



Rhode Island Department of Revenue

Division of Taxation

Via Electronic Mail

April 10, 2025

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

RE: Letter Regarding House Bill 5787 – 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 5787 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 § 44-18-30, entitled “Gross receipts exempt from sales and use taxes,” to add to the list of sales and use tax exemptions school supplies costing less than thirty dollars (\$30.00) that were purchased within one week prior to the commencement of the academic year. The bill also includes an opt-out provision for businesses whose gross school supplies sales were less than five percent (5%) of their prior calendar year sales. The bill is set to take effect upon passage.

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

- As currently drafted, the Division has significant administrability concerns with the bill. The Division would be unable to determine the timing of what “one week prior to the commencement of the academic year” would be. Further, that date would vary from year to year and from school to school.
- The language in the bill relating to “school supplies including, but not limited to, binders, folders notebooks, stationary, writing implements, backpacks, and lunch boxes” is ambiguous and will be impossible for the Division and businesses to administer in that the

items are not clearly defined and the purpose of the purchase of the items may not be ascertainable. Additionally, these items may include those that are unrelated or not used for the bill's intended purpose. The Division recommends that the specific items to be exempted be listed in detail sufficient to allow for clarity and administration.

- There are multiple undefined terms within the bill. "School" is not defined and, therefore, may include colleges and universities. This could expand the type of school supplies that may be exempt. Additionally, "eligible items" is not defined, which could lead to unintended consequences as previously noted.
- The business opt-out provision would be impossible to administer. The Division would be unable to determine if a business's gross school supplies sales were less than 5% of its prior calendar year school supplies sales. A business would most likely have similar difficulties determining if it has complied with the provision.
- The State of Rhode Island Division of Taxation is a signatory to the Streamlined Sales and Use Tax Agreement ("SSUTA") pursuant to R.I. Gen. Laws § 44-18.1-1. The SSUTA mandates that a member state must comply with its numerous terms, including definitions and notification requirements. As such, the Division recommends an effective date of October 1, 2025, to allow for reasonable notice under the SSUTA and to ensure proper implementation of the change for all stakeholders.

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.

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 Marie A. Hopkins (rep-hopkins@rilegislature.gov)
Nicole McCarty, Esquire, Chief Legal Counsel to the Speaker of the House
Lynne Urbani, Director of House Policy
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