



Rhode Island Public Expenditure Council
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RIPEC

Representative Marvin L. Abney
Chair, House Committee on Finance
Room 35
Rhode Island State House
Providence, RI 02903

February 26, 2025

RE: House Bill 5076—FY 2026 Appropriations Act—Article 5, Section 17

Dear Chairperson Abney,

I am writing on behalf of the Rhode Island Public Expenditure Council (RIPEC) in opposition to Article 5, Section 17 of the FY 2026 Appropriations Act (House Bill 5076), which would establish a new digital advertising tax. As proposed, a 10 percent tax would be applied to the gross revenues from digital advertising derived from Rhode Island for companies with annual global gross revenues exceeding \$1 billion.

The proposed digital advertising tax would likely increase the cost of doing business in Rhode Island. While the proposed tax prohibits those very large entities engaged in providing digital advertising services from directly passing the cost of the tax by a separate fee, surcharge, or line-item, the burden of this tax most likely will be imposed on Rhode Island businesses, and consequently on consumers in the form of higher prices for goods and services. Moreover, since the digital advertising tax exists in only one other state—Maryland—Rhode Island businesses would be disadvantaged relative to most of their competitors in other states.

Over the last decade, America's economy has been transformed by advances in technology, with digital advertising representing one of the greatest changes as to how businesses promote and sell products and services. Digital advertising has become central to many industries, enabling both large and small businesses to access markets and customers, and to grow and prosper.

This proposed additional business tax comes at a time when Rhode Island businesses are challenged with increasing costs, high interest rates, tight labor markets, and the need to navigate a rapidly changing economic landscape. Ranked 39th highest (12th worst) among states for tax competitiveness by the national Tax Foundation, Rhode Island is already relatively unfavorable in its tax climate.¹ This new digital advertising tax is a step in the wrong direction.

Finally, a digital advertising tax implicates a host of legal issues, including potential conflict with the federal Internet Tax Freedom Act, as well as the Commerce Clause, Equal Protection Clause, and First Amendment of the U.S. Constitution. As the only state to have passed a digital advertising tax, Maryland has been defending its tax in litigation in state and federal court for the past three years, and the dispute is still not resolved. Litigation that undoubtedly will follow the enactment of this tax will be costly for the state and create budgetary uncertainty.

For these reasons, RIPEC urges that the Finance Committee reject the proposed digital advertising tax contained in Article 5, Section 17 of the FY 2026 Appropriations Act (House Bill 5076).

Sincerely,



Michael DiBiase
President & CEO
Rhode Island Public Expenditure Council

RIPEC is a nonpartisan and nonprofit public policy research organization dedicated to providing objective research and analysis that addresses the critical challenges surrounding public finance and economic opportunity in Rhode Island.

¹ Tax Foundation, "[2025 State Tax Competitiveness Index](#)," October 31, 2024.