



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

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Department of Administration
BUDGET OFFICE
One Capitol Hill
Providence, R.I. 02908-5886 **Memorandum**

To: The Honorable Raymond Gallison
Chairman, House Finance Committee

The Honorable Daniel DaPonte
Chairman, Senate Finance Committee

From: Thomas A. Mullaney *Thomas A. Mullaney*
Executive Director/State Budget Officer

Date: April 3, 2014

Subject: Amendments to the FY 2015 Appropriations Act (13-H-7133)

The Governor requests that Article 14 – Relating to Marketplace Fairness Act be amended as reflected in the attached version. The requested changes are shaded in grey and explained below.

Add a new Section 1 amending section 42-64.5-3 to hold eligible companies under the Jobs Development Act harmless if the Marketplace Fairness Act is approved by Congress and the corporate tax rate is reduced from 9.0 percent to 6.0 percent.

Add 44-18-36.1, Hotel Tax, to new section 3 and strikeout the language that would increase the tax from 1.0 percent to 1.5 percent if the Marketplace Fairness Act is approved by Congress and Rhode Island begins to require remote sellers to collect and remit sales and use taxes. Under the Governor's proposal, the overall sales tax rate would not decline from 7.0 percent to 6.5 percent upon enactment of the Marketplace Fairness Act and thus the increase to the local share of the hotel tax as contained in current law would result in an increase to this tax. This amendment corrects for this oversight in the original article.

If you have any questions regarding this amendment, please feel free to call me or my staff at 222-6300.

TAM:14-Amend-14
Attachments

cc: Sharon Reynolds Ferland, House Fiscal Advisor
Stephen Whitney, Senate Fiscal Advisor
Steve Hartford, Director of Policy
Richard Licht, Director of Administration
Peter Marino, Director, Office of Management and Budget
Gregory Stack, Supervising Budget Analyst

1 (9.0%) to six percent (6.0%) is effective, an eligible company subject to tax under § 44-11-2
2 shall calculate the rate payable by subtracting the amount specified in § 42-64.5-4 from nine
3 percent (9.0%). The total rate reduction under this section shall be effective for tax years
4 beginning on or after the date the state requires remote sellers to collect and remit sales and use
5 tax.

6 SECTION ~~12~~. Section 44-11-2 of the General Laws in Chapter 44-11 entitled "Business
7 Corporation Tax" is hereby amended to read as follows:

8 **44-11-2. Imposition of tax.** -- (a) Each corporation shall annually pay to the state a tax
9 equal to nine percent (9.0%) of net income, as defined in § 44-11-11, qualified in § 44-11-12,
10 and apportioned to this state as provided in §§ 44-11-13 – 44-11-15, for the taxable year. In
11 recognition of the work being performed by the Streamlined Sales and Use Tax Governing
12 Board, upon passage of any federal law which authorizes states to require remote sellers defined
13 in § 44-18-15.2, to collect and remit sales and use taxes under chapters 18 and 19 of this title, the
14 rate imposed under section 44-11-2 shall be reduced from nine percent (9.0%) to six percent
15 (6.0%). The six percent (6.0%) rate shall take effect for tax years beginning on or after the date
16 the state requires remote sellers to collect and remit sales and use tax.

17 (b) A corporation shall pay the amount of any tax as computed in accordance with
18 subsection (a) of this section after deducting from "net income," as used in this section, fifty
19 percent (50%) of the excess of capital gains over capital losses realized during the taxable year,
20 if for the taxable year:

21 (1) The corporation is engaged in buying, selling, dealing in, or holding securities on its
22 own behalf and not as a broker, underwriter, or distributor;

1 (2) Its gross receipts derived from these activities during the taxable year amounted to at
2 least ninety percent (90%) of its total gross receipts derived from all of its activities during the
3 year. "Gross receipts" means all receipts, whether in the form of money, credits, or other
4 valuable consideration, received during the taxable year in connection with the conduct of the
5 taxpayer's activities.

6 (c) A corporation shall not pay the amount of the tax computed on the basis of its net
7 income under subsection (a) of this section, but shall annually pay to the state a tax equal to ten
8 cents (\$.10) for each one hundred dollars (\$100) of gross income for the taxable year or a tax of
9 one hundred dollars (\$100), whichever tax shall be the greater, if for the taxable year the
10 corporation is either a "personal holding company" registered under the federal Investment
11 Company Act of 1940, 15 U.S.C. § 80a-1 et seq., "regulated investment company", or a "real
12 estate investment trust" as defined in the federal income tax law applicable to the taxable year.
13 "Gross income" means gross income as defined in the federal income tax law applicable to the
14 taxable year, plus:

15 (1) Any interest not included in the federal gross income; minus

16 (2) Interest on obligations of the United States or its possessions, and other interest
17 exempt from taxation by this state; and minus

18 (3) Fifty percent (50%) of the excess of capital gains over capital losses realized during
19 the taxable year.

20 (d) A small business corporation having an election in effect under subchapter S, 26
21 U.S.C. § 1361 et seq., shall not be subject to the Rhode Island income tax on corporations,
22 except that the corporation shall be subject to the provisions of subsection (a), to the extent of the
23 income that is subjected to federal tax under subchapter S.

1 (2) The shareholders of the corporation who are residents of Rhode Island shall include in
2 their income their proportionate share of the corporation's federal taxable income.

3 (3) [Deleted by P.L. 2004, ch. 595, art. 29, § 1.]

4 (4) [Deleted by P.L. 2004, ch. 595, art. 29, § 1.]

5 (e) *Minimum tax.* The tax imposed upon any corporation under this section shall not be
6 less than five hundred dollars (\$500).

7 SECTION ~~23~~. Sections 44-18-18, 44-18-18.1, 44-18-20 ~~and~~, 44-18-30 ~~and~~ 44-18-36.1 of
8 the General Laws in Chapter 44-18 entitled "Sales and Use Tax – Liability and Computation" are
9 hereby amended to read as follows:

10 **44-18-18. Sales tax imposed.** -- A tax is imposed upon sales at retail in this state
11 including charges for rentals of living quarters in hotels as defined in § 42-63.1-2, rooming
12 houses, or tourist camps, at the rate of six percent (6%) of the gross receipts of the retailer from
13 the sales or rental charges; provided, that the tax imposed on charges for the rentals applies only
14 to the first period of not exceeding thirty (30) consecutive calendar days of each rental; provided,
15 further, that for the period commencing July 1, 1990, the tax rate is seven percent (7%). The tax
16 is paid to the tax administrator by the retailer at the time and in the manner provided. Excluded
17 from this tax are those living quarters in hotels, rooming houses, or tourist camps for which the
18 occupant has a written lease for the living quarters which lease covers a rental period of twelve
19 (12) months or more. ~~In recognition of the work being performed by the Streamlined Sales and~~
20 ~~Use Tax Governing Board, upon passage any federal law which authorizes states to require~~
21 ~~remote sellers to collect and remit sales and use taxes, the rate imposed under § 44-18-18 shall be~~
22 ~~reduced from seven percent (7%) to six and one-half percent (6.5%). The six and one-half~~

1 percent (6.5%) rate shall take effect on the date that the state requires remote sellers to collect
2 and remit sale and use taxes.

3 **44-18-18.1. Local meals and beverage tax.** -- (a) There is hereby levied and imposed,
4 upon every purchaser of a meal and/or beverage, in addition to all other taxes and fees now
5 imposed by law, a local meals and beverage tax upon each and every meal and/or beverage sold
6 within the state of Rhode Island in or from an eating and/or drinking establishment, whether
7 prepared in the eating and/or drinking establishment or not and whether consumed at the
8 premises or not, at a rate of one percent of the gross receipts. The tax shall be paid to the tax
9 administrator by the retailer at the time and in the manner provided.

10 (b) All sums received by the division of taxation under this section as taxes, penalties or
11 forfeitures, interest, costs of suit and fines shall be distributed at least quarterly, credited and paid
12 by the state treasurer to the city or town where the meals and beverages are delivered.

13 (c) When used in this section, the following words have the following meanings:

14 (1) "Beverage" means all nonalcoholic beverages, as well as alcoholic beverages, beer,
15 lager beer, ale, porter, wine, similar fermented malt or vinous liquor.

16 (2) "Eating and/or drinking establishments" mean and include restaurants, bars, taverns,
17 lounges, cafeterias, lunch counters, drive-ins, roadside ice cream and refreshment stands, fish
18 and chip places, fried chicken places, pizzerias, food and drink concessions, or similar facilities
19 in amusement parks, bowling alleys, clubs, caterers, drive-in theatres, industrial plants, race
20 tracks, shore resorts or other locations, lunch carts, mobile canteens and other similar vehicles,
21 and other like places of business which furnish or provide facilities for immediate consumption
22 of food at tables, chairs or counters or from trays, plates, cups or other tableware or in parking
23 facilities provided primarily for the use of patrons in consuming products purchased at the

1 location. Ordinarily, eating establishments do not mean and include food stores and
2 supermarkets. Eating establishments do not mean "vending machines," a self-contained
3 automatic device that dispenses for sale foods, beverages, or confection products. Retailers
4 selling prepared foods in bulk either in customer-furnished containers or in the seller's
5 containers, for example "Soup and Sauce" establishments, are deemed to be selling prepared
6 foods ordinarily for immediate consumption and, as such, are considered eating establishments.

7 (3) "Meal" means any prepared food or beverage offered or held out for sale by an eating
8 and/or drinking establishment for the purpose of being consumed by any person to satisfy the
9 appetite and which is ready for immediate consumption. All such food and beverage, unless
10 otherwise specifically exempted or excluded herein shall be included, whether intended to be
11 consumed on the seller's premises or elsewhere, whether designated as breakfast, lunch, snack,
12 dinner, supper or by some other name, and without regard to the manner, time or place of
13 service.

14 (d) This local meals and beverage tax shall be administered and collected by the division
15 of taxation and unless provided to the contrary in this chapter, all of the administration,
16 collection, and other provisions of chapters 18 and 19 of this article apply.

17 ~~In recognition of the work being performed by the Streamlined Sales and Use Tax~~
18 ~~Governing Board, upon passage of any federal law which authorizes states to require remote~~
19 ~~sellers to collect and remit sales and use taxes, the rate imposed under § 44-18-18.1 shall be~~
20 ~~increased from one percent (1%) to one and one-half percent (1.5%). The one and one-half~~
21 ~~percent (1.5%) rate shall take effect on the date that the state requires remote sellers to collect~~
22 ~~and remit sales and use taxes.~~

44-18-20. Use tax imposed.

(a) An excise tax is imposed on the storage, use, or other consumption in this state of tangible personal property, prewritten computer software delivered electronically or by load and leave or services as defined in § 44-18-7.3; including a motor vehicle, a boat, an airplane, or a trailer, purchased from any retailer at the rate of six percent (6%) of the sale price of the property.

(b) An excise tax is imposed on the storage, use, or other consumption in this state of a motor vehicle, a boat, an airplane, or a trailer purchased from other than a licensed motor vehicle dealer or other than a retailer of boats, airplanes, or trailers respectively, at the rate of six percent (6%) of the sale price of the motor vehicle, boat, airplane, or trailer.

