



February 25, 2025

The Honorable Marvin Abney  
Chairman, Rhode Island House Finance Committee  
State House  
82 Smith Street, Room 306  
Providence, RI 02903

**RE: HB 5076 OPPOSE – Digital Advertising Tax**

Dear Chairman Abney:

On behalf of our members and the undersigned organizations, we write to express our strong opposition to a proposal which would impose a 10% tax on revenue derived from digital advertising.

Advertising is a major driver of economic activity in Rhode Island. According to an independent study commissioned by IHS Markit, advertising expenditures generated \$22.4 billion in economic activity, while supporting over 106,000 jobs in the state. This accounts for 15.5 percent of all jobs in Rhode Island. Simply put, advertising is a critical industry for the Ocean State and elected officials should be doing everything possible to protect it—not considering legislation that would endanger it.

Taxing digital advertising is an extremely misguided idea that would have far-reaching negative consequences for businesses, consumers, and the state's economy as a whole.

Over the last decade, America's economy has been transformed by advances in technology and nowhere has this transformation been more evident than with digital advertising. The ability of businesses of all sizes to access online platforms and reach countless potential customers has leveled the playing field, allowing start-ups, local newspapers, and Rhode Island's more than 100,000 small businesses to grow and find success.

Proponents of these taxes argue that they would only affect a handful of multi-billion-dollar companies but the truth is, consumers and small businesses will bear the greatest impact of taxes imposed on digital advertising revenues through a direct or indirect passthrough effect.

Rhode Island businesses and consumers would be disproportionately burdened by a digital advertising tax. Research has found that advertising taxes harm local businesses and consumers more than the corporations they seek to impact. A study commissioned by Deloitte found that France's digital advertising tax impacted consumers the most with 55 percent of the total tax burden passed on. For small businesses, these taxes lead to more challenging choices – either significantly raising consumer prices, reducing services, laying off staff, or worse.

Rhode Islanders, like most Americans, are already navigating significant economic pressures including the lingering effects of inflation. Additional taxes would only compound these challenges, driving people and investments out of the state. Rhode Island business owners and entrepreneurs already face extreme headwinds – the last thing they need is a tax on their efforts to tell consumers about the important goods and services they offer.

Furthermore, a digital advertising tax will invite legal challenges, as seen in Maryland, and expose Rhode Island to costly litigation and potential financial liabilities when deemed unconstitutional. Adoption of such a tax requires speculation on many unsettled legal issues including violations of the Commerce Clause, Equal Protection, the First Amendment, and being a discriminatory tax on the internet barred by the Internet Tax Freedom Act. Maryland's defense of its digital advertising tax in court has already cost taxpayers a significant amount of money with no certain path to victory. If the law is deemed unconstitutional for the reasons mentioned above then the state would be forced to pay back every single cent, plus interest.

This should serve as a cautionary tale for Rhode Island legislators. Should a digital advertising tax pass in Rhode Island and subsequently be overturned by the courts, then an already challenging fiscal situation in the state would become even more daunting.

This legislative session provides you and your colleagues with an opportunity to deliver results for the people of Rhode Island. Legislative discussions should center around ways to harness the state's positive attributes to build a more competitive business environment which would encourage innovation and grow the overall tax base.

For these reasons we urge you to oppose taxes on digital advertising.

Cc: The Honorable Scott Slater, First Vice Chair, Rhode Island House Finance Committee  
Representative Karen Alzate  
Representative Jacquelyn Baginski  
Representative Nathan Biah  
Representative Terri Cortvriend  
Representative Grace Diaz  
Representative John Edwards  
Representative Alex Finkelman  
Representative Raymond Hull  
Representative Alex Marszalkowski  
Representative George Nardone  
Representative William O'Brien  
Representative Sherry Roberts  
Representative Teresa Tanzi