



# Rhode Island Department of Revenue

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## Division of Taxation

*Via Electronic Mail*

May 21, 2025

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

**RE: Letter Regarding House Bill 5405 – 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 5405 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 Chapter 44-18 of the Rhode Island General Laws, entitled “Sales and Use Taxes – Liability and Computation,” as well as R.I. Gen. Laws § 35-4-27, entitled “State Funds,” to establish a restricted receipt account for the benefit of the Rhode Island Public Transit Authority. The proposed account would be funded by sales and use tax revenue collected from transportation network companies, as defined in § 44-18-7.3, and would be exempt from the indirect cost recovery provisions within § 35-4-27. The bill is set to take effect on July 1, 2025.

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

- As currently written, it is unclear if the bill’s intention is to earmark all sales tax collected from transportation network companies that sell taxable services as defined in § 44-18-7.3(b)(2) or if the intention is to earmark the sales tax on services defined in § 44-18-7.3(b)(2) collected from transportation network companies. In the former, use tax and non-service sales tax charged and collected would be earmarked whereas the latter is limited to the sales tax on a specific service.
- The Division recommends clarity as to the application of the bill to only transportation network companies by revising the statutory reference from § 44-18-7.3 to the specific definition in § 44-18-7.3(b)(2) that is subject to tax.
- As currently drafted, the bill does not specify who has the authority to determine what should be done with the earmarked revenue. It contains the text “used to fund operations

related to the Rhode Island public transit authority”; however, it does not say who makes the determination of eligibility. For clarity, the bill should be redrafted to give authority to a specific entity to determine eligibility and authorize the use of funds.

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 issue raised in this letter and appreciate your consideration.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Msavage", is positioned above the typed name.

Neena S. Savage  
Tax Administrator

cc: The Honorable Members of the House Committee on Finance (via:  
[HouseFinance@rilegislature.gov](mailto:HouseFinance@rilegislature.gov))  
The Honorable David Morales (via: [rep-morales@rilegislature.gov](mailto:rep-morales@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