(c) The word "trailer" as used in this section and in § 44-18-21 means and includes those defined in § 31-1-5(a) – (e) and also includes boat trailers, camping trailers, house trailers, and mobile homes.

(d) Notwithstanding the provisions contained in this section and in § 44-18-21 relating to the imposition of a use tax and liability for this tax on certain casual sales, no tax is payable in any casual sale:

(1) When the transferee or purchaser is the spouse, mother, father, brother, sister, or child of the transferor or seller;

(2) When the transfer or sale is made in connection with the organization, reorganization, dissolution, or partial liquidation of a business entity; provided:

(i) The last taxable sale, transfer, or use of the article being transferred or sold was subjected to a tax imposed by this chapter;

(ii) The transferee is the business entity referred to or is a stockholder, owner, member, or partner; and

1 (iii) Any gain or loss to the transferor is not recognized for income tax purposes under the
2 provisions of the federal income tax law and treasury regulations and rulings issued thereunder;

3 (3) When the sale or transfer is of a trailer, other than a camping trailer, of the type
4 ordinarily used for residential purposes and commonly known as a house trailer or as a mobile
5 home; or

6 (4) When the transferee or purchaser is exempt under the provisions of § 44-18-30 or
7 other general law of this state or special act of the general assembly of this state.

8 (e) The term "casual" means a sale made by a person other than a retailer; provided, that
9 in the case of a sale of a motor vehicle, the term means a sale made by a person other than a
10 licensed motor vehicle dealer or an auctioneer at an auction sale. In no case is the tax imposed
11 under the provisions of subsections (a) and (b) of this section on the storage, use, or other
12 consumption in this state of a used motor vehicle less than the product obtained by multiplying
13 the amount of the retail dollar value at the time of purchase of the motor vehicle by the
14 applicable tax rate; provided, that where the amount of the sale price exceeds the amount of the
15 retail dollar value, the tax is based on the sale price. The tax administrator shall use as his or her
16 guide the retail dollar value as shown in the current issue of any nationally recognized used
17 vehicle guide for appraisal purposes in this state. On request within thirty (30) days by the
18 taxpayer after payment of the tax, if the tax administrator determines that the retail dollar value
19 as stated in this subsection is inequitable or unreasonable, he or she shall, after affording the
20 taxpayer reasonable opportunity to be heard, re-determine the tax.

21 (f) Every person making more than five (5) retail sales of tangible personal property or
22 prewritten computer software delivered electronically or by load and leave, or services as defined
23 in § 44-18-7.3 during any twelve (12) month period, including sales made in the capacity of

1 assignee for the benefit of creditors or receiver or trustee in bankruptcy, is considered a retailer
2 within the provisions of this chapter.

3 (g) "Casual sale" includes a sale of tangible personal property not held or used by a seller
4 in the course of activities for which the seller is required to hold a seller's permit or permits or
5 would be required to hold a seller's permit or permits if the activities were conducted in this
6 state; provided, that the sale is not one of a series of sales sufficient in number, scope, and
7 character (more than five (5) in any twelve (12) month period) to constitute an activity for which
8 the seller is required to hold a seller's permit or would be required to hold a seller's permit if the
9 activity were conducted in this state.

10 (2) Casual sales also include sales made at bazaars, fairs, picnics, or similar events by
11 nonprofit organizations, which are organized for charitable, educational, civic, religious, social,
12 recreational, fraternal, or literary purposes during two (2) events not to exceed a total of six (6)
13 days duration each calendar year. Each event requires the issuance of a permit by the division of
14 taxation. Where sales are made at events by a vendor, which holds a sales tax permit and is not a
15 nonprofit organization, the sales are in the regular course of business and are not exempt as
16 casual sales.

17 (h) The use tax imposed under this section for the period commencing July 1, 1990 is at
18 the rate of seven percent (7%). ~~In recognition of the work being performed by the Streamlined~~
19 ~~Sales and Use Tax Governing Board, upon passage of any federal law which authorizes states to~~
20 ~~require remote sellers to collect and remit sales and use taxes, effective the first (1st) day of the~~
21 ~~first (1st) state fiscal quarter following the change, the rate imposed under § 44-18-18 shall be~~
22 ~~reduced from seven percent (7.0%) to six and one-half percent (6.5%). The six and one-half~~

1 percent (6.5%) rate shall take effect on the date that the state requires remote sellers to collect
2 and remit sales and use taxes.

3 **44-18-30. Gross receipts exempt from sales and use taxes.** -- There are exempted from
4 the taxes imposed by this chapter the following gross receipts:

5 (1) *Sales and uses beyond constitutional power of state.* From the sale and from the
6 storage, use, or other consumption in this state of tangible personal property the gross receipts
7 from the sale of which, or the storage, use, or other consumption of which, this state is prohibited
8 from taxing under the Constitution of the United States or under the constitution of this state.

9 (2) *Newspapers.*

10 (i) From the sale and from the storage, use, or other consumption in this state of any
11 newspaper.

12 (ii) "Newspaper" means an unbound publication printed on newsprint, which contains
13 news, editorial comment, opinions, features, advertising matter, and other matters of public
14 interest.

15 (iii) "Newspaper" does not include a magazine, handbill, circular, flyer, sales catalog, or
16 similar item unless the item is printed for and distributed as a part of a newspaper.

17 (3) *School meals.* From the sale and from the storage, use, or other consumption in this
18 state of meals served by public, private, or parochial schools, school districts, colleges,
19 universities, student organizations, and parent teacher associations to the students or teachers of a
20 school, college, or university whether the meals are served by the educational institutions or by a
21 food service or management entity under contract to the educational institutions.

22 (4) *Containers.*

23 (i) From the sale and from the storage, use, or other consumption in this state of:

1 (A) Non-returnable containers, including boxes, paper bags, and wrapping materials
2 which are biodegradable and all bags and wrapping materials utilized in the medical and healing
3 arts, when sold without the contents to persons who place the contents in the container and sell
4 the contents with the container.

5 (B) Containers when sold with the contents if the sale price of the contents is not required
6 to be included in the measure of the taxes imposed by this chapter.

7 (C) Returnable containers when sold with the contents in connection with a retail sale of
8 the contents or when resold for refilling.

9 (ii) As used in this subdivision, the term "returnable containers" means containers of a
10 kind customarily returned by the buyer of the contents for reuse. All other containers are "non-
11 returnable containers."

12 (5) *Charitable, educational, and religious organizations.* From the sale to as in defined in
13 this section, and from the storage, use, and other consumption in this state or any other state of
14 the United States of America of tangible personal property by hospitals not operated for a profit,
15 "educational institutions" as defined in subdivision (18) not operated for a profit, churches,
16 orphanages, and other institutions or organizations operated exclusively for religious or
17 charitable purposes, interest free loan associations not operated for profit, nonprofit organized
18 sporting leagues and associations and bands for boys and girls under the age of nineteen (19)
19 years, the following vocational student organizations that are state chapters of national
20 vocational students organizations: Distributive Education Clubs of America, (DECA); Future
21 Business Leaders of America, phi beta lambda (FBLA/PBL); Future Farmers of America (FFA);
22 Future Homemakers of America/Home Economics Related Occupations (FHA/HERD); and

1 Vocational Industrial Clubs of America (VICA), organized nonprofit golden age and senior
2 citizens clubs for men and women, and parent teacher associations.

3 (ii) In the case of contracts entered into with the federal government, its agencies or
4 instrumentalities, this state or any other state of the United States of America, its agencies, any
5 city, town, district, or other political subdivision of the states, hospitals not operated for profit,
6 educational institutions not operated for profit, churches, orphanages, and other institutions or
7 organizations operated exclusively for religious or charitable purposes, the contractor may
8 purchase such materials and supplies (materials and/or supplies are defined as those which are
9 essential to the project) that are to be utilized in the construction of the projects being performed
10 under the contracts without payment of the tax.

11 (iii) The contractor shall not charge any sales or use tax to any exempt agency,
12 institution, or organization but shall in that instance provide his or her suppliers with certificates
13 in the form as determined by the division of taxation showing the reason for exemption; and the
14 contractor's records must substantiate the claim for exemption by showing the disposition of all
15 property so purchased. If any property is then used for a nonexempt purpose, the contractor must
16 pay the tax on the property used.

17 (6) *Gasoline.* From the sale and from the storage, use, or other consumption in this state
18 of: (i) gasoline and other products taxed under chapter 36 of title 31, and (ii) fuels used for the
19 propulsion of airplanes.

20 (7) *Purchase for manufacturing purposes.*

21 (i) From the sale and from the storage, use, or other consumption in this state of computer
22 software, tangible personal property, electricity, natural gas, artificial gas, steam, refrigeration,
23 and water, when the property or service is purchased for the purpose of being manufactured into

1 a finished product for resale, and becomes an ingredient, component, or integral part of the
2 manufactured, compounded, processed, assembled, or prepared product, or if the property or
3 service is consumed in the process of manufacturing for resale computer software, tangible
4 personal property, electricity, natural gas, artificial gas, steam, refrigeration, or water.

5 (ii) "Consumed" means destroyed, used up, or worn out to the degree or extent that the
6 property cannot be repaired, reconditioned, or rendered fit for further manufacturing use.

7 (iii) "Consumed" includes mere obsolescence.

8 (iv) "Manufacturing" means and includes manufacturing, compounding, processing,
9 assembling, preparing, or producing.

10 (v) "Process of manufacturing" means and includes all production operations performed
11 in the producing or processing room, shop, or plant, insofar as the operations are a part of and
12 connected with the manufacturing for resale of tangible personal property, electricity, natural
13 gas, artificial gas, steam, refrigeration, or water and all production operations performed insofar
14 as the operations are a part of and connected with the manufacturing for resale of computer
15 software.

16 (vi) "Process of manufacturing" does not mean or include administration operations such
17 as general office operations, accounting, collection, sales promotion, nor does it mean or include
18 distribution operations which occur subsequent to production operations, such as handling,
19 storing, selling, and transporting the manufactured products, even though the administration and
20 distribution operations are performed by or in connection with a manufacturing business.

21 (8) *State and political subdivisions.* From the sale to, and from the storage, use, or other
22 consumption by, this state, any city, town, district, or other political subdivision of this state.

1 Every redevelopment agency created pursuant to chapter 31 of title 45 is deemed to be a
2 subdivision of the municipality where it is located.

3 (9) *Food and food ingredients.* From the sale and storage, use, or other consumption in
4 this state of food and food ingredients as defined in § 44-18-7.1(l).

5 For the purposes of this exemption "food and food ingredients" shall not include candy,
6 soft drinks, dietary supplements, alcoholic beverages, tobacco, food sold through vending
7 machines or prepared food (as those terms are defined in § 44-18-7.1, unless the prepared food
8 is:

9 (i) Sold by a seller whose primary NAICS classification is manufacturing in sector 311,
10 except sub-sector 3118 (bakeries);

11 (ii) Sold in an unheated state by weight or volume as a single item;

12 (iii) Bakery items, including bread, rolls, buns, biscuits, bagels, croissants, pastries,
13 donuts, danish, cakes, tortes, pies, tarts, muffins, bars, cookies, tortillas; and is not sold with
14 utensils provided by the seller, including plates, knives, forks, spoons, glasses, cups, napkins, or
15 straws.

