



Rhode Island Department of Revenue

Division of Taxation

Via Electronic Mail

May 6, 2025

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

RE: Letter of Support Regarding House Bill 5735 – An Act Relating to Alcoholic Beverages – Taxation of Beverages

Dear Chair Abney:

I am writing on behalf of the Rhode Island Department of Revenue, Division of Taxation (“Division”), to: i) express support for proposed House Bill 5735; ii) explain the background and current statutory context for this bill; and iii) request your support for this bill. The purpose of House Bill 5735 is to address specific clean up needed with tax-related laws, including removal of certain reporting requirements, and to clarify and enhance compliance with, and enforcement of, statutory mandates. This bill, in part, is also intended to align limited resources with mandates that are necessary and beneficial to the public interest.

Background

This omnibus bill addresses and amends certain statutes to clarify or update statutory language and/or address issues raised during the course of administering and enforcing these statutes.

There is also a further clarification on the lookback period with respect to bills issued and collected upon for non-filers. Prior to statutory amendments in 2019, those who failed to file a tax return under personal income tax, corporate income tax, and estate tax were not subject to a lookback period for billings and collection due to their status as non-filers; for sales tax, that lookback period was six years (a six-year lookback under regulation became caselaw in *Couture v. Norberg*, 114 R.I. 704 (R.I. 1975)). In 2019, statutory amendments to limit the lookback period to ten (10) years for all filers under these taxes broadly applied to non-filers as well.

This means that a taxpayer can fail to file returns and could avoid all responsibility for paying taxes, even if those taxes would be properly assessed and due, because of the 10-year lookback period. The proposed change to R.I. Gen. Laws §§ 44-11-7.1, 44-19-13, 44-23-9, and 44-30-83 would carve out non-filers so that the ten-year limitations period would not apply to taxpayers that failed to file a return as required. This limitations period would remain for those who file tax returns.

The various statutes and their updates will be summarized in the next section.

Technical Amendments

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Sections 1 and 5: These amendments remove certain reporting provisions that require taxpayers to file annual reconciliation returns if the taxpayer is an artist or a liquor store, which is an additional burden for those taxpayers as annual reconciliation returns for all other taxpayers are no longer required due to efficiency changes to the monthly/quarterly sales tax returns. Additionally, removal of these reporting requirements will result in more efficient resource allocation given that the reporting does not generate revenue. Specifically, these sections:

- Remove the requirement mandated by R.I. Gen. Laws § 3-10-5(b) that Class A licensees (liquor stores) file an annual reconciliation tax return on or before February 1, which includes, but is not limited to, total sales of alcoholic beverages, sales tax, and excise tax collections on such sales for the immediately preceding calendar year.
- Related to the above, remove the requirement mandated by R.I. Gen. Laws § 3-10-5(b) that the Tax Administrator prepare and submit an annual report to the chairs of the House and Senate Finance Committees on the total sales made by Class A licensees (liquor stores) of alcoholic beverages, sales tax, and excise tax collections on such sales for the immediately preceding calendar year by county.
- Remove the requirement mandated by R.I. Gen. Laws § 44-18-30B(h)(5) that the Tax Administrator, in cooperation with the Rhode Island Council on the Arts, gather data and issue an annual report on the overall impact of the statewide arts district program. The report is of limited usefulness given that the law changed many years ago and the information provided in the report is based solely on what is reported by taxpayers.

Section 2: This amendment clarifies R.I. Gen. Laws § 31-36-20 to align the allocation and distribution process for motor fuel tax proceeds with other taxes that are statutory allocated and distributed. The statute as currently written requires that all deposits and transfers of funds made by the Tax Administrator shall be made within twenty-four (24) hours of receipt of the funds and requires certain business processes that are inefficient and take staffing resources away from essential accounting activities. This proposal would amend the statute to allow for the Division of Taxation's accounting process to align with the distribution process for meals and beverage, hotel, and local cannabis excise taxes, and would provide the authority for proper accounting for the funds to be distributed to other state agencies monthly. The proposal would also allow the Enterprise Resource Planning (ERP) system capabilities to align with statutory requirements. This amendment would not impact the entities receiving the distribution.

Section 3: This amends R.I. Gen. Laws § 44-1-2(8) by removing the sunset provision, thereby renewing the Tax Administrator's authority to address any potential change to or expiration of the Tax Cuts and Jobs Act ("TCJA") to preserve the Rhode Island tax base.

Unless Congress acts before TCJA provisions expire, the \$10,000 state and local tax ("SALT") deduction cap will expire on December 31, 2025, and taxpayers may claim SALT deductions again. The proposed language would provide the Tax Administrator with the authority in that event to amend tax forms and related instructions in response to any TCJA expirations or changes the IRS makes that would impact state revenues similar to the authority provided in R.I. Gen. Laws § 44-1-2(8) (which sunset on December 31, 2021).

Sections 4, 6, 8, and 9: These amendments preclude non-filers from the ten-year assessment limitation to more closely conform with other statutory provisions that generally exempt non-filers from the normal three-year statute of limitations for assessments (§§ 44-11-7.1, 44-19-13, 44-23-9, 44-30-83).

Section 4: This amendment is a technical revision to R.I. Gen. Laws § 44-11-29 to require that the Division be notified of the proposed major sale or transfer of assets by requesting the letter of good standing that shall be received by the Division at least five (5) business days prior to the sale or transfer.

Section 5: This amendment clarifies R.I. Gen. Laws § 44-18-30B to provide for the expiration of a certificate of exemption from sales tax for writers, composers, or artists.

There is an application process for a sales tax exemption for sales by writers, composers, and artists as set forth in R.I. Gen. Laws § 44-18-30B. A qualified writer, composer, or artist will receive an exemption certificate after review by both the Rhode Island State Council on the Arts and the Rhode Island Division of Taxation to confirm the applicant meets the statutory requirements. The sales tax exemption certificate does not expire and there is no ability for the Tax Administrator to revoke the certificate if the taxpayer no longer qualifies for the exemption.

This amendment would align the sales tax exemption for writers, composers, and artists with the sales tax exemption for farmers found in R.I. Gen. Laws § 44-18-30(32). Both sales tax exemption certificates for charitable organizations and farmers, as set forth in Rhode Island General Laws Chapter 44-18, have four (4)-year expiration dates such that those exempt would need to renew the certificate and establish that they remain qualified under the law. An expiration date for the sales tax exemption certificate for writers, composers, and artists would not only align with the other exemptions with respect to expiration, but also allow for a review to confirm qualifications and greater compliance with statutory requirements.

This amendment would allow for the equitable treatment of writers, composers, and artists within those groups and protects small independent artists as intended by the statute.

Section 7: This amendment is a technical revision of the requirement in R.I. Gen. Laws § 44-20-5 (Expiration, duration, and renewal of manufacturer's, importer's, distributor's and dealer's licenses) that a manufacturer, importer, or distributor shall annually, on or before February 1 of each year, renew its license by filing an application for renewal along with the applicable renewal fee.

Section 16 of the FY 2025 Budget amended R.I. Gen. Laws § 44-20-5 to include manufacturers and distributors. However, the annual renewal requirements in § 44-20-5(b) presently apply only to holders of a dealer's license and R.I. Gen. Laws § 44-20-6 (Expiration and renewal of distributors' licenses) was repealed in Section 18 of the FY 2025 Budget. Therefore, at this time there is no specific provision for the renewal of a manufacturer's, importer's, or distributor's license, including the requirement that the renewal application be submitted on or before February 1 of each year with the fee as required for dealers. While R.I. Gen. Laws § 44-20-4 provides for the license application fee, it does not include the requirement that the renewal application be submitted on or before February 1 of each year with the fee as required for dealers.

This amendment would clarify the renewal deadline and applicable fee for manufacturers, importers, and distributors to be consistent with dealers and is a technical amendment.

Recommendation

For the reasons above, and to aid in tax compliance and administration, the Division supports House Bill 5735 and believes it will provide a net benefit for the State and taxpayers, while not having a negative fiscal impact on the State.

I look forward to working with you 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)
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