

DR Rhode Island Department of Revenue
Division of Taxation

Via Electronic Mail

May 23, 2024

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

**RE: Letter Regarding House Bill 8183 – An Act Relating to Taxation – Sales and Use Taxes
– Liability and Computation**

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 8183 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 § 44-18-36.1, currently entitled “Hotel tax,” to change the title to “Hotel, house and condominium rental tax” and to impose a 5% tax on the rental of a house or condominium. The bill further provides that all sums received by the Division for the tax on the rental of a house or condominium shall be distributed to the municipality wherein the rental is located and municipalities are required to use the funds exclusively for “municipal infrastructure improvements, riverine and coastal resiliency and housing.” The bill would be effective upon passage.

As currently drafted, the bill does not specify if the effective date is for returns and payments received on or after the date of enactment of the bill, or if it is for rental activity that occurs after this date. This ambiguity would cause administrability concerns given the process for collection and distribution of hotel tax, and the other proposed taxes as set forth in the bill. For example, under the current statutes, hotel tax from rental activity in January would be due and paid in February and distributed to the appropriate recipients in March. Further, striking the language rather than adding provisions to specify applicable periods would create unintended consequences as a result of application to prior periods. Additionally, as currently drafted, the bill does not provide specification as to where the sums received should be distributed, i.e. the specific fund to receive the distributions. The Division respectfully requests that the bill be revised to resolve any uncertainty caused by the effective date.

Also, the bill as drafted creates conflict and ambiguity between the hotel tax and the proposed house and condominium rental tax that may result in unintended consequences. Finally, the Division will have implementation costs, including allocation of resources along with form and system changes, associated with the bill. Therefore, the Division would suggest a future effective date later than January 1, 2025.

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 Lauren H. Carson (via: rep-carson@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