16 (10) *Medicines, drugs and durable medical equipment.* From the sale and from the
17 storage, use, or other consumption in this state, of;

18 (i) "Drugs" as defined in § 44-18-7.1(h)(i), sold on prescriptions, medical oxygen, and
19 insulin whether or not sold on prescription. For purposes of this exemption drugs shall not
20 include over-the-counter drugs and grooming and hygiene products as defined in § 44-18-
21 7.1(h)(iii).

22 (ii) Durable medical equipment as defined in section 44-18-7.1(k) for home use only,
23 including, but not limited to, syringe infusers, ambulatory drug delivery pumps, hospital beds,

1 convalescent chairs, and chair lifts. Supplies used in connection with syringe infusers and
2 ambulatory drug delivery pumps which are sold on prescription to individuals to be used by them
3 to dispense or administer prescription drugs, and related ancillary dressings and supplies used to
4 dispense or administer prescription drugs shall also be exempt from tax.

5 (11) *Prosthetic devices and mobility enhancing equipment.* From the sale and from the
6 storage, use, or other consumption in this state, of prosthetic devices as defined in § 44-18-7.1(t),
7 sold on prescription, including but not limited to, artificial limbs, dentures, spectacles and
8 eyeglasses, and artificial eyes; artificial hearing devices and hearing aids, whether or not sold on
9 prescription and mobility enhancing equipment as defined in § 44-18-7.1(p) including
10 wheelchairs, crutches and canes.

11 (12) *Coffins, caskets, and burial garments.* From the sale and from the storage, use, or
12 other consumption in this state of coffins or caskets, and shrouds or other burial garments which
13 are ordinarily sold by a funeral director as part of the business of funeral directing.

14 (13) *Motor vehicles sold to nonresidents.*

15 (i) From the sale, subsequent to June 30, 1958, of a motor vehicle to a bona fide
16 nonresident of this state who does not register the motor vehicle in this state, whether the sale or
17 delivery of the motor vehicle is made in this state or at the place of residence of the nonresident.
18 A motor vehicle sold to a bona fide nonresident whose state of residence does not allow a like
19 exemption to its nonresidents is not exempt from the tax imposed under § 44-18-20. In that event
20 the bona fide nonresident pays a tax to Rhode Island on the sale at a rate equal to the rate that
21 would be imposed in his or her state of residence not to exceed the rate that would have been
22 imposed under § 44-18-20. Notwithstanding any other provisions of law, a licensed motor
23 vehicle dealer shall add and collect the tax required under this subdivision and remit the tax to

1 the tax administrator under the provisions of chapters 18 and 19 of this title. When a Rhode
2 Island licensed motor vehicle dealer is required to add and collect the sales and use tax on the
3 sale of a motor vehicle to a bona fide nonresident as provided in this section, the dealer in
4 computing the tax takes into consideration the law of the state of the nonresident as it relates to
5 the trade-in of motor vehicles.

6 (ii) The tax administrator, in addition to the provisions of §§ 44-19-27 and 44-19-28, may
7 require any licensed motor vehicle dealer to keep records of sales to bona fide nonresidents as
8 the tax administrator deems reasonably necessary to substantiate the exemption provided in this
9 subdivision, including the affidavit of a licensed motor vehicle dealer that the purchaser of the
10 motor vehicle was the holder of, and had in his or her possession a valid out of state motor
11 vehicle registration or a valid out of state driver's license.

12 (iii) Any nonresident who registers a motor vehicle in this state within ninety (90) days of
13 the date of its sale to him or her is deemed to have purchased the motor vehicle for use, storage,
14 or other consumption in this state, and is subject to, and liable for the use tax imposed under the
15 provisions of § 44-18-20.

16 (14) *Sales in public buildings by blind people.* From the sale and from the storage, use, or
17 other consumption in all public buildings in this state of all products or wares by any person
18 licensed under § 40-9-11.1.

19 (15) *Air and water pollution control facilities.* From the sale, storage, use, or other
20 consumption in this state of tangible personal property or supplies acquired for incorporation into
21 or used and consumed in the operation of a facility, the primary purpose of which is to aid in the
22 control of the pollution or contamination of the waters or air of the state, as defined in chapter 12
23 of title 46 and chapter 25 of title 23, respectively, and which has been certified as approved for

1 that purpose by the director of environmental management. The director of environmental
2 management may certify to a portion of the tangible personal property or supplies acquired for
3 incorporation into those facilities or used and consumed in the operation of those facilities to the
4 extent that that portion has as its primary purpose the control of the pollution or contamination of
5 the waters or air of this state. As used in this subdivision, "facility" means any land, facility,
6 device, building, machinery, or equipment.

7 (16) *Camps*. From the rental charged for living quarters, or sleeping or housekeeping
8 accommodations at camps or retreat houses operated by religious, charitable, educational, or
9 other organizations and associations mentioned in subdivision (5), or by privately owned and
10 operated summer camps for children.

11 (17) *Certain institutions*. From the rental charged for living or sleeping quarters in an
12 institution licensed by the state for the hospitalization, custodial, or nursing care of human
13 beings.

14 (18) *Educational institutions*. From the rental charged by any educational institution for
15 living quarters, or sleeping or housekeeping accommodations or other rooms or accommodations
16 to any student or teacher necessitated by attendance at an educational institution. "Educational
17 institution" as used in this section means an institution of learning not operated for profit which
18 is empowered to confer diplomas, educational, literary, or academic degrees, which has a regular
19 faculty, curriculum, and organized body of pupils or students in attendance throughout the usual
20 school year, which keeps and furnishes to students and others records required and accepted for
21 entrance to schools of secondary, collegiate, or graduate rank, no part of the net earnings of
22 which inures to the benefit of any individual.

23 (19) *Motor vehicle and adaptive equipment for persons with disabilities*.

1 (i) From the sale of: (A) special adaptations, (B) the component parts of the special
2 adaptations, or (C) a specially adapted motor vehicle; provided, that the owner furnishes to the
3 tax administrator an affidavit of a licensed physician to the effect that the specially adapted
4 motor vehicle is necessary to transport a family member with a disability or where the vehicle
5 has been specially adapted to meet the specific needs of the person with a disability. This
6 exemption applies to not more than one motor vehicle owned and registered for personal,
7 noncommercial use.

8 (ii) For the purpose of this subsection the term "special adaptations" includes, but is not
9 limited to: wheelchair lifts; wheelchair carriers; wheelchair ramps; wheelchair securements; hand
10 controls; steering devices; extensions, relocations, and crossovers of operator controls; power-
11 assisted controls; raised tops or dropped floors; raised entry doors; or alternative signaling
12 devices to auditory signals.

13 (iii) From the sale of: (a) special adaptations, (b) the component parts of the special
14 adaptations, for a "wheelchair accessible taxicab" as defined in § 39-14-1 and/or a "wheelchair
15 accessible public motor vehicle" as defined in § 39-14.1-1.

16 (iv) For the purpose of this subdivision the exemption for a "specially adapted motor
17 vehicle" means a use tax credit not to exceed the amount of use tax that would otherwise be due
18 on the motor vehicle, exclusive of any adaptations. The use tax credit is equal to the cost of the
19 special adaptations, including installation.

20 (20) *Heating fuels.* From the sale and from the storage, use, or other consumption in this
21 state of every type of fuel used in the heating of homes and residential premises.

22 (21) *Electricity and gas.* From the sale and from the storage, use, or other consumption in
23 this state of electricity and gas furnished for domestic use by occupants of residential premises.

1 (22) *Manufacturing machinery and equipment.*

2 (i) From the sale and from the storage, use, or other consumption in this state of tools,
3 dies, and molds, and machinery and equipment (including replacement parts), and related items
4 to the extent used in an industrial plant in connection with the actual manufacture, conversion, or
5 processing of tangible personal property, or to the extent used in connection with the actual
6 manufacture, conversion or processing of computer software as that term is utilized in industry
7 numbers 7371, 7372, and 7373 in the standard industrial classification manual prepared by the
8 technical committee on industrial classification, office of statistical standards, executive office of
9 the president, United States bureau of the budget, as revised from time to time, to be sold, or that
10 machinery and equipment used in the furnishing of power to an industrial manufacturing plant.
11 For the purposes of this subdivision, "industrial plant" means a factory at a fixed location
12 primarily engaged in the manufacture, conversion, or processing of tangible personal property to
13 be sold in the regular course of business;

14 (ii) Machinery and equipment and related items are not deemed to be used in connection
15 with the actual manufacture, conversion, or processing of tangible personal property, or in
16 connection with the actual manufacture, conversion or processing of computer software as that
17 term is utilized in industry numbers 7371, 7372, and 7373 in the standard industrial classification
18 manual prepared by the technical committee on industrial classification, office of statistical
19 standards, executive office of the president, United States bureau of the budget, as revised from
20 time to time, to be sold to the extent the property is used in administration or distribution
21 operations;

22 (iii) Machinery and equipment and related items used in connection with the actual
23 manufacture, conversion, or processing of any computer software or any tangible personal

1 property which is not to be sold and which would be exempt under subdivision (7) or this
2 subdivision if purchased from a vendor or machinery and equipment and related items used
3 during any manufacturing, converting or processing function is exempt under this subdivision
4 even if that operation, function, or purpose is not an integral or essential part of a continuous
5 production flow or manufacturing process;

6 (iv) Where a portion of a group of portable or mobile machinery is used in connection
7 with the actual manufacture, conversion, or processing of computer software or tangible personal
8 property to be sold, as previously defined, that portion, if otherwise qualifying, is exempt under
9 this subdivision even though the machinery in that group is used interchangeably and not
10 otherwise identifiable as to use.

11 (23) *Trade-in value of motor vehicles.* From the sale and from the storage, use, or other
12 consumption in this state of so much of the purchase price paid for a new or used automobile as
13 is allocated for a trade-in allowance on the automobile of the buyer given in trade to the seller, or
14 of the proceeds applicable only to the automobile as are received from the manufacturer of
15 automobiles for the repurchase of the automobile whether the repurchase was voluntary or not
16 towards the purchase of a new or used automobile by the buyer. For the purpose of this
17 subdivision, the word "automobile" means a private passenger automobile not used for hire and
18 does not refer to any other type of motor vehicle.

19 (24) *Precious metal bullion.*

20 (i) From the sale and from the storage, use, or other consumption in this state of precious
21 metal bullion, substantially equivalent to a transaction in securities or commodities.

22 (ii) For purposes of this subdivision, "precious metal bullion" means any elementary
23 precious metal which has been put through a process of smelting or refining, including, but not

1 limited to, gold, silver, platinum, rhodium, and chromium, and which is in a state or condition
2 that its value depends upon its content and not upon its form.

3 (iii) The term does not include fabricated precious metal which has been processed or
4 manufactured for some one or more specific and customary industrial, professional, or artistic
5 uses.

6 (25) *Commercial vessels.* From sales made to a commercial ship, barge, or other vessel of
7 fifty (50) tons burden or over, primarily engaged in interstate or foreign commerce, and from the
8 repair, alteration, or conversion of the vessels, and from the sale of property purchased for the
9 use of the vessels including provisions, supplies, and material for the maintenance and/or repair
10 of the vessels.

11 (26) *Commercial fishing vessels.* From the sale and from the storage, use, or other
12 consumption in this state of vessels and other water craft which are in excess of five (5) net tons
13 and which are used exclusively for "commercial fishing", as defined in this subdivision, and
14 from the repair, alteration, or conversion of those vessels and other watercraft, and from the sale
15 of property purchased for the use of those vessels and other watercraft including provisions,
16 supplies, and material for the maintenance and/or repair of the vessels and other watercraft and
17 the boats nets, cables, tackle, and other fishing equipment appurtenant to or used in connection
18 with the commercial fishing of the vessels and other watercraft. "Commercial fishing" means the
19 taking or the attempting to take any fish, shellfish, crustacea, or bait species with the intent of
20 disposing of them for profit or by sale, barter, trade, or in commercial channels. The term does
21 not include subsistence fishing, i.e., the taking for personal use and not for sale or barter; or sport
22 fishing; but shall include vessels and other watercraft with a Rhode Island party and charter boat
23 license issued by the department of environmental management pursuant to § 20-2-27.1 which

1 meet the following criteria: (i) the operator must have a current U.S.C.G. license to carry
2 passengers for hire; (ii) U.S.C.G. vessel documentation in the coast wide fishery trade; (iii)
3 U.S.C.G. vessel documentation as to proof of Rhode Island home port status or a Rhode Island
4 boat registration to prove Rhode Island home port status; (iv) the vessel must be used as a
5 commercial passenger carrying fishing vessel to carry passengers for fishing. The vessel must be
6 able to demonstrate that at least fifty percent (50%) of its annual gross income derives from
7 charters or provides documentation of a minimum of one hundred (100) charter trips annually;
8 (v) the vessel must have a valid Rhode Island party and charter boat license. The tax
9 administrator shall implement the provisions of this subdivision by promulgating rules and
10 regulations relating thereto.

11 (27) *Clothing and footwear.* From the sales of articles of clothing, including footwear,
12 intended to be worn or carried on or about the human body for sales prior to October 1, 2012.
13 Effective October 1, 2012, the exemption will apply to the sales of articles of clothing, including
14 footwear, intended to be worn or carried on or about the human body up to two hundred and fifty
15 dollars (\$250) of the sales price per item. For the purposes of this section, "clothing or footwear"
16 does not include clothing accessories or equipment or special clothing or footwear primarily
17 designed for athletic activity or protective use as these terms are defined in section 44-18-7.1(f).
18 ~~In recognition of the work being performed by the Streamlined Sales and Use Tax Governing~~
19 ~~Board, upon passage of any federal law which authorizes states to require remote sellers to~~
20 ~~collect and remit sales and use taxes, this unlimited exemption will apply as it did prior to~~
21 ~~October 1, 2012. The unlimited exemption on sales of clothing and footwear shall take effect on~~
22 ~~the date that the state requires remote sellers to collect and remit sales and use taxes.~~

1 (28) *Water for residential use.* From the sale and from the storage, use, or other
2 consumption in this state of water furnished for domestic use by occupants of residential
3 premises.

4 (29) *Bibles.* [Unconstitutional; see *Ahlburn v. Clark*, 728 A.2d 449 (R.I. 1999); see Notes
5 to Decisions.] From the sale and from the storage, use, or other consumption in the state of any
6 canonized scriptures of any tax-exempt nonprofit religious organization including, but not
7 limited to, the Old Testament and the New Testament versions.

8 (30) *Boats.*

9 (i) From the sale of a boat or vessel to a bona fide nonresident of this state who does not
10 register the boat or vessel in this state, or document the boat or vessel with the United States
11 government at a home port within the state, whether the sale or delivery of the boat or vessel is
12 made in this state or elsewhere; provided, that the nonresident transports the boat within thirty
13 (30) days after delivery by the seller outside the state for use thereafter solely outside the state.

14 (ii) The tax administrator, in addition to the provisions of §§ 44-19-17 and 44-19-28, may
15 require the seller of the boat or vessel to keep records of the sales to bona fide nonresidents as
16 the tax administrator deems reasonably necessary to substantiate the exemption provided in this
17 subdivision, including the affidavit of the seller that the buyer represented himself or herself to
18 be a bona fide nonresident of this state and of the buyer that he or she is a nonresident of this
19 state.

20 (31) *Youth activities equipment.* From the sale, storage, use, or other consumption in this
21 state of items for not more than twenty dollars (\$20.00) each by nonprofit Rhode Island
22 eleemosynary organizations, for the purposes of youth activities which the organization is

1 formed to sponsor and support; and by accredited elementary and secondary schools for the
2 purposes of the schools or of organized activities of the enrolled students.

3 (32) *Farm equipment.* From the sale and from the storage or use of machinery and
4 equipment used directly for commercial farming and agricultural production; including, but not
5 limited to, tractors, ploughs, harrows, spreaders, seeders, milking machines, silage conveyors,
6 balers, bulk milk storage tanks, trucks with farm plates, mowers, combines, irrigation equipment,
7 greenhouses and greenhouse coverings, graders and packaging machines, tools and supplies and
8 other farming equipment, including replacement parts, appurtenant to or used in connection with
9 commercial farming and tools and supplies used in the repair and maintenance of farming
10 equipment. "Commercial farming" means the keeping or boarding of five (5) or more horses or
11 the production within this state of agricultural products, including, but not limited to, field or
12 orchard crops, livestock, dairy, and poultry, or their products, where the keeping, boarding, or
13 production provides at least two thousand five hundred dollars (\$2,500) in annual gross sales to
14 the operator, whether an individual, a group, a partnership, or a corporation for exemptions
15 issued prior to July 1, 2002; for exemptions issued or renewed after July 1, 2002, there shall be
16 two (2) levels. Level I shall be based on proof of annual gross sales from commercial farming of
17 at least twenty-five hundred dollars (\$2,500) and shall be valid for purchases subject to the
18 exemption provided in this subdivision except for motor vehicles with an excise tax value of five
19 thousand dollars (\$5,000) or greater; Level II shall be based on proof of annual gross sales from
20 commercial farming of at least ten thousand dollars (\$10,000) or greater and shall be valid for
21 purchases subject to the exemption provided in this subdivision including motor vehicles with an
22 excise tax value of five thousand dollars (\$5,000) or greater. For the initial issuance of the
23 exemptions, proof of the requisite amount of annual gross sales from commercial farming shall

1 be required for the prior year; for any renewal of an exemption granted in accordance with this
2 subdivision at either Level I or Level II, proof of gross annual sales from commercial farming at
3 the requisite amount shall be required for each of the prior two (2) years. Certificates of
4 exemption issued or renewed after July 1, 2002, shall clearly indicate the level of the exemption
5 and be valid for four (4) years after the date of issue. This exemption applies even if the same
6 equipment is used for ancillary uses, or is temporarily used for a non-farming or a non-
7 agricultural purpose, but shall not apply to motor vehicles acquired after July 1, 2002, unless the
8 vehicle is a farm vehicle as defined pursuant to § 31-1-8 and is eligible for registration displaying
9 farm plates as provided for in § 31-3-31.

10 (33) *Compressed air.* From the sale and from the storage, use, or other consumption in
11 the state of compressed air.

12 (34) *Flags.* From the sale and from the storage, consumption, or other use in this state of
13 United States, Rhode Island or POW-MIA flags.

14 (35) *Motor vehicle and adaptive equipment to certain veterans.* From the sale of a motor
15 vehicle and adaptive equipment to and for the use of a veteran with a service-connected loss of
16 or the loss of use of a leg, foot, hand, or arm, or any veteran who is a double amputee, whether
17 service connected or not. The motor vehicle must be purchased by and especially equipped for
18 use by the qualifying veteran. Certificate of exemption or refunds of taxes paid is granted under
19 rules or regulations that the tax administrator may prescribe.

20 (36) *Textbooks.* From the sale and from the storage, use, or other consumption in this
21 state of textbooks by an "educational institution" as defined in subdivision (18) of this section
22 and as well as any educational institution within the purview of § 16-63-9(4) and used textbooks
23 by any purveyor.

1 (37) *Tangible personal property and supplies used in on-site hazardous waste recycling,*
2 *reuse, or treatment.* From the sale, storage, use, or other consumption in this state of tangible
3 personal property or supplies used or consumed in the operation of equipment, the exclusive
4 function of which is the recycling, reuse, or recovery of materials (other than precious metals, as
5 defined in subdivision (24)(ii) of this section) from the treatment of "hazardous wastes", as
6 defined in § 23-19.1-4, where the "hazardous wastes" are generated in Rhode Island solely by the
7 same taxpayer and where the personal property is located at, in, or adjacent to a generating
8 facility of the taxpayer in Rhode Island. The taxpayer shall procure an order from the director of
9 the department of environmental management certifying that the equipment and/or supplies as
10 used, or consumed, qualify for the exemption under this subdivision. If any information relating
11 to secret processes or methods of manufacture, production, or treatment is disclosed to the
12 department of environmental management only to procure an order, and is a "trade secret" as
13 defined in § 28-21-10(b), it is not open to public inspection or publicly disclosed unless
14 disclosure is required under chapter 21 of title 28 or chapter 24.4 of title 23.

15 (38) *Promotional and product literature of boat manufacturers.* From the sale and from
16 the storage, use, or other consumption of promotional and product literature of boat
17 manufacturers shipped to points outside of Rhode Island which either: (i) accompany the product
18 which is sold, (ii) are shipped in bulk to out of state dealers for use in the sale of the product, or
19 (iii) are mailed to customers at no charge.

20 (39) *Food items paid for by food stamps.* From the sale and from the storage, use, or other
21 consumption in this state of eligible food items payment for which is properly made to the
22 retailer in the form of U.S. government food stamps issued in accordance with the Food Stamp
23 Act of 1977, 7 U.S.C. § 2011 et seq.

1 (40) *Transportation charges.* From the sale or hiring of motor carriers as defined in § 39-
2 12-2(1) to haul goods, when the contract or hiring cost is charged by a motor freight tariff filed
3 with the Rhode Island public utilities commission on the number of miles driven or by the
4 number of hours spent on the job.

5 (41) *Trade-in value of boats.* From the sale and from the storage, use, or other
6 consumption in this state of so much of the purchase price paid for a new or used boat as is
7 allocated for a trade-in allowance on the boat of the buyer given in trade to the seller or of the
8 proceeds applicable only to the boat as are received from an insurance claim as a result of a
9 stolen or damaged boat, towards the purchase of a new or used boat by the buyer.

10 (42) *Equipment used for research and development.* From the sale and from the storage,
11 use, or other consumption of equipment to the extent used for research and development
12 purposes by a qualifying firm. For the purposes of this subdivision, "qualifying firm" means a
13 business for which the use of research and development equipment is an integral part of its
14 operation, and "equipment" means scientific equipment, computers, software, and related items.

15 (43) *Coins.* From the sale and from the other consumption in this state of coins having
16 numismatic or investment value.

