

DR 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 5788 – 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 5788 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 amends Chapter 44-18 of the Rhode Island General Laws to add a new section, R.I. Gen. Laws § 44-18-41, entitled “Prohibition on sales tax for core charges and refundable deposits.” The proposed amendment would prohibit the collection of sales tax on refundable deposits for batteries and core charges for motor vehicle equipment, parts, or components. The bill is effective upon passage.

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

- The bill essentially creates a sales tax exemption for refundable battery deposits and core charges. Thus, the Division respectfully suggests that a more appropriate placement for the amendment would be in R.I. Gen. Laws § 44-18-30 listed as a new sales and use exemption. R.I. Gen. Laws § 44-18-30 enumerates specific items that are exempt from sales and use taxes and inclusion in that section would maintain consistency in placement and administration of exempt items.
- The Division is concerned that the bill’s wording is overly broad and may result in unintended consequences from such an extensive exemption. Multiple terms in the bill, including “core charge,” “refundable fee,” “recycling fee,” “deposit,” and “disposal fee”

are not defined and may result in ambiguity, which will result in challenges for administration.

- The bill provides that any refundable deposits collected by a retailer “shall be held in trust for the state in accordance with § 23-60-3.” Further study of the interrelationship between R.I. Gen. Laws §§ 44-18-41 and 23-60-3 would be required in order to implement such provision as the proposed language is unclear. For instance, the bill lacks enforcement language to address the requirements in § 23-60-3. Additionally, the bill does not clarify who would be responsible for enforcing the provision, and it would be extremely difficult for the Division to enforce it as the bill is currently drafted.
- The bill would require the Division to issue a “written notice to all retailers of batteries and motor vehicle equipment and parts that no sales tax shall be charged for refundable battery deposits and core charges on any motor vehicle equipment, part or component.” However, it is not feasible for the Division to comply with this requirement as it cannot identify who these retailers are based on available information and could not confirm that all such retailers receive the required notice.
- Rhode Island has adopted the Streamlined Sales and Use Tax Agreement and the bill as drafted may present a compliance issue as Rhode Island is a member and required to remain in compliance.
- The administrative requirements and resource impacts for implementation of the new tax exemption would be significant, including form and system updates and the need to promulgate regulations, which would take away from other existing responsibilities.
- The effective date for the new tax exemption is upon passage, which is infeasible given the implementation considerations noted above. The Division would respectfully request that the language be changed so that the effective date is tied to a tax year (i.e., effective for tax years beginning on or after January 1, 2026) and that the date be far enough in the future to address the Division’s implementation concerns.

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