



May 7, 2026

The Honorable Marvin L. Abney
Chair, House Finance Committee
State House, Room 306,
82 Smith Street,
Providence, RI 02903

Dear Chair Abney and Members of the House Finance Committee:

On behalf of CTIA®, the trade association for the wireless communications industry, I am writing in opposition to H 8198, which would impose a new tax on digital advertising services at rates ranging from 2.5% to 7.5%, based on a company's global revenues. The tax would apply to each digital advertisement sold in the state and prohibit providers from imposing a separately identified surcharge on customers in Rhode Island.

H 8198 would create significant legal, economic, and policy concerns and ultimately increase costs for Rhode Island businesses and consumers. Right now, wireless providers are working aggressively to maintain and expand the nation's wireless networks, investing \$29 billion in private funding in 2024 alone and nearly \$220 billion since 2018.¹ Policies that increase the cost of digital services undermine these investments and the broader digital ecosystem. Importantly, H 8198 also reflects the same tax structure that has been subject to extensive state litigation and raises substantial litigation risks under federal law:

- **Discrimination against interstate commerce (Commerce Clause):** The bill's graduated rate structure based on global revenues appears to be designed to target large and customarily out-of-state companies. Courts have long held that states may not structure taxes in a way that disproportionately burdens interstate commerce.
- **Potential conflict with the Internet Tax Freedom Act (ITFA):** ITFA prohibits discriminatory taxes on electronic commerce. By applying the tax to digital advertising but not comparable traditional advertising services, H 8198 may violate this federal prohibition.
- **First Amendment violation:** The provision prohibiting a digital advertiser from identifying the tax as the "digital advertising tax" is an unconstitutional regulation of speech under U.S. appellate court decisions in multiple circuits.

Ongoing Maryland litigation highlights risks: Maryland's similar digital advertising tax has been subject to multiple state and federal challenges asserting violations of the Commerce Clause, Due Process Clause, First Amendment, and ITFA. The litigation has created prolonged uncertainty and demonstrates the significant legal risk associated with this policy.

¹ CTIA Annual Survey, <https://api.ctia.org/wp-content/uploads/2024/09/2024-Annual-Survey.pdf>



In addition to these legal concerns, as other states have recognized, taxes on digital advertising can lead to higher operating costs, reduced marketing effectiveness, and ultimately higher prices for consumers. H 8198 imposes a tax on digital advertising services while leaving traditional advertising services not subject to taxation. This selective approach creates a distorted marketplace, where businesses are incentivized to shift advertising strategies based on tax treatment rather than commerce needs. The policy effectively picks winners and losers among similar services. Rhode Island has historically avoided taxing services in a selective or discriminatory manner, and H 8198 would represent a significant departure from that approach.

H 8198 would also be both difficult to administer and create compliance challenges. Determining when digital advertising is “in Rhode Island” is inherently complex, particularly for multi-state and national campaigns, and the bill relies on an “assessable base” tied to digital advertising activity without clear sourcing rules. Similar digital tax regimes have required extensive regulatory guidance and even then, face uncertainty in application. These challenges will increase compliance costs for businesses and administrative burdens for the state.

Finally, H 8198 as proposed lacks clarity in several other key respects. The bill would impose the tax on the “purchaser” of digital advertising at graduated rates based on the global revenues of the “person” without specifying whether “person” refers to the purchaser or the seller of the digital advertising. It also requires the “retailer” to pay the tax. None of these terms are defined, creating uncertainty about who is responsible for paying, collecting, and remitting the tax.

For these reasons, CTIA respectfully opposes H 8198.

Thank you for your consideration.

Sincerely,

Annissa Reed

Annissa Reed

Director, State and Local Affairs