17 (44) *Farm structure construction materials.* Lumber, hardware and other materials used
18 in the new construction of farm structures, including production facilities such as, but not limited
19 to, farrowing sheds, free stall and stanchion barns, milking parlors, silos, poultry barns, laying
20 houses, fruit and vegetable storages, rooting cellars, propagation rooms, greenhouses, packing
21 rooms, machinery storage, seasonal farm worker housing, certified farm markets, bunker and
22 trench silos, feed storage sheds, and any other structures used in connection with commercial
23 farming.

1 (45) *Telecommunications carrier access service.* Carrier access service or
2 telecommunications service when purchased by a telecommunications company from another
3 telecommunications company to facilitate the provision of telecommunications service.

4 (46) *Boats or vessels brought into the state exclusively for winter storage, maintenance,*
5 *repair or sale.* Notwithstanding the provisions of §§ 44-18-10, 44-18-11, 44-18-20, the tax
6 imposed by § 44-18-20 is not applicable for the period commencing on the first day of October
7 in any year to and including the 30th day of April next succeeding with respect to the use of any
8 boat or vessel within this state exclusively for purposes of: (i) delivery of the vessel to a facility
9 in this state for storage, including dry storage and storage in water by means of apparatus
10 preventing ice damage to the hull, maintenance, or repair; (ii) the actual process of storage,
11 maintenance, or repair of the boat or vessel; or (iii) storage for the purpose of selling the boat or
12 vessel.

13 (47) *Jewelry display product.* From the sale and from the storage, use, or other
14 consumption in this state of tangible personal property used to display any jewelry product;
15 provided, that title to the jewelry display product is transferred by the jewelry manufacturer or
16 seller and that the jewelry display product is shipped out of state for use solely outside the state
17 and is not returned to the jewelry manufacturer or seller.

18 (48) *Boats or vessels generally.* Notwithstanding the provisions of this chapter, the tax
19 imposed by §§ 44-18-20 and 44-18-18 shall not apply with respect to the sale and to the storage,
20 use, or other consumption in this state of any new or used boat. The exemption provided for in
21 this subdivision does not apply after October 1, 1993, unless prior to October 1, 1993, the federal
22 ten percent (10%) surcharge on luxury boats is repealed.

1 (49) *Banks and Regulated investment companies interstate toll-free calls.*

2 Notwithstanding the provisions of this chapter, the tax imposed by this chapter does not apply to
3 the furnishing of interstate and international, toll-free terminating telecommunication service that
4 is used directly and exclusively by or for the benefit of an eligible company as defined in this
5 subdivision; provided, that an eligible company employs on average during the calendar year no
6 less than five hundred (500) "full-time equivalent employees", as that term is defined in § 42-
7 64.5-2. For purposes of this section, an "eligible company" means a "regulated investment
8 company" as that term is defined in the Internal Revenue Code of 1986, 26 U.S.C. § 1 et seq., or
9 a corporation to the extent the service is provided, directly or indirectly, to or on behalf of a
10 regulated investment company, an employee benefit plan, a retirement plan or a pension plan or
11 a state chartered bank.

12 (50) *Mobile and manufactured homes generally.* From the sale and from the storage, use,
13 or other consumption in this state of mobile and/or manufactured homes as defined and subject
14 to taxation pursuant to the provisions of chapter 44 of title 31.

15 (51) *Manufacturing business reconstruction materials.*

16 (i) From the sale and from the storage, use or other consumption in this state of lumber,
17 hardware, and other building materials used in the reconstruction of a manufacturing business
18 facility which suffers a disaster, as defined in this subdivision, in this state. "Disaster" means any
19 occurrence, natural or otherwise, which results in the destruction of sixty percent (60%) or more
20 of an operating manufacturing business facility within this state. "Disaster" does not include any
21 damage resulting from the willful act of the owner of the manufacturing business facility.

22 (ii) Manufacturing business facility includes, but is not limited to, the structures housing
23 the production and administrative facilities.

1 (iii) In the event a manufacturer has more than one manufacturing site in this state, the
2 sixty percent (60%) provision applies to the damages suffered at that one site.

3 (iv) To the extent that the costs of the reconstruction materials are reimbursed by
4 insurance, this exemption does not apply.

5 (52) *Tangible personal property and supplies used in the processing or preparation of*
6 *floral products and floral arrangements.* From the sale, storage, use, or other consumption in this
7 state of tangible personal property or supplies purchased by florists, garden centers, or other like
8 producers or vendors of flowers, plants, floral products, and natural and artificial floral
9 arrangements which are ultimately sold with flowers, plants, floral products, and natural and
10 artificial floral arrangements or are otherwise used in the decoration, fabrication, creation,
11 processing, or preparation of flowers, plants, floral products, or natural and artificial floral
12 arrangements, including descriptive labels, stickers, and cards affixed to the flower, plant, floral
13 product or arrangement, artificial flowers, spray materials, floral paint and tint, plant shine,
14 flower food, insecticide and fertilizers.

15 (53) *Horse food products.* From the sale and from the storage, use, or other consumption
16 in this state of horse food products purchased by a person engaged in the business of the
17 boarding of horses.

18 (54) *Non-motorized recreational vehicles sold to nonresidents.*

19 (i) From the sale, subsequent to June 30, 2003, of a non-motorized recreational vehicle to
20 a bona fide nonresident of this state who does not register the non-motorized recreational vehicle
21 in this state, whether the sale or delivery of the non-motorized recreational vehicle is made in
22 this state or at the place of residence of the nonresident; provided, that a non-motorized
23 recreational vehicle sold to a bona fide nonresident whose state of residence does not allow a like

1 exemption to its nonresidents is not exempt from the tax imposed under § 44-18-20; provided,
2 further, that in that event the bona fide nonresident pays a tax to Rhode Island on the sale at a
3 rate equal to the rate that would be imposed in his or her state of residence not to exceed the rate
4 that would have been imposed under § 44-18-20. Notwithstanding any other provisions of law, a
5 licensed non-motorized recreational vehicle dealer shall add and collect the tax required under
6 this subdivision and remit the tax to the tax administrator under the provisions of chapters 18 and
7 19 of this title. Provided, that when a Rhode Island licensed non-motorized recreational vehicle
8 dealer is required to add and collect the sales and use tax on the sale of a non-motorized
9 recreational vehicle to a bona fide nonresident as provided in this section, the dealer in
10 computing the tax takes into consideration the law of the state of the nonresident as it relates to
11 the trade-in of motor vehicles.

12 (ii) The tax administrator, in addition to the provisions of §§ 44-19-27 and 44-19-28, may
13 require any licensed non-motorized recreational vehicle dealer to keep records of sales to bona
14 fide nonresidents as the tax administrator deems reasonably necessary to substantiate the
15 exemption provided in this subdivision, including the affidavit of a licensed non-motorized
16 recreational vehicle dealer that the purchaser of the non-motorized recreational vehicle was the
17 holder of, and had in his or her possession a valid out-of-state non-motorized recreational vehicle
18 registration or a valid out-of-state driver's license.

19 (iii) Any nonresident who registers a non-motorized recreational vehicle in this state
20 within ninety (90) days of the date of its sale to him or her is deemed to have purchased the non-
21 motorized recreational vehicle for use, storage, or other consumption in this state, and is subject
22 to, and liable for the use tax imposed under the provisions of § 44-18-20.

1 (iv) "Non-motorized recreational vehicle" means any portable dwelling designed and
2 constructed to be used as a temporary dwelling for travel, camping, recreational, and vacation
3 use which is eligible to be registered for highway use, including, but not limited to, "pick-up
4 coaches" or "pick-up campers," "travel trailers," and "tent trailers" as those terms are defined in
5 chapter 1 of title 31.

6 (55) *Sprinkler and fire alarm systems in existing buildings.* From the sale in this state of
7 sprinkler and fire alarm systems, emergency lighting and alarm systems, and from the sale of the
8 materials necessary and attendant to the installation of those systems, that are required in
9 buildings and occupancies existing therein in July 2003, in order to comply with any additional
10 requirements for such buildings arising directly from the enactment of the Comprehensive Fire
11 Safety Act of 2003, and that are not required by any other provision of law or ordinance or
12 regulation adopted pursuant to that Act. The exemption provided in this subdivision shall expire
13 on December 31, 2008.

14 (56) *Aircraft.* Notwithstanding the provisions of this chapter, the tax imposed by §§ 44-
15 18-18 and 44-18-20 shall not apply with respect to the sale and to the storage, use, or other
16 consumption in this state of any new or used aircraft or aircraft parts.

17 (57) *Renewable energy products.* Notwithstanding any other provisions of Rhode Island
18 general laws the following products shall also be exempt from sales tax: solar photovoltaic
19 modules or panels, or any module or panel that generates electricity from light; solar thermal
20 collectors, including, but not limited to, those manufactured with flat glass plates, extruded
21 plastic, sheet metal, and/or evacuated tubes; geothermal heat pumps, including both water-to-
22 water and water-to-air type pumps; wind turbines; towers used to mount wind turbines if
23 specified by or sold by a wind turbine manufacturer; DC to AC inverters that interconnect with

1 utility power lines; manufactured mounting racks and ballast pans for solar collector, module or
2 panel installation. Not to include materials that could be fabricated into such racks; monitoring
3 and control equipment, if specified or supplied by a manufacturer of solar thermal, solar
4 photovoltaic, geothermal, or wind energy systems or if required by law or regulation for such
5 systems but not to include pumps, fans or plumbing or electrical fixtures unless shipped from the
6 manufacturer affixed to, or an integral part of, another item specified on this list; and solar
7 storage tanks that are part of a solar domestic hot water system or a solar space heating system. If
8 the tank comes with an external heat exchanger it shall also be tax exempt, but a standard hot
9 water tank is not exempt from state sales tax.

10 (58) *Returned property.* The amount charged for property returned by customers upon
11 rescission of the contract of sale when the entire amount exclusive of handling charges paid for
12 the property is refunded in either cash or credit, and where the property is returned within one
13 hundred twenty (120) days from the date of delivery.

14 (59) *Dietary Supplements.* From the sale and from the storage, use or other consumption
15 of dietary supplements as defined in § 44-18-7.1(l)(v), sold on prescriptions.

16 (60) *Blood.* From the sale and from the storage, use or other consumption of human
17 blood.

18 (61) *Agricultural products for human consumption.* From the sale and from the storage,
19 use or other consumption of livestock and poultry of the kinds of products of which ordinarily
20 constitute food for human consumption and of livestock of the kind the products of which
21 ordinarily constitute fibers for human use.

22 (62) *Diesel emission control technology.* From the sale and use of diesel retrofit
23 technology that is required by § 31-47.3-4 of the general laws.

1 (63) *Feed for certain animals used in commercial farming.* From the sale of feed for
2 animals as described in subsection 44-18-30(61).

3 (64) *Alcoholic beverages.* From the sale and storage, use, or other consumption in this
4 state by a Class A licensee of alcoholic beverages, as defined in § 44-18-7.1, excluding beer and
5 malt beverages from December 1, 2013 through March 31, 2015; provided, further,
6 notwithstanding § 6-13-1 or any other general or public law to the contrary, alcoholic beverages,
7 as defined in § 44-18-7.1, shall not be subject to minimum markup from December 1, 2013
8 through March 31, 2015.

9 (65) *Electricity and gas.* In recognition of the work being performed by the Streamlined
10 Sales and Use Tax Governing Board, upon passage of any federal law which authorizes states to
11 require remote sellers defined in § 44-18-15.2, to collect and remit sales and use taxes under
12 chapters 18 and 19 of this title, the sale and storage, use, or other consumption in this state of
13 electricity and gas furnished to any business shall be exempted from the taxes imposed by this
14 chapter. This exemption shall take effect on the date that the state requires remote sellers to
15 collect and remit sales and use tax.

16 **§ 44-18-36.1 Hotel tax.** – (a) There is imposed a hotel tax of five percent (5%) upon the total
17 consideration charged for occupancy of any space furnished by any hotel in this state. The hotel
18 tax is in addition to any sales tax imposed. This hotel tax is administered and collected by the
19 division of taxation and unless provided to the contrary in this chapter, all the administration,
20 collection, and other provisions of chapters 18 and 19 of this title apply. Nothing in this chapter
21 shall be construed to limit the powers of the convention authority of the city of Providence
22 established pursuant to the provisions of chapter 84 of the public laws of 1980, except that

1 distribution of hotel tax receipts shall be made pursuant to chapter 63.1 of title 42 rather than
2 chapter 84 of the public laws of 1980.

3 (b) There is hereby levied and imposed, upon the total consideration charged for
4 occupancy of any space furnished by any hotel in this state, in addition to all other taxes and fees
5 now imposed by law, a local hotel tax at a rate of one percent (1%). The local hotel tax shall be
6 administered and collected in accordance with subsection (a).

7 (c) All sums received by the division of taxation from the local hotel tax, penalties or
8 forfeitures, interest, costs of suit and fines shall be distributed at least quarterly, credited and paid
9 by the state treasurer to the city or town where the space for occupancy that is furnished by the
10 hotel is located. Unless provided to the contrary in this chapter, all of the administration,
11 collection, and other provisions of chapters 18 and 19 of this title shall apply.

12 (d) Notwithstanding the provisions of subsection (a) of this section, the city of Newport
13 shall have the authority to collect from hotels located in the city of Newport the tax imposed by
14 subsection (a) of this section.

15 (1) Within ten (10) days of collection of the tax, the city of Newport shall distribute the
16 tax as provided in § 42-63.1-3. No later than the first day of March and the first day of
17 September in each year in which the tax is collected, the city of Newport shall submit to the
18 division of taxation a report of the tax collected and distributed during the six (6) month period
19 ending thirty (30) days prior to the reporting date.

20 (2) The city of Newport shall have the same authority as the division of taxation to
21 recover delinquent hotel taxes pursuant to chapter 44-19, and the amount of any hotel tax,
22 penalty and interest imposed by the city of Newport until collected constitutes a lien on the real
23 property of the taxpayer.

1 ~~In recognition of the work being performed by the Streamlined Sales and Use Tax Governing~~
2 ~~Board, upon any federal law which requires remote sellers to collect and remit taxes, effective~~
3 ~~the first (1st) day of the first (1st) state fiscal quarter following the change, the rate imposed~~
4 ~~under § 44-18-36.1(b) shall be one and one half percent (1.5%).~~

5 SECTION ~~3~~ 4. This article shall take effect upon passage.

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1 vehicles with a certificate of good standing specified in § 5-76-5. Within five (5) business days of
2 receiving such a certificate, the division of motor vehicles shall register or transfer the person's
3 registration.

4 (e) If a person files an overdue return and/or remits past due taxes in order to register a motor
5 vehicle or transfer the registration of a motor vehicle, said late filing and/or payment shall not be an
6 admission of a violation of any criminal tax statute regarding late filing and/or late payment. The tax
7 administrator shall not refer such person to the Attorney General for prosecution based solely upon said
8 late filing and/or payment of past due taxes.

9 SECTION 2. Chapter 44-1 of the General Laws entitled "State Tax Officials" is hereby amended by
10 adding thereto the following section:

11 **§ 44-1-31.2 Charges of Electronic Filing of Tax Returns.** - (a) For the purpose of this chapter,
12 the following terms have the specified meanings:

13 (1) "Authorized tax document" means a document which the tax administrator has authorized to
14 be filed electronically.

15 (2) "Software Company" means a developer of tax software.

16 (3) "Tax Return Preparer" means any person who prepares for compensation, or who employs or
17 engages one or more persons to prepare for compensation, any authorized tax document. For the purpose
18 of this section, the term "tax return preparer" also includes a payroll service.

19 (4) "Tax Software" means any computer software program intended for tax return
20 preparation purposes. For purposes of this section, the term "tax software" includes, but is not limited to,
21 an off-the-shelf software program loaded onto a tax return preparer's or taxpayer's computer, or an online
22 tax preparation application.

23 (b) It shall be unlawful for a tax return preparer or a software company to charge a separate fee
24 for the electronic filing of authorized tax documents. It shall also be unlawful for a software company to
25 offer a version of its tax software that charges a separate fee for the electronic filing of authorized tax
26 documents and a version of the same tax software that does not.

1 (c) Any tax return preparer or software company violating this section shall be liable for a civil
2 penalty of five hundred dollars (\$500.00) for the first violation and on thousand dollars (\$1,000.00) for
3 each succeeding violation. The civil penalties imposed by this section shall be paid to the tax
4 administrator upon notice and demand, and will be assessed, collected and paid in the same manner as
5 taxes under this title.

6 SECTION 3. Sections 44-18-7, 44-18-7.3, 44-18-12.1, and 44-18-36.1 of the General Laws in
7 Chapter 44-18 entitled "Sales and Use Tax – Liability and Computation" are hereby amended to read as
8 follows:

9 **§ 44-18-7 Sales defined.** – "Sales" means and includes:

10 (1) Any transfer of title or possession, exchange, barter, lease, or rental, conditional or otherwise,
11 in any manner or by any means of tangible personal property for a consideration. "Transfer of
12 possession", "lease", or "rental" includes transactions found by the tax administrator to be in lieu of a
13 transfer of title, exchange, or barter.

14 (2) The producing, fabricating, processing, printing, or imprinting of tangible personal property
15 for a consideration for consumers who furnish either directly or indirectly the materials used in the
16 producing, fabricating, processing, printing, or imprinting.

17 (3) The furnishing and distributing of tangible personal property for a consideration by social,
18 athletic, and similar clubs and fraternal organizations to their members or others.

19 (4) The furnishing, preparing, or serving for consideration of food, meals, or drinks, including
20 any cover, minimum, entertainment, or other charge in connection therewith.

21 (5) A transaction whereby the possession of tangible personal property is transferred, but the
22 seller retains the title as security for the payment of the price.

23 (6) Any withdrawal, except a withdrawal pursuant to a transaction in foreign or interstate
24 commerce, of tangible personal property from the place where it is located for delivery to a point in this
25 state for the purpose of the transfer of title or possession, exchange, barter, lease, or rental, conditional or
26 otherwise, in any manner or by any means whatsoever, of the property for a consideration.

1 (7) A transfer for a consideration of the title or possession of tangible personal property, which
2 has been produced, fabricated, or printed to the special order of the customer, or any publication.

3 (8) The furnishing and distributing of electricity, natural gas, artificial gas, steam, refrigeration,
4 and water.

5 (9) The furnishing for consideration of intrastate, interstate and international telecommunications
6 service sourced in this state in accordance with subsections 44-18.1(15) and (16) and all ancillary
7 services, any maintenance services of telecommunication equipment other than as provided for in
8 subdivision 44-18-12(b)(ii). For the purposes of chapters 18 and 19 of this title only, telecommunication
9 service does not include service rendered using a prepaid telephone calling arrangement.

10 (ii) Notwithstanding the provisions of paragraph (i) of this subdivision, in accordance with the
11 Mobile Telecommunications Sourcing Act (4 U.S.C. §§ 116 – 126), subject to the specific exemptions
12 described in 4 U.S.C. § 116(c), and the exemptions provided in §§ 44-18-8 and 44-18-12, mobile
13 telecommunications services that are deemed to be provided by the customer's home service provider are
14 subject to tax under this chapter if the customer's place of primary use is in this state regardless of where
15 the mobile telecommunications services originate, terminate or pass through. Mobile telecommunications
16 services provided to a customer, the charges for which are billed by or for the customer's home service
17 provider, shall be deemed to be provided by the customer's home service provider.

18 (10) The furnishing of service for transmission of messages by telegraph, cable, or radio and the
19 furnishing of community antenna television, subscription television, and cable television services.

20 (11) The rental of living quarters in any hotel, as defined in § 42-63.1-2, rooming house, or tourist
21 camp.

22 (12) The transfer for consideration of prepaid telephone calling arrangements and the recharge of
23 prepaid telephone calling arrangements sourced to this state in accordance with §§ 44-18.1-11 and 44-
24 18.1-15. "Prepaid telephone calling arrangement" means and includes prepaid calling service and prepaid
25 wireless calling service.

1 (13) The sale, storage, use or other consumption of over-the-counter drugs as defined in
2 paragraph 44-18-7.1(h)(ii).

3 (14) The sale, storage, use or other consumption of prewritten computer software delivered
4 electronically or by load and leave as defined in paragraph 44-18-7.1(v).

5 (15) The sale, storage, use or other consumption of medical marijuana as defined in § 21-28.6-3.

6 (16) The furnishing of services in this state as defined in § 44-18-7.3

7 **§ 44-18-7.3 Services defined.** – (a) "Services" means all activities engaged in for other persons
8 for a fee, retainer, commission, or other monetary charge, which activities involve the performance of a
9 service in this state as distinguished from selling property.

10 (b) The following businesses and services performed in this state, along with the applicable 2007 North
11 American Industrial Classification System (NAICS) codes, are included in the definition of services:

12 (1) Taxicab and limousine services including but not limited to:

13 (i) Taxicab services including taxi dispatchers (485310); and

14 (ii) Limousine services (485320).

15 (2) Other road transportation service including but not limited to:

16 (i) Charter bus service (485510); and

17 (ii) All other transit and ground passenger transportation (485999).

18 (3) Pet care services (812910) except veterinary and testing laboratories services.

