



DOR Rhode Island Department of Revenue
Division of Taxation

Via Electronic Mail

May 21, 2024

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

**RE: Letter Regarding House Bill 8267 – An Act Relating to Taxation – Sales and Use Taxes
– Liability and Computation – Local Meals and Beverage Tax**

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 8267 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 R.I. Gen. Laws § 44-18-18.1, entitled “Local meals and beverage tax,” to add subsection (b)(2), to provide for the payment of 5% of meals and beverage taxes received by the Division to the Rhode Island Semiquincentennial (R.I. 250th) Commission (“Commission”). These payments would start on July 1, 2024 and end on December 31, 2026. Per the bill, the funds can only be used for the purposes set forth in 2021 Joint Resolution, R 310, which was enacted on June 14, 2021. The bill is set to be effective July 1, 2024.

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

- As the Committee is aware, local meals and beverage taxes are collected and remitted to the Division for distribution to the municipalities in which the taxes were collected. The funds are not general revenue funds, but rather are earmarked specifically for municipalities. As drafted, the bill would require the diversion of 5% of the earmarked funds to the Commission, which would impact municipalities and their budgets.
- The provisions in subsections (b)(1) and the new (b)(2) conflict as to the destination of the distributions of meals and beverage taxes by the Division. The Division suggests clarification of the bill’s language to provide continuity between the two subsections.
- The Division will have implementation costs both in starting to divert the meals and beverage taxes to the Commission and then to revert to the prior distribution to the municipalities only at the end of 2026.

- As currently drafted, the bill does not provide specification as to where the payment to the Commission should be directed, i.e. the specific fund to receive the distributions, or the timing of the distributions.
- 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 a prospective date with sufficient time to allow for required changes to the Division's systems.

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)
The Honorable June Speakman (via: rep-speakman@rilegislature.gov)
Nicole McCarty, Esquire, Chief Legal Counsel to the Speaker of the House
Lynne Urbani, Director of House Policy
Thomas A. Verdi, Director, Department of Revenue