

AMERICANS FOR DIGITAL OPPORTUNITY

May 7, 2026

Representative Marvin L. Abney
Chairman, House Finance Committee
Rhode Island State House
Providence, Rhode Island

Dear Chairman Abney and Members of the House Finance Committee:

On behalf of Americans for Digital Opportunity, I write to express our strong opposition to H8198 which would impose a sales tax on digital advertising services.

Over the last decade, America's economy has been transformed by technological advances and nowhere has this transformation been more evident than with digital advertising. The ability of businesses of all sizes to access online platforms and reach new customers has leveled the playing field, allowing start-ups, local newspapers, and countless small businesses to grow and find success.

As you know, advertising is a major economic driver in Rhode Island. According to an independent study commissioned by the Association of National Advertisers, advertising expenditures generated \$32.2 billion in economic activity and supported over 87,000 jobs in the state. This accounts for 17.1 percent of all jobs in Rhode Island. Elected officials should be doing everything possible to protect the advertising industry, not considering legislation that would endanger it.

The need for additional revenue is something almost all states face every legislative session. But as a former South Dakota State Senator, past President of the National Conference of State Legislatures, and past President of the Streamline Sales Tax Governing Board, I can tell you that passing this type of tax will not fix your budget issues and has a high probability of only making them worse. Simply put - a tax on digital advertising will invite legal challenges before the state can collect any revenue and will eventually expose Rhode Island and its taxpayers to financial liabilities when the law is deemed unconstitutional.

The Internet Tax Freedom Act ("ITFA") prohibits states from imposing "discriminatory taxes on electronic commerce" – which is exactly what H8198 does. Maryland and Washington State are currently facing lawsuits over digital ad tax legislation on the grounds they violate ITFA. Notably, legal challenges have caused massive complications in Maryland, where the defense of its digital advertising tax has placed significant costs on taxpayers, with no clear end in sight. These lawsuits should serve as cautionary tales for Rhode Island legislators. Should you pass a digital advertising tax, and it be subsequently overturned by the courts, Rhode Island would be forced to pay back every cent collected.

Proponents of digital advertising taxes have long argued that they would only affect a handful of multi-billion-dollar companies, but the truth hits much closer to home. Like all business-to-business expenses, Rhode Island consumers and small businesses will be disproportionately burdened by a digital advertising tax.

In fact, research shows that advertising taxes harm local businesses and consumers more than the corporations they seek to impact. A study commissioned by Deloitte found that France's digital advertising tax impacted consumers the most, with 55 percent of the total tax burden passed on. For small businesses, these taxes lead to more challenging choices – either significantly raising consumer prices, reducing services, laying off staff, or shutting down completely.

Rhode Islanders, like most Americans, are navigating significant economic pressures and record-high costs. Additional taxes, like H8198 is proposing, would only compound these challenges, driving people and investments out of the state. The last thing Rhode Island business owners and entrepreneurs need is a tax on their efforts to tell consumers about the important goods and services they offer.

This legislative session provides you and your colleagues with an opportunity to deliver results for Rhode Island. Legislative discussions should center around ways to harness the state's opportunity to build a more competitive business environment which would encourage innovation and grow the overall tax base. I hope you will see that this misguided idea would have far-reaching, negative consequences for businesses, consumers, and Rhode Island's economy. For these reasons, I urge you to oppose taxes on digital advertising.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Deb Peters', with a horizontal line extending to the left and right of the signature.

Deb Peters, CPA
Tax Expert
Americans for Digital Opportunity