. Digital advertising has become an indispensable tool for companies seeking to improve operational efficiency, enhance customer service, and maintain competitiveness. Rhode Island has seen substantial growth in this sector; for example, digital marketing jobs in the state grew by 10% between 2018 and 2023. Local firms such as Ocean State Digital and Duffy & Shanley exemplify how digital advertising companies are driving job creation within the state.

At present, Rhode Island enjoys several key tax advantages over neighboring states such as Massachusetts, including a 1% lower corporate tax rate, a 24% lower cost of living compared to Boston, and a more favorable personal income tax rate for high earners. These advantages play a crucial role in maintaining the state's competitive position, both as a business hub and as an attractive location for talent.

For small businesses - particularly those in retail, tourism, and hospitality - digital advertising plays a pivotal role in enabling them to reach targeted consumers efficiently and affordably. Ads

Art 5
Section 17

placed through search engines and social media platforms allow businesses to precisely target potential customers based on geographic location, which is especially beneficial in areas like Providence, Newport, and Warwick. For instance, digital advertising has been shown to increase in-store visits by as much as 50% in Rhode Island, a significant boon for small businesses that are competing against larger, national chains. Furthermore, digital advertising generates valuable tourism revenue. It has been instrumental in promoting Rhode Island's beaches, historic sites and events, attracting visitors from neighboring Massachusetts and New York.

The implementation of this tax is likely to provoke legal challenges, potentially costing Rhode Island taxpayers millions of dollars to defend this law, as we have seen in Maryland. The Maryland Digital Advertising Tax has faced challenges since enactment in 2021 on several constitutional grounds. The most notable being concerns over the Commerce Clause, potential First Amendment violations, unequal treatment of different advertising methods and the Due Process Clause. Legal battles continue and the tax will likely face revisions or even be struck down depending on future court decisions. See the attached document for more details about the legal arguments and cases.

In summary, the introduction of this new tax would exacerbate the challenges you face in retaining high-income earners and entrepreneurs—key drivers of economic growth and job creation in the state. It would negate Rhode Island's current economic advantages, impede business operations, increase the financial burden on taxpayers and hinder those trying to obtain employment.

Given the potential negative consequences outlined above, I strongly urge you to **reject the proposed digital advertising tax** and instead pursue alternative measures that will foster a more vibrant, competitive and prosperous economic environment for Rhode Island.

Thank you for your time and consideration. I look forward to your response and to working together toward a solution that benefits both businesses and residents alike.

Sincerely,


Tammy Cota

cc: House Finance Committee members
Honorable Dominick Ruggerio, Senate President
Honorable Joseph Shekarci, Speaker of the House
/enc.