

Testimony in Favor of H7399

Chairman Abney and Members of the House Finance Committee:

Thank you for the opportunity to submit testimony in support of H7399. While I regret that I am unable to be with you in person today, I appreciate your consideration of this important issue—one that directly affects my business, my employees, and a largely small-business, locally rooted industry across Rhode Island.

As written, H7399 would repeal the sales tax on pet services. I have testified in favor of this legislation for many years on both sides of the legislature because the underlying policy concerns have remained unresolved. Chief among them is competitive imbalance: our neighboring state, Massachusetts, does not impose a comparable sales tax on pet services, placing Rhode Island businesses at a persistent disadvantage in pricing, customer retention, and long-term viability.

At the conclusion of last year's legislative session, I reached out to several members of this Committee in hopes of engaging in a constructive dialogue about how we might move this bill forward. Unfortunately, I did not receive a response. As a result, it has been challenging to understand which considerations would be most persuasive to the Committee at this point, or how this bill fits within Rhode Island's broader vision for tax policy and economic development.

Historically, one compelling argument for repealing this tax has been that Rhode Island does not generally tax services. When exceptions are carved out—especially for small-business service sectors—they should be rare and well-justified. During the current legislative session, however, I have observed bill proposals that would *expand* the taxation of services more broadly. In that context, it is difficult for business owners to discern the State's long-term direction or overall taxation strategy.

With that in mind, I respectfully ask the Committee to consider the following key facts:

- **Interstate competitiveness:** Massachusetts imposes no comparable sales tax, allowing out-of-state providers to undercut Rhode Island businesses on price alone.
- **Limited fiscal benefit:** The tax generates an estimated \$4–\$5 million annually—relatively modest revenue when weighed against the disproportionate harm to small businesses and individual service providers who make up this market.
- **Declining returns:** While no fiscal note was available at the time of this testimony, my firsthand experience suggests the market is contracting and sales tax receipts are declining year over year.

- **Broad constituent impact:** Approximately **45% of Rhode Islanders own pets**, meaning this tax directly affects a significant portion of the population, not a narrow or specialized group.
- **Uneven compliance:** Much of the pet-services market operates informally—pet sitting, walking, and similar services are often provided by unincorporated or unregulated individuals who do not collect or remit sales tax. As a result, enforcement falls disproportionately on the few businesses that attempt to comply, penalizing responsible actors rather than capturing meaningful new revenue.

Over the past three years, large Rhode Island businesses have either left or threatened to leave for Massachusetts explicitly due to tax policy differences. Passage of H7399 would not resolve every competitive challenge we face—but it would represent a small, practical, and meaningful step toward restoring parity and signaling that Rhode Island values its small-business community.

Thank you for your time and consideration. I remain eager to engage in open and constructive dialogue, and I welcome the opportunity to answer questions or provide additional information to any member of the Committee.

Respectfully submitted,

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