



April 10, 2025

Honorable Marvin L. Abney
Chairman, House Finance Committee
Rhode Island State House
82 Smith Street
Providence, RI 02903

RE: H5785 – AN ACT RELATING TO SALES TAX HOLIDAY-- SALES AND USE TAXES -- LIABILITY AND COMPUTATION

Dear Chairman Abney and Honorable Members of the House Finance Committee:

As the Board Chair of Rhode Island Business Leaders Alliance (the “Alliance”), I am grateful for the opportunity to provide the House Finance Committee with this written testimony in support of H5785 – AN ACT RELATING TO SALES TAX HOLIDAY, which proposes to create a sales tax holiday on August 9 and 10, 2025.

H5785 offers Rhode Island a unique opportunity to stimulate economic activity, provide tax relief to families, and support local businesses—all through creating a state sales tax holiday.

H5785 will directly benefit Rhode Island’s economy by boosting consumer spending. A sales tax holiday in August would offer Rhode Islanders the chance to make essential purchases—such as appliances, clothing, electronics, and back-to-school supplies—without the added burden of paying sales tax. This temporary tax relief would benefit ordinary Rhode Islanders, giving them more disposable income when many are preparing for the upcoming school year or deciding whether to make or postpone a substantial purchase.

Over the past decade, many U.S. states have enacted policies that temporarily exempt consumer purchases of certain goods from state sales taxes. Many of these sales tax holidays occur just before the start of the school year. The proposed timing in August is particularly strategic. August is typically a slow month for many retailers. A sales tax holiday during this time would encourage residents to shop locally and provide relief for businesses during the summer slowdown in consumer spending. Additionally, retailers and wholesalers often report higher customer activity during tax-free weekends, and many already use this period to run targeted

promotional campaigns. A state-sanctioned tax holiday would further amplify these efforts, serving as an effective marketing tool and generating valuable revenue for local businesses.

A sales tax holiday will **help local businesses remain competitive with neighboring states**. The bill helps to keep Rhode Island shoppers' dollars within state borders. Many Rhode Islanders travel to nearby Massachusetts or Connecticut each year to take advantage of those states' mid-August sales tax holidays. For example, Massachusetts' 2023 sales tax holiday was highly successful, generating an estimated **\$3.54 million in indirect tax revenue**—a testament to the economic benefits of this kind of policy. Similarly, Connecticut's sales tax holiday, which also takes place in August, has consistently provided meaningful savings to families while increasing retail activity across the state.

These examples show that sales tax holidays are not just about short-term relief but about stimulating sustained economic activity and supporting local businesses. By implementing our sales tax holiday, we can discourage cross-border shopping, ensure consumer spending stays within Rhode Island, and keep tax revenue circulating locally.

H5785 also aligns with Rhode Island's broader post-pandemic recovery goals. By promoting consumer confidence and encouraging local spending, this bill acts as a catalyst for economic growth. It's not just about a few tax-free days—it's about driving sustained momentum for our economy and easing financial pressures on families.

In summary, H5785 is a practical, forward-thinking policy that:

- Stimulates the economy by generating revenue for local businesses
- Provides real tax relief to ordinary Rhode Islanders
- Keeps consumer dollars circulating within Rhode Island
- Helps local retailers during an otherwise slow sales period
- Prevents out-of-state shopping by offering a competitive alternative
- Builds on the proven success of sales tax holidays in Massachusetts and Connecticut

H5785 is a **win** for both consumers and businesses. It provides much-needed financial relief to Rhode Island families, supports local businesses, and helps stimulate economic growth in our state.

Thank you for your time and consideration of this critical legislation. Please feel free to contact me if you would like to discuss this matter further.

Respectfully submitted by:

Melissa Travis

Melissa Travis, Board Chair

Rhode Island Business Leaders Alliance