



OFFICE OF MANAGEMENT & BUDGET

State Budget Office

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 222-6300

State Fiscal Note for Bill Number:

2026-H 8152

Date of State Budget Office Approval: Friday, April 17, 2026

Date Requested: Tuesday, March 17, 2026

Date Due: Friday, March 27, 2026

<i>Impact on Expenditures</i>		<i>Impact on Revenues</i>	
FY 2026	\$0	FY 2026	\$0
FY 2027	\$0	FY 2027	(\$60,924)
FY 2028	\$0	FY 2028	(\$84,636)

Explanation by State Budget Office:

This bill would amend numerous sections of the Rhode Island General Laws. R.I. Gen. Laws Title 2 titled "Agriculture and Forestry" is amended by adding R.I. Gen. Laws Chapter 2-27.1 titled "Forestry and Forest Parity Act." The stated purpose of the chapter is to provide parity of treatment with farming and agriculture operations to forestry and forest product operations and the new chapter includes some definitions related to forest-based businesses.

The bill would amend R.I. Gen. Laws Chapter 31-1 titled "Definitions and General Code Provisions" to include a new section R.I. Gen. Laws § 31-1-8.1 titled, "Forestry Vehicles" to define forestry vehicles as vehicles designed for and used for forest product operations which includes the delivery of forest products produced by the forester but shall not include commercial hire for non-forestry product operation uses such as hauling sand and gravel and snow plowing.

The bill amends R.I. Gen. Laws Chapter 42-64-5 titled, "Rhode Island Commerce Corporation" to include forestry as one of the industries Commerce is tasked with promoting and encouraging.

The bill amends R.I. Gen. Laws Chapter 44-5 titled, "Levy and Assessment of Local Taxes" to exempt all forestry product operations machinery including motor vehicles with farm plates from taxation. Cities and towns may tax forestry product operations buildings at a rate that reflects the actual costs incurred by the city or town in providing services to those buildings. Amendments to this chapter would also require forestry machinery and equipment be assessed in the same class as agriculture machinery and equipment.

This bill amends R.I. Gen. Laws Chapter 44-18 titled "Sales and Use Taxes - Liability and Computation" by adding new subsection 69 to R.I. Gen. Laws § 44-18-30 titled "Forestry product operations equipment and parts." The new subsection exempts from sales and use taxes machinery and equipment and parts used directly for forest product operations engaged in commercial production including but not limited to chainsaws, tree chippers, mulch grinders, chip screeners, sawdust blowers, conveyors, power generators, firewood processors, log skidders, wood splitters, disc cleaners, tumblers, shaving mills, loaders, forklifts, firewood kilns, pallet kilns, lumber kilns, sawdust dryers, forwarders, sawmills, resaws, edgers, planers, debarkers, live log decks, green chains, tractors, winches, tree harvesters, feller bunchers, log loaders, slashers, delimiters, grapples,



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bucket trucks, tree cranes, and stump grinders. In this exemption, forest product operations have the same meaning as defined in R.I.G.L. §2-27.1-3.

Finally, this bill amends R.I. Gen. Laws Chapter 45-24 titled "Zoning Ordinances" effective January 1, 2026 to allow forest product operations as defined in § 2-27.1-3 as permitted uses within all zoning districts of a municipality including all industrial and commercial zoning districts except where prohibited for public health or the protection of wildlife habitat.

Under current law, forestry vehicles are allowed to apply for farm plates and affix a forestry decal. There is currently no such local exemption from tax as well as no such sales and use tax exemption for forestry equipment. Rhode Island does have a farm equipment sales and use tax exemption which exempts the sale and use of machinery and equipment used directly in commercial farming and agricultural production for qualifying taxpayers.

Summary of Facts and Assumptions:

The bill is effective upon passage. To match similar proposals relating to sales tax proposals the Office of Revenue Analysis (ORA) assumed the exemption would take effect October 1, 2026. The Division of Taxation notes that under R.I. Gen. Laws § 44-18.1-5 and because Rhode Island is a signatory to the Streamlined Sales and Use Tax Agreement (SSUTA), it is necessary to allow for at least a ninety (90) day period for the change.