19 (c)(1) "Room reseller" or "Reseller." Room reseller or reseller shall mean any person having any
20 right, permission, license, or other authority from or through a hotel, as defined in § 42-63.1-2, to reserve,
21 or arrange the transfer of occupancy of, accommodations, the reservation or transfer of which is subject to
22 this chapter, such that the occupant pays all or a portion of the rental and other fees to the reseller. Room
23 reseller or reseller shall include, but not be limited to, sellers of travel packages as defined in this section.
24 Notwithstanding the provisions of any other law, where said reservation or transfer of occupancy is made
25 using a room reseller, the application of the sales and use under §§ 44-18-18 and 44-18-20, and the hotel
26 tax under §44-18- 36.1 shall be as follows: The room reseller is required to register with and shall collect

1 and pay to the tax administrator the sales and use and hotel taxes with said taxes being calculated upon
2 the amount of rental and other fees paid by the occupant to the room reseller, less the amount of any
3 rental and other fees paid by the reseller to the hotel. The hotel shall collect and pay to the tax
4 administrator said taxes upon the amount of rental and other fees paid to the hotel by the reseller and/or
5 the occupant. No assessment shall be made by the tax administrator against a hotel because of an
6 incorrect remittance of the taxes under this chapter by a room reseller. No assessment shall be made by
7 the tax administrator against a room reseller because of an incorrect remittance of the taxes under this
8 chapter by a hotel. If the hotel has paid the taxes imposed under this chapter, the occupant and/or room
9 reseller shall reimburse the hotel for said taxes. If the reseller has paid said taxes, the occupant shall
10 reimburse the reseller for said taxes. Each hotel and room reseller shall add and collect from the occupant
11 or the room reseller the full amount of the taxes imposed on the rental and other fees. When added to the
12 rental and other fees, the taxes shall be a debt owed by the occupant to the hotel or room reseller, as
13 applicable, and shall be recoverable at law in the same manner as other debts. The amount of the taxes
14 collected by the hotel and/or room reseller from the occupant under this chapter shall be stated and
15 charged separately from the rental and other fees, and shall be shown separately on all records thereof,
16 whether made at the time the transfer of occupancy occurs and made on valid evidence of the transfer,
17 issued or used by the hotel or the room reseller. A room reseller shall not be required to disclose to the
18 occupant the amount of tax charged by the hotel; provided, however, the reseller shall represent to the
19 occupant that the separately stated taxes charged by the reseller include taxes charged by the hotel. No
20 person shall operate a hotel in this state, or act as a room reseller for any hotel in the state, unless the tax
21 administrator has issued a permit pursuant to R.I. Gen. Laws § 44-19-1.

22 (2) "Travel package" means a room or rooms bundled with one or more other, separate
23 components of travel such as air transportation, car rental or similar items, which travel package is
24 charged to the customer or occupant for a single retail price. When the room occupancy is bundled for a
25 single consideration, with other property, services, amusement charges, or any other items, the separate
26 sale of which would not otherwise be subject to tax under this chapter, the entire single consideration

1 shall be treated as rent, subject to tax under this chapter; provided, however, that where the amount of the
2 rental or other fees for room occupancy is stated separately from the price of such other property,
3 services, amusement charges, or other items, on any sales slip, invoice, receipt, or other statement given
4 the occupant, and such rental and other fees are determined by the tax administrator to be reasonable in
5 relation to the value of such other property, services, amusement charges or other items, only such
6 separately stated rental and other fees will be subject to tax under this chapter. The value of the transfer
7 of any room or rooms bundled as part of a travel package may be determined by the tax administrator
8 from the room reseller's and/or hotel's books and records kept in the regular and ordinary course of
9 business.

10 (e)(d) The tax administrator is authorized to promulgate rules and regulations in accordance with
11 the provisions of chapter 42-35 to carry out the provisions, policies, and purposes of this chapter.

12 **§ 44-18-12.1 "Additional measure subject to tax".** – Also included in the measure subject to
13 tax under this chapter is the total amount charged for the furnishing or distributing of electricity, natural
14 gas, artificial gas, steam, refrigeration, water, telecommunications, telegraph, cable, and radio message
15 service, community antenna television, subscription television, and cable television service; provided, that
16 the measure of tax in regard to telecommunications service is the total consideration received for the
17 service as defined in § 44-18-7(9); provided, that in order to prevent multistate taxation of all
18 telecommunications service, any taxpayer is allowed a credit or refund of sales tax upon presenting proof
19 that a tax has been paid to another state to which the tax is properly due for the identical service taxed
20 under this chapter. Furthermore, included in the measure of tax is the total amount charged for the rental
21 of living quarters in any hotel as defined in § 42-63.1-2, rooming house, or tourist camp.

22 **§ 44-18-36.1 Hotel tax.** – (a) There is imposed a hotel tax of five percent (5%) upon the total
23 consideration charged for occupancy of any space furnished by any hotel, as defined in § 42-63.1-2, or
24 room reseller, as defined in § 44-18-7.3(c), in this state. The hotel tax is in addition to any sales tax
25 imposed. This hotel tax is administered and collected by the division of taxation and unless provided to
26 the contrary in this chapter, all the administration, collection, and other provisions of chapters 18 and 19

1 of this title apply. Nothing in this chapter shall be construed to limit the powers of the convention
2 authority of the city of Providence established pursuant to the provisions of chapter 84 of the public laws
3 of 1980, except that distribution of hotel tax receipts shall be made pursuant to chapter 63.1 of title 42
4 rather than chapter 84 of the public laws of 1980.

5 (b) There is hereby levied and imposed, upon the total consideration charged for occupancy of
6 any space furnished by any hotel, as defined in § 42-63.1-2, or room reseller as defined in § 44-18-7.3(c),
7 in this state, in addition to all other taxes and fees now imposed by law, a local hotel tax at a rate of one
8 percent (1%). The local hotel tax shall be administered and collected in accordance with subsection (a).

9 (c) All sums received by the division of taxation from the local hotel tax, penalties or forfeitures,
10 interest, costs of suit and fines shall be distributed at least quarterly, credited and paid by the state
11 treasurer to the city or town where the space for occupancy that is furnished by the hotel is located.
12 Unless provided to the contrary in this chapter, all of the administration, collection, and other provisions
13 of chapters 18 and 19 of this title shall apply.

14 (d) Notwithstanding the provisions of subsection (a) of this section, the city of Newport shall
15 have the authority to collect from hotels, as defined in § 42-63.1-2, or room reseller as defined in § 44-18-
16 7.3(c), located in the city of Newport the tax imposed by subsection (a) of this section.

17 (1) Within ten (10) days of collection of the tax, the city of Newport shall distribute the tax as
18 provided in § 42-63.1-3. No later than the first day of March and the first day of September in each year
19 in which the tax is collected, the city of Newport shall submit to the division of taxation a report of the tax
20 collected and distributed during the six (6) month period ending thirty (30) days prior to the reporting
21 date.

22 (2) The city of Newport shall have the same authority as the division of taxation to recover
23 delinquent hotel taxes pursuant to chapter 44-19, and the amount of any hotel tax, penalty and interest
24 imposed by the city of Newport until collected constitutes a lien on the real property of the taxpayer.

25 In recognition of the work being performed by the Streamlined Sales and Use Tax Governing
26 Board, upon passage of any federal law which authorizes states to requires remote sellers to collect and

1 remit taxes, effective the first (1st) day of the first (1st) state fiscal quarter following the change, the rate
2 imposed under § 44-18-36.1(b) shall be one and one-half percent (1.5%); effective on the same date this
3 state requires remote sellers to collect and remit sales and use taxes.

4 SECTION 4. Section 42-63.1-2 of the General Laws in Chapter 42-63.1 entitled "Tourism and
5 Development" is hereby amended to read as follows:

6 **§ 42-63.1-2 Definitions.** – For the purposes of this chapter:

7 (1) "Consideration" means the monetary charge for the use of space devoted to transient lodging
8 accommodations.

9 (2) "Corporation" means the ~~Rhode Island economic development corporation~~ Rhode Island
10 Commerce Corporation.

11 (3) "District" means the regional tourism districts set forth in § 42-63.1-5.

12 (4) "Hotel" means any facility offering a minimum of ~~three (3)~~ one (1) rooms for which the
13 public may, for a consideration, obtain transient lodging accommodations. The term "hotel" shall include
14 hotels, motels, bed and breakfasts (B&B's), time shares as defined in §34-41-1.02(13), tourist homes,
15 tourist camps, lodging houses, and inns and shall exclude schools, hospitals, sanitariums, nursing homes,
16 and chronic care centers.

17 (5) "Occupancy" means a person, firm or corporation's use of space ordinarily used for transient
18 lodging accommodations not to exceed thirty (30) days. Excluded from "occupancy" is the use of space
19 for which the occupant has a written lease for the space, which lease covers a rental period of twelve (12)
20 months or more, as well as the right of a time-share owner, as defined in § 34-41-1.02(19), or a time-share
21 exchange guest to make personal use of a time-share property, as defined in § 34-41-1.02(20).

22 (6) "Tax" means the hotel tax imposed by subsection 44-18-36.1(a).

23 SECTION 5. Chapter 44-30 entitled "Personal Income Tax" is hereby amended by adding
24 thereto the following section:

25 **§44-30-100. Lookup Table to Report Use Tax on Personal Income Tax Return.** (a) When
26 reporting the amount of use tax obligation on the Rhode Island personal income return, the taxpayer shall

1 list either the actual amount (from books, records, and other sources), or an amount using a lookup table
2 established by the tax administrator.

3 (b) Establishment of lookup table. (1) The tax administrator shall create the lookup table with
4 reference to a taxpayer's federal adjusted gross income (AGI) as listed on the Rhode Island personal
5 income tax return before modifications, adjustments, or other changes. To determine the amount of use
6 tax from the lookup table, the taxpayer shall multiply 0.0008 by the amount of the taxpayer's federal AGI
7 as listed on the Rhode Island personal income tax return before modifications, adjustments, or other
8 changes.

9 (2) The AGI income ranges within the lookup table shall be adjusted by the tax administrator by
10 December 31 of each calendar year by the percentage, if any, by which the Consumer Price Index for All
11 Urban Consumers (CPI-U) as of the close of the 12-month period ending on August 31 of that year,
12 exceeds the CPI-U as of the close of the 12-month period ending on August 31 of the immediately
13 preceding year. For purposes of the annual calculation, the tax administrator shall be free to substitute an
14 inflation index which is substantially similar to the CPI-U.

15 (3) If a taxpayer uses the lookup table, the taxpayer shall list on the return not only the result from
16 the lookup table, but also the actual amount of each single purchase whose purchase price equals or
17 exceeds \$1,000.

18 (4) Instructions for the personal income tax form shall indicate that the use of the lookup table as
19 described in this section is, for the taxpayer, a "safe harbor" alternative to listing the actual amount of the
20 taxpayer's use tax obligation.

21 (c) When completing and filing a Rhode Island personal income tax return, the taxpayer shall
22 check a box attesting to the amount of use tax listed on the return. The tax administrator shall direct
23 computer software providers to require the taxpayer or the taxpayer's preparer to proactively check the
24 box; software providers shall not program an automatically checked attestation box.

25 (d) The tax administrator shall make clear on personal income tax forms and instructions that use
26 tax is typically due on internet, mail-order, and catalog out-of-state purchases.

1 SECTION 6. Sections 44-20-1 and 44-20-13.2 of the General Laws in Chapter 44-20 entitled
2 "Cigarette Tax" are hereby amended to read as follows:

3 **§ 44-20-1 Definitions.** – Whenever used in this chapter, unless the context requires otherwise:

4 (1) "Administrator" means the tax administrator;

5 (2) "Cigarettes" means and includes any cigarettes suitable for smoking in cigarette form, and
6 each sheet of cigarette rolling paper;

7 (3) "Dealer" means any person whether located within or outside of this state, who sells or
8 distributes cigarettes to a consumer in this state;

9 (4) "Distributor" means any person:

10 (A) Whether located within or outside of this state, other than a dealer, who sells or distributes
11 cigarettes within or into this state. Such term shall not include any cigarette manufacturer, export
12 warehouse proprietor, or importer with a valid permit under 26 U.S.C. § 5712, if such person sells or
13 distributes cigarettes in this state only to licensed distributors, or to an export warehouse proprietor or
14 another manufacturer with a valid permit under 26 U.S.C. § 5712;

15 (B) Selling cigarettes directly to consumers in this state by means of at least twenty-five (25)
16 cigarette vending machines;

17 (C) Engaged in this state in the business of manufacturing cigarettes or any person engaged in the
18 business of selling cigarettes to dealers, or to other persons, for the purpose of resale only; provided, that
19 seventy-five percent (75%) of all cigarettes sold by that person in this state are sold to dealers or other
20 persons for resale and selling cigarettes directly to at least forty (40) dealers or other persons for resale; or

21 (D) Maintaining one or more regular places of business in this state for that purpose; provided,
22 that seventy-five percent (75%) of the sold cigarettes are purchased directly from the manufacturer and
23 selling cigarettes directly to at least forty (40) dealers or other persons for resale;

24 (5) "Electronic cigarette", commonly known as "E-Cigarette", means a personal vaporizer,
25 electronic nicotine delivery system or an electronic inhaler, which generally utilizes a heating element
26 that vaporizes a liquid solution containing nicotine or nicotine derivative.

1 ~~(5)~~ (6) "Importer" means any person who imports into the United States, either directly or
2 indirectly, a finished cigarette for sale or distribution;

3 ~~(6)~~ (7) "Licensed", when used with reference to a manufacturer, importer, distributor or dealer,
4 means only those persons who hold a valid and current license issued under § 44-20-2 for the type of
5 business being engaged in. When the term "licensed" is used before a list of entities, such as "licensed
6 manufacturer, importer, wholesale dealer, or retailer dealer," such term shall be deemed to apply to each
7 entity in such list;

8 ~~(7)~~ (8) "Manufacturer" means any person who manufactures, fabricates, assembles, processes, or
9 labels a finished cigarette;

10 ~~(8)~~ (9) "Person" means any individual, including an employee or agent, firm, fiduciary,
11 partnership, corporation, trust, or association, however formed;

12 ~~(9)~~ (10) "Place of business" means and includes any place where cigarettes are sold or where
13 cigarettes are stored or kept for the purpose of sale or consumption, including any vessel, vehicle,
14 airplane, train, or vending machine;

15 ~~(10)~~ (11) "Sale" or "sell" includes and applies to gifts, exchanges, and barter;

16 ~~(11)~~ (12) "Stamp" means the impression, device, stamp, label, or print manufactured, printed, or
17 made as prescribed by the administrator to be affixed to packages of cigarettes, as evidence of the
18 payment of the tax provided by this chapter or to indicate that the cigarettes are intended for a sale or
19 distribution in this state that is exempt from state tax under the provisions of state law; and also includes
20 impressions made by metering machines authorized to be used under the provisions of this chapter.

21 § 44-20-13.2 Tax imposed on smokeless tobacco, cigars, and pipe tobacco products. – (a) A
22 tax is imposed on all smokeless tobacco, electronic cigarettes, cigars, and pipe tobacco products sold or
23 held for sale in the state by any person, the payment of the tax to be accomplished according to a
24 mechanism established by the administrator, division of taxation, department of administration. Any
25 tobacco product on which the proper amount of tax provided for in this chapter has been paid, payment

1 being evidenced by a stamp, is not subject to a further tax under this chapter. The tax imposed by this
2 section shall be as follows:

3 (1) At the rate of eighty percent (80%) of the wholesale cost of cigars, pipe tobacco products and
4 smokeless tobacco other than snuff.

5 (2) Notwithstanding the eighty percent (80%) rate in subsection (a) above, in the case of cigars,
6 the tax shall not exceed fifty cents (\$.50) for each cigar.

7 (3) At the rate of one dollar (\$1.00) per ounce of snuff, and a proportionate tax at the like rate on
8 all fractional parts of an ounce thereof. Such tax shall be computed based on the net weight as listed by
9 the manufacturer, provided, however, that any product listed by the manufacturer as having a net weight
10 of less than 1.2 ounces shall be taxed as if the product has a net weight of 1.2 ounces.

11 (b) Any dealer having in his or her possession any tobacco, cigars, and pipe tobacco products
12 with respect to the storage or use of which a tax is imposed by this section shall, within five (5) days after
13 coming into possession of the tobacco, cigars, and pipe tobacco in this state, file a return with the tax
14 administrator in a form prescribed by the tax administrator. The return shall be accompanied by a
15 payment of the amount of the tax shown on the form to be due. Records required under this section shall
16 be preserved on the premises described in the relevant license in such a manner as to ensure permanency
17 and accessibility for inspection at reasonable hours by authorized personnel of the administrator.

18 (c) The proceeds collected are paid into the general fund.

19 SECTION 7. Title 44 of the General Laws entitled "Taxation" is hereby amended by adding
20 thereto the following chapter:

21 CHAPTER 69

22 COMPLIANCE OF STATE EMPLOYEES WITH STATE INCOME TAX ACT

23 §44-69-1 Short title. – This chapter shall be known as the "State Employee Tax Compliance
24 Act".

25 §44-69-2. Definitions.

1 (a) “Appointing Authority” means the person or group of persons having the power by virtue of
2 the constitution, a state statute, or lawfully delegated authority to make appointments.

3 (b) “Employee” or “State Employee” means an appointed officer or employee of a state agency;
4 provided, the term employee or state employee shall not include an elected official or an employee of a
5 local governmental entity.

6 (c) “State Agency” means any office, department, board, commission or institution of the
7 executive, legislative, higher education or judicial branch of state government.

8 **§44-68-3. Administration.**

9 (a) The department of administration shall, not later than August 1, 2014, and August 1 of each
10 year thereafter, provide to the tax administrator a list of all state employees as of the preceding July 1 and
11 such identifying information as may be required by the Tax Administrator. Such list and information shall
12 be used by the Tax Administrator exclusively for the purpose of collection of income taxes due to the
13 State of Rhode Island.

14 (b) The Tax Administrator shall, not later than December 1, 2014, and December 1 of each year
15 thereafter, notify any state employee who is not in compliance with the income tax laws of this state. Such
16 notification shall include:

17 (1) A statement that the employee will be subject to mandatory garnishment of wages by the state
18 controller, unless the taxpayer is deemed by the Tax Administrator to be in compliance with the income
19 tax laws of this state;

20 (2) The reasons that the taxpayer is considered to be out of compliance with the income tax laws
21 of this state, including a statement of the amount of any tax, penalties and interest due, or a list of the tax
22 years for which income tax returns have not been filed, as required by law;

23 (3) An explanation of the rights of the taxpayer and the procedures which must be followed by
24 the taxpayer in order to come into compliance with the income tax laws of this state; and

25 (4) Such other information as may be deemed necessary by the Tax Administrator.

1 (c) A state employee who has entered into and is abiding by a payment agreement, or who has
2 requested relief as an innocent spouse, which request is pending or has been granted, shall be deemed to
3 be in compliance with the state income tax laws for purposes of this section.

4 (d) If the Tax Administrator notifies a state employee who is not in compliance with the income
5 tax laws of this state as required in this section and such state employee does not respond to such
6 notification or fails to come into compliance with the income tax laws of this state after an assessment has
7 been made final or after the Tax Administrator determines that every reasonable effort has been made to
8 assist the state employee to come into compliance with the income tax laws of this state, the Tax
9 Administrator shall so notify the state controller, who shall commence mandatory garnishment of the state
10 employee's wages and shall notify the state employee of the reason for such action. If a state employee,
11 who has been previously reported by the Tax Administrator to a state agency as being out of compliance,
12 comes into compliance, the Tax Administrator shall immediately notify the state controller. Neither a
13 state agency nor an appointing authority shall be held liable for any action with respect to a state
14 employee pursuant to the provisions of this section.

15 SECTION 8. Chapter 44-19 entitled "Sales and Use Taxes – Enforcement and Collection" is
16 hereby amended by adding thereto the following section:

17 **§ 44-19-42. Sales Suppression Devices – Definitions and Applicability.** (a) As used in this
18 section:

19 (1) "Automated sales suppression device," also known as a "zapper," means a software program,
20 carried on a memory stick or removable compact disc, accessed through an Internet link, or accessed
21 through any other means, that falsifies transaction data, transaction reports, or any other electronic records
22 of electronic cash registers and other point-of-sale systems.

23 (2) "Electronic cash register" means a device that keeps a register or supporting documents
24 through the means of an electronic device or computer system designed to record transaction data for the
25 purpose of computing, compiling, or processing retail sales transaction data in any manner.

1 (3)“Phantom-ware” means a hidden programming option, whether preinstalled or installed at a
2 later time, embedded in the operating system of an electronic cash register or hardwired into the
3 electronic cash register that:

4 (A) can be used to create a virtual second till; or

5 (B) may eliminate or manipulate transaction records.

6 (4)“Transaction data” includes items purchased by a customer, the price for each item, a
7 taxability determination for each item, a segregated tax amount for each of the taxed items, the amount of
8 cash or credit tendered, the net amount returned to the customer in change, the date and time of the
9 purchase, the name, address, and identification number of the vendor, and the receipt or invoice number
10 of the transaction.

11 (5)“Transaction reports” means a report documenting, but not limited to, the sales, taxes
12 collected, media totals, and discount voids at an electronic cash register that is printed on cash register
13 tape at the end of a day or shift, or a report documenting every action at an electronic cash register that is
14 stored electronically.

15 (b) A person shall not knowingly sell, purchase, install, transfer or possess an automated sales
16 suppression device or phantom-ware.

17 (c)Any person who violates subdivision (b) of this section shall be guilty of a felony and, upon
18 conviction, shall be subject to a fine not exceeding fifty-thousand dollars (\$50,000) or imprisonment not
19 exceeding five (5) years, or both.

20 (d) In addition , a person who violates subdivision (b) of this section shall be liable to the State
21 for:

22 (1) all taxes, interest, and penalties due as the result of the person’s use of an automated sales
23 suppression device or phantom-ware; and

24 (2) all profits associated with the person’s sale of an automated sales suppression device or
25 phantom-ware.

1 (e) An automated sales suppression device or phantom-ware and any device containing such
2 device or software shall be deemed contraband and shall be subject to seizure by the tax administrator or
3 by a law enforcement officer when directed to do so by the tax administrator.

4 (f) Safe Harbor. A person shall not be subject to prosecution under Rhode Island General Laws
5 § 44-19-42, if by October 1, 2014 the person:

6 (1) notifies the division of taxation of the person's possession of an automated sales suppression
7 device;

8 (2) provides any information requested by the division of taxation, including transaction records,
9 software specifications, encryption keys, passwords, and other data; and

10 (3) corrects any underreported sales tax records and fully pays the division of taxation any
11 amounts previously owed.

12 (g) This section shall not be construed to limit the person's civil or criminal liability under any
13 other provision of law.

14 SECTION 9. This article shall take effect as of July 1, 2014.

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