



Rhode Island Department of Revenue

Division of Taxation

Via Electronic Mail

April 3, 2025

The Honorable Carol Hagan McEntee
Chair, House Committee on Small Business
Rhode Island State House
Providence, RI 02903

RE: Letter Regarding House Bill 5554– An Act Relating to Commercial Law – General Regulatory Provisions – Interchange Fees

Dear Chair McEntee:

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 5554 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 add Chapter 26.2 to Title 6 (Commercial Law – General Regulatory Provisions), entitled “Interchange Fees,” to, as set forth in its legislative explanation, “prohibit the charging of interchange fees on taxes and gratuities.” The bill is set to be effective on January 1, 2026.

The bill as drafted may have unintended impacts in relation to tax administration due to the broadness of its definitions, and potential interpretations of those definitions, as well as the expansive application to gratuities and taxes. The definition of “processor,” which includes “an entity that facilitates...billing, transfer, payment procedures, or settlement with respect to any electronic payment transaction[.]” may encompass state agencies and may consequently impact tax collections where payments are made through an electronic process. “Tax” is defined to include “any sales, use, occupancy, or excise tax by the state or a political subdivision thereof[.]” however, none of these taxes are defined clearly and these taxes can include a wide variety and number of taxes, including motor fuel, hotel, and meals and beverage, among others. It is also not clear whether the Processor will have the ability to determine whether the transaction is for taxes, gratuities or other fees and the interplay between the mandates in this bill and federal requirements related to credit card transactions.

Further, the interplay between businesses and those prohibited from charging interchange fees could result in challenges for businesses that will reduce tax collections and negatively impact tax administration.

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 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 Small Business (via:
HouseSmallBusiness@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