The forestry sector in Rhode Island is limited. According to the 2022 Economic Census published by the U.S. Census Bureau, the industry sector "agriculture, forestry, fishing and hunting" (NAICS code 11) in Rhode Island includes \$26.6 million of annual sales. The subset of that industry that is "forestry and logging" is redacted in the Census data due to the small number of respondents. ORA was able to extrapolate the "forestry and logging sector" by subtracting the two other subsectors of NAICS 11 (NAICS code 114 "fishing, hunting, and trapping" and NAICS code "support activities for agriculture and forestry"). This yields a forestry sector comprised of \$4.6 million in sales. Comparing the estimated sales to the total annual sales for the entire sector, yields approximately 17.3% attributable to forestry and logging.

To estimate the fiscal impact of the bill, ORA utilized the gross tax receipts data from the Rhode Island Macro Sales Tax Simulation Model for FY 2025 for equipment and certain machinery spending by the forestry, fishing, and related activities category. ORA used data from the model and the U.S. Census Bureau to narrow those spending categories to only spending by the forestry and logging sector. According to the sales tax simulation model, the total Rhode Island gross sales of certain equipment and machinery purchased by forestry, fishing and related activities for FY 2025 was \$6,414,286, which yields \$449,000 in tax revenue at the 7% sales tax rate. ORA assumed that 17.3% of this total was attributable to the forestry and logging sector or an estimated \$77,643 in sales and use taxes from certain equipment and machinery.



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The impact of this proposal will be determined by how broadly it is applied, and how much overlap exists with the current preferential tax and fees for farmers. The bill explicitly defines "forest product operations" as including "arboriculture and logging" (to the extent those activities are part of "harvesting, production, maintaining, and sale of forest products.") It is possible that landscaping service companies, which perform arboriculture as part of the maintenance of forests, may qualify under this proposal. If those firms do qualify, they will likely significantly increase the estimate.

ORA was unable to determine exactly how many businesses would be impacted by the proposed legislation; however, there are two data points worth noting. The Rhode Island Department of Environmental Management (DEM) requires all practitioners of arboriculture to be licensed by DEM and requires that license to be renewed annually. The published list for calendar years 2025/2026 includes 805 licensed arborists listing 230 Rhode Island-based companies that they are employed at. Meanwhile the Rhode Island Secretary of State's website has a corporate database. Although difficult to determine, ORA assumed the most likely NAICS code these businesses would self-report under was landscaping (code 561730) and all other specialty trade (code 238990). The database reports 892 active entries under the landscaping NAICS code and 1,153 entries under "the all other specialty trade" NAICS code.

ORA is unable to determine what the loss of local revenue would be to municipalities under the proposed language.

The Office of Management and Budget's (OMB) projection of sales and use tax revenues (based on the November 2025 Revenue Estimating Conference adopted estimates) are \$1,726,000,000 in FY 2026, \$1,774,000,000 in FY 2027, and \$1,823,371,653 in FY 2028, yielding growth rates of 3.19%, 2.78%, and 2.78%, respectively. ORA applied these growth rates to yield estimated forgone sales and use tax revenues of \$82,344 in FY 2027 and \$84,636 in FY 2028.

The FY 2027 estimate is reduced by the average percentage of sales and use tax receipts received by the state in the first three months of the fiscal year (26.0%) to account for the October 1, 2026, effective date of the exemption.

Comments on Sources of Funds:

Sales and use taxes are general revenues.

Summary of Fiscal Impact:

FY 2026: Not applicable due to the implementation date of the bill.

FY 2027: A revenue loss of \$60,924 is forecast.

FY 2028: A revenue loss of \$84,636 is forecast.

Budget Office Signature:

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Date: 2026.04.20 08:56:50 -04'00'

Fiscal Advisor Signature:

