



February 26, 2025

The Honorable Marvin Abney, Chairman  
House Finance Committee  
State House  
Providence, RI 02903

Dear Chairman Abney:

The undersigned members of the Rhode Island Business Coalition oppose Article 5, Section 17 of House bill 5076, the Governor's Fiscal Year 2026 budget that proposes instituting a 10% tax on digital advertising.

Rhode Island is truly a small business state with more than 92 percent of the state's employers having less than 20 employees. Too often, small businesses don't have the resources to place ads on TV or radio. For many small employers, digital ads are a cost-effective way to market their business to customers they may not reach with other forms of traditional advertising. Digital ads allow them to reach broader audiences at a more reasonable cost.

An independent study commissioned by the Association of National Advertisers emphasizes the impact of advertising on the state's economy. The study said advertising spending generated \$22.4 billion in economic activity, while supporting over 106,000 jobs in the state. It is important to note that this tax will likely hit retailers particularly hard. This is of concern in Rhode Island where a study by the National Retail Federation showed that there are almost 14,000 retail businesses supporting more than 173,000 jobs with a \$7.1 billion impact on the state's gross domestic product.

While the proposed language infers that those subject to the gross receipts tax may not pass on the costs to customers who purchase the advertising services, we believe those costs will be passed on to the small businesses utilizing these avenues to promote their products and services.

As Rhode Island businesses continue to struggle with inflation that impacts their costs and Rhode Islanders' ability to afford products and services, this sends the wrong message to our state's small business community. This tax would have wide ranging implications for the thousands of small business owners who are looking to grow and thrive in Rhode Island.

Maryland is the only state that has passed a digital advertising tax and that law has been in state and federal court for the past three years. This litigation continues to not only cost the state significant funds

The Rhode Island Business Coalition represents 50 industries and 6,280 businesses that employ 231,200 people throughout Rhode Island.

to defend but also creates uncertainty in Maryland's budget until it is resolved. We do not believe this is a path Rhode Island should take to address its budget challenges.

The members of our organizations work every day to compete with businesses both regionally, nationally and internationally. They do this with a dedicated workforce, innovative ideas, products and services that we are proud to promote everywhere they can. This tax proposal would place Rhode Island small businesses at a competitive disadvantage and hinder economic growth in our state.

We ask that the Committee not support this proposal as it sends the wrong message to the many hard-working business owners that contribute so much to our state.

Thank you for your consideration of our position on this issue.

Sincerely,

East Greenwich Chamber of Commerce

Greater Newport Chamber of Commerce

National Federation of Independent Business

Rhode Island Business Group on Health

Rhode Island Hospitality Association

Rhode Island Lumber and Building Materials Dealers Association

Rhode Island Manufacturers Association

Rhode Island Marine Trades Association

Rhode Island Staffing Association

Rhode Island Small Business Summit Tax and Budget Committee

TechNet

cc. House Finance Committee members