

**DR** Rhode Island Department of Revenue  
Division of Taxation

*Via Electronic Mail*

May 15, 2024

The Honorable Marvin L. Abney  
Chair, House Committee on Finance  
Rhode Island State House  
Providence, RI 02903

**RE: Letter Regarding House Bill 7678 – An Act Relating to Public Utilities and Carriers –  
Transportation Network Company Services**

Dear Chair Abney:

I am writing on behalf of the Rhode Island Department of Revenue, Division of Taxation (“Division”), to: i) express concerns regarding issues with proposed House Bill 7678 as currently drafted; ii) explain the background and current statutory context in order to clarify the intended and unintended consequences of this bill; and iii) make recommendations and request your support in implementing those recommendations.

This letter is not intended as a position in support of or opposition to the bill, but only as recommendations on drafting to provide clarity in the bill and to aid tax administration and compliance.

As you know, this bill would amend Chapter 39-14.2 of the Rhode Island General Laws, entitled “Transportation Network Company Services” by adding a section, R.I. Gen. Laws § 39-14.2-23, entitled “Rideshare or transportation network company vehicle surcharge,” which would implement a seventy-five cent (\$0.75) surcharge on fares charged by rideshare or transportation network companies. The bill would require that fifty percent (50%) of the surcharges be deposited in a restricted account to be used for street infrastructure improvements in the municipality where the fare originated, and fifty percent (50%) of the surcharges be deposited in a restricted account to fund Transit Forward RI. The bill would also amend Chapter 44-18 of the Rhode Island General Laws, entitled “Sales and Use Taxes – Liability and Computation” to add a new section, R.I. Gen. Laws § 44-18-18.2, entitled “Transportation network companies tax,” which would establish a restricted receipt account for the benefit of RIPTA funded by sales tax revenue collected from transportation network companies (defined in § 39-14.2-1). The bill is set to take effect upon passage.

There are several potential issues with the bill that impact tax administration, including, but not limited to:

- As currently drafted, there may be parity issues with the definition of “transportation network company” in this bill as referenced and various other statutes, including R.I. Gen. Laws § 44-18-7.3. The Division suggests redrafting that definition and adding definitions for other key terms.
- Without express clarifying language excluding this surcharge from the imposition of sales and use tax, this surcharge may be construed to be subject to sales and use tax.

- The bill does not specify if the restricted receipt accounts would or would not be subject to the standard ten percent (10%) indirect cost recovery rate, which is deposited as general revenues.
- As currently drafted, the bill does not directly give the Division the authority to collect the surcharge (but intimates that it intended to by granting the Division rulemaking authority). If the intent of the bill is for the Division to collect and administer the fee, then the implementation of this new surcharge would require additional resources to develop the process for effectuating the policy goals of the bill, forms, software (including testing and implementation), regulations (including promulgation), and outreach. Given the bill as currently drafted, the Division estimates that at least two (2) tax auditors and one (1) tax aide would need to be hired and that additional resources beyond that estimate may be needed.
- The bill's effective date is upon passage; however, given the work that would be needed to implement this bill, the Division respectfully requests that the bill's language involving the effective date be changed to specify the tax year(s) to which the proposed amendment would apply by including language in the bill that it applies to tax years beginning on or after January 1, 2025. Further, to the extent that this surcharge will be subject to sales and use tax, Rhode Island must comply with the Streamlined Sales and Use Tax Agreement, to which it is a signatory, which requires notice for sales tax law changes.
- Given varying business models (including a per ride and/or subscription service), undefined terms, and the need to ensure parity/consistency, further statutory clarification and research is needed to effectively implement this proposal.

The Division takes no position with respect to the remainder of the proposed legislation. Rather, the Division is concerned solely with the issues of clarity, tax compliance, and tax administration. As such, the Division respectfully suggests that the bill be redrafted for clarity.

I look forward to working with you to address the issues raised in this letter and appreciate your consideration.

Very truly yours,



Neena S. Savage  
Tax Administrator

cc: The Honorable Members of the House Committee on Finance (via: [HouseFinance@rilegislature.gov](mailto:HouseFinance@rilegislature.gov))  
The Honorable David Morales (via: [rep-morales@rilegislature.gov](mailto:rep-morales@rilegislature.gov))  
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