



Rhode Island Department of Revenue

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 6350 – 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 6350 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 R.I. Gen. Laws § 44-18-36.1, entitled “Sales and Use Taxes – Liability and Computation – Hotel tax,” to add a sentence allowing an optional additional local hotel tax of no greater than two percent (2%). The bill is set to take effect upon passage.

The bill, as currently drafted, would create significant administrability issues making this tax nearly impossible to implement because the legislation does not empower the municipalities to impose the tax, and it is not clear whether the tax would be uniform throughout the state, or each city and town could enact thirty-nine different additional local tax rates. The Division respectfully requests that the bill be redrafted for clarity to ensure that the policy goals are accurately stated in the legislation and the authority is clear.

As drafted, the bill is effective upon passage. However, that effective date is not administratively feasible because a city or town could begin enacting the local hotel tax upon enactment and municipalities could have varying tax rates with varying effective dates. The bill would have a disruptive impact on the marketplace as taxpayers need time to understand and implement the change. Further, the Division needs time to develop and conduct outreach, develop and program forms, test compliance processes, and ensure that the tax is being collected, accounted for, and distributed consistently with the legal requirements. Therefore, the Division would suggest an effective date of January 1, 2026.

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 "Neena S. Savage".

Neena S. Savage
Tax Administrator

cc: The Honorable Members of the House Committee on Finance (via:
HouseFinance@rilegislature.gov)
The Honorable Terri Cortvriend (via: rep-cortvriend@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