



May 28, 2026

The Honorable Louis P. DiPalma
Chair, Senate Finance Committee
State House, Room 209
82 Smith Street
Providence, RI 02903

Dear Chair DiPalma and Members of the Senate Finance Committee:

On behalf of CTIA®, the trade association for the wireless communications industry, I am writing in opposition to S 2028, which would impose a new tax on digital advertising services at rates ranging from 2.5% to 7.5%, based on a company's global revenues. The tax would apply to each digital advertisement sold in the state and prohibit providers from imposing a separately identified surcharge on customers in Rhode Island.

S 2028 would create significant legal, economic, and policy concerns and ultimately increase costs for Rhode Island businesses and consumers. Right now, wireless providers are working aggressively to maintain and expand the nation's wireless networks, investing \$29 billion in private funding in 2024 alone and nearly \$220 billion since 2018.¹ Policies that increase the cost of digital services undermine these investments and the broader digital ecosystem. Importantly, S 2028 also reflects the same tax structure that has been subject to extensive state litigation and raises substantial litigation risks under federal law:

- **Discrimination against interstate commerce (Commerce Clause):** The bill's graduated rate structure based on global revenues appears to be designed to target large and customarily out-of-state companies. Courts have long held that states may not structure taxes in a way that disproportionately burdens interstate commerce.
- **Due Process Clause violation:** S 2028 raises substantial litigation risks under the Due Process Clause. Specifically, the tax may violate the Due Process Clause by lacking the necessary minimum connection (nexus) between the out-of-state activity and the taxing state, since the graduated rates are based on global revenues.
- **Internet Tax Freedom Act (ITFA) violation:** ITFA prohibits discriminatory taxes on electronic commerce. By applying the tax to digital advertising but not comparable traditional advertising services, S 2028 likely violate this federal prohibition.
- **First Amendment violation:** The provision prohibiting a digital advertiser from identifying the tax as the "digital advertising tax" is an unconstitutional regulation of speech under U.S. appellate court decisions in multiple circuits including as recently as May 2025.

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



- **Ongoing Maryland litigation highlights risks:** Maryland’s similar digital advertising tax has been subject to multiple state and federal challenges asserting violations of the Commerce Clause, Due Process Clause, First Amendment, and ITFA. The ongoing litigation, which began in February 2021, has created prolonged uncertainty and demonstrates the significant legal risk associated with this policy.

In addition to these legal concerns, as other states have recognized, taxes on digital advertising can lead to higher operating costs, reduced marketing effectiveness, and ultimately higher prices for consumers. For wireless providers, the tax increases the cost of vital digital services, undermining the investments made to improve their wireless networks and address local coverage and capacity needs. Local businesses seeking advertising services face higher operating costs and reduced marketing effectiveness due to the new tax. Although the bill prohibits providers from imposing a separately identified surcharge, these costs are ultimately passed down to Rhode Island consumers through higher prices for goods and services.

S 2028 would also be both difficult to administer and create compliance challenges. Determining when digital advertising is “in Rhode Island” is inherently complex, particularly for multi-state and national campaigns, and the bill relies on an “assessable base” tied to digital advertising activity without clear sourcing rules. Similar digital tax regimes have required extensive regulatory guidance and even then, face uncertainty in application. These challenges will increase compliance costs for businesses and administrative burdens for the state.

Finally, S 2028 as proposed lacks clarity in several other key respects. The bill would impose the tax on the “purchaser” of digital advertising at graduated rates based on the global revenues of the “person” without specifying whether “person” refers to the purchaser or the seller of the digital advertising. It also requires the “retailer” to pay the tax. None of these terms are defined, creating uncertainty about who is responsible for paying, collecting, and remitting the tax.

For these reasons, CTIA respectfully opposes S 2028.

Thank you for your consideration.

Sincerely,

Annissa Reed

Annissa Reed

Director, State and Local Affairs