



OFFICE OF MANAGEMENT & BUDGET

State Budget Office

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State Fiscal Note for Bill Number:

2025-S 0034

Date of State Budget Office Approval: Monday, March 10, 2025

Date Requested: Thursday, January 23, 2025

Date Due: Saturday, February 15, 2025

<i>Impact on Expenditures</i>		<i>Impact on Revenues</i>	
FY 2025	\$0	FY 2025	\$0
FY 2026	\$0	FY 2026	\$(7,515,054)
FY 2027	\$0	FY 2027	\$(10,741,326)

Explanation by State Budget Office:

This bill would amend Rhode Island General (R.I. Gen.) Laws Chapter 44-18 entitled "Sales and Use Taxes – Liability and Computation" by eliminating taxicab services and pet care services from R.I. Gen. Laws § 44-18-7.3 titled "Services defined" and thus exempting these services from the sales and use tax.

Under current law, taxicab services, as defined in North American Industrial Classification System (NAICS) code 485310 are subject to the state's sales and use tax. NAICS code 485310 defines taxicab services as "services provided by establishments engaged in providing passenger transportation by automobile or van, not operated over regular routes and on regular schedules. Establishments of taxicab owner/operators, taxicab fleet operators, or taxicab organizations are included in this industry."

Under current law, pet care services, except veterinary and laboratory testing services, as defined in NAICS code 812910 are subject to the state's sales and use tax. NAICS code 812910 defines pet care services as "services provided by establishments engaged in providing pet care services, including but not limited to boarding, grooming, sitting, and training pets."

Summary of Facts and Assumptions:

The effective date of this bill is upon passage, but the implementation date is assumed to be October 1, 2025. Rhode Island is a signatory to the Streamlined Sales and Use Tax Agreement (SSUTA). Under the SSUTA and R.I. Gen. Laws § 44-18.1-5, it is necessary to allow for at least a 90-day period for the change.



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The Department of Revenue, Division of Taxation reports that in FY 2024 the state collected \$7,723,947 in sales and use tax from filers in NAICS code 485310, "Taxi Service." This includes transportation network companies (TNCs, colloquially known as rideshare or ride hailing services), which would not be included in the proposed exemption. To separate these out, the Office of Revenue Analysis (ORA) uses U.S. national level projections of market share of taxicabs and ride-hailing services by revenue obtained from the data aggregation service Statista. Using this data to share down the total collections to taxicabs only, ORA estimates that \$2,375,225 of these collections were from taxicab services, with the remaining coming from TNCs. Using the projected growth from the Statista data, ORA estimates the FY 2026 and FY 2027 taxicab-only sales and use tax collections at \$2,212,393 and \$2,121,369, respectively.

The Division of Taxation reports that in FY 2024 the state collected \$6,886,194 in sales and use tax from filers in NAICS code, "pet care (except veterinary) services." Using data on total U.S. industry revenue for this NAICS group from 2012 projected through 2024, ORA calculates the compound annual growth rate (CAGR) of revenue in the industry for the last 12 calendar years at 7.8%. Using this CAGR, ORA projects pet care services sales and use tax collections at \$7,998,278 and \$8,619,957 for FYs 2026 and 2027, respectively.

Combining the taxicab and pet care services estimates results in a full year estimated revenue loss of \$10,210,671 for FY 2025. However, ORA adjusts for the assumed October 1, 2025 implementation date using historical data from sales and use collections to prorate the impact to October 2025 through June 2026. This results in a partial FY estimate of \$7,515,054 for FY 2026, which annualizes to \$10,741,326 in FY 2027.

Comments on Sources of Funds:

All sales and use taxes are general revenue.

Summary of Fiscal Impact:

FY 2025: Not applicable due to the assumed implementation date of October 1, 2025.

FY 2026: A revenue loss of \$7,515,054 is forecast.

FY 2027: A revenue loss of \$10,741,326 is forecast.

Budget Office Signature:


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Fiscal Advisor Signature:

