

**DOR** Rhode Island Department of Revenue  
Division of Taxation

*Via Electronic Mail*

April 29, 2026

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

**RE: Letter Regarding House Bill 7592 – An Act Relating to Taxation – Cigarette, Other Tobacco Products, and Electronic Nicotine-Delivery System Products**

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 7592 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 § 44-20-1, entitled “Cigarette, Other Tobacco Products, and Electronic Nicotine-Delivery System Products – Definitions,” to include “[a] dealer may also resell cigars to other dealers pursuant to § 40-20-8.2[sic]” in the definition for “Dealer” and to add new definitions for “Traditional pipe” and “Ultra premium pipe tobacco.” The bill would also amend R.I. Gen. Laws § 44-20-8.2, entitled “Transactions only with licensed manufacturers, importers, distributors, and dealers” to add proposed subsection (b) to remove “ultra premium pipe tobacco, not including tobacco intended for cigarettes” from the section’s applicability and add the sentence “Provided, further, that dealers without a distributor’s license may resell cigars to other dealers.” The bill is set to take effect upon passage.

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

- The current definition of “dealer” under R.I. Gen. Laws § 44-20-1(3) only allows for dealers to sell cigarettes, other tobacco products (OTP), and electronic nicotine-delivery system (ENDS) products *to consumers* in Rhode Island. The sale of any of these products, including cigars, by a dealer to another dealer is prohibited. The bill’s expansion of the definition of “dealer” to allow that a “dealer may also resell cigars to other dealers pursuant

to § 40-20-8.2[sic]” contradicts the current, and proposed, statutory framework of R.I. Gen. Laws Chapter 44-20.

As an initial matter, R.I. Gen. Laws § 40-20-8.2 does not exist in the Rhode Island General laws and it is presumed to be a typographical error such that the statutory reference should be R.I. Gen. Laws § 44-20-8.2. R.I. Gen. Laws § 44-20-8.2 requires sales between manufacturers, importers, distributors, and dealers to be made by Rhode Island licensed manufacturers, importers, distributors, and dealers, except for the sale and purchase of cigars. Specifically, as that provision relates to dealers, a dealer may only obtain cigarettes, OTP, *except cigars*, and/or ENDS products from a licensed distributor. Since cigars are not required to be purchased from a Rhode Island licensed distributor under current law, OTP tax on cigars must be remitted to the Division within five (5) days of the dealer coming into possession of the cigars pursuant to R.I. Gen. Laws § 44-20-13.2(b)(3). This statutory provision remains unchanged under the proposed bill and could result in multiple taxpayers, i.e. all dealers in the chain of sales between dealers, being responsible for the tax; this creates significant administrability concerns for taxpayers and the Division, in addition to the administrability concerns outlined below.

- Allowing all dealers to resell cigars to any other dealer would be impossible to administer and enforce, and additionally would promote tax avoidance. If any dealer were permitted to resell cigars to other dealers without limitation, the dealer would be able to make a sale and have a sales invoice potentially avoiding paying the OTP tax without the Division being aware. This would result in an increased burden on taxpayers with respect to documentation, an increased need for resources to audit and enforce compliance by the Division, and the potential for noncompliant taxpayers to benefit to the detriment of compliant taxpayers. Additionally, the bill’s provisions allowing dealers to act as distributors without a distributor license allows dealers to circumvent distributor requirements to the detriment of licensed distributors and provides the opportunity for fraud and bad actors in the marketplace, which is an unintended consequence of the bill.
- With respect to the bill’s proposed definitions of “traditional pipe” and “ultra premium pipe tobacco,” they include detailed qualifications that would be difficult for the Division to verify, which would cause enforcement issues. The Division would be unable to determine which tobacco products are “minimally processed, without reconstituted tobacco, tobacco scraps, or homogenized tobacco material[]” and which products are processed “using traditional or artisanal methods [and are] not mass-produced through automated high-volume industrial processes.”
- Further, the requirement that the “ultra premium pipe tobacco” contain “no characterizing flavors designed to appeal to minors” is vague and is not defined. This provision should be studied in relation to R.I. Gen. Laws § 44-20-61 to ensure consistency, especially with the added exception in the bill that the characterizing flavor “may include traditional pipe-tobacco casings or top notes (such as natural spirits, sugars, or botanical essences).”
- While the goal of this bill is unclear, to the extent it seeks to expand the cigar exception in R.I. Gen. Laws § 44-20-8.2 to “ultra premium pipe tobacco” and allow all dealers to sell cigars to other dealers, such expansions are far-reaching when a more targeted approach could meet the goal. The distributor definition under R.I. Gen. Laws § 44-20-1(4) includes

specific requirements for distributors to become licensed in Rhode Island. It is possible to create a statutory mechanism for an exemption from these requirements with specific parameters to be administered by the Division. This would allow for a consistent and measured process for reviewing exemption requests. Maintaining the requirement that all OTP, except cigars, be purchased from a Rhode Island licensed distributor allows for the current framework and controls to remain in place within the current tax structure and would result in less burden on taxpayers and the Division.

- The Division is concerned with the bill's "upon passage" effective date given the need to update forms and the Division's internal system, as well as impacts on external stakeholders, prior to its implementation and respectfully suggests that the bill be redrafted and that the effective date be January 1, 2027.
- In addition, it should be confirmed that the bill's language comports with the Tobacco Master Settlement Agreement.

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.

I look forward to working with you to address the issues raised in this letter and appreciate your consideration.

Very truly yours,



Neena S. Savage  
Tax Administrator

cc: The Honorable Members of the House Committee on Finance  
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