



OFFICE OF MANAGEMENT & BUDGET

State Budget Office

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 222-6300
Fax: (401) 222-6410

State Fiscal Note for Bill Number:

2025-S 0039

Date of State Budget Office Approval: Friday, March 7, 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 N/A	FY 2025 N/A
FY 2026 N/A	FY 2026 \$(20,828)
FY 2027 N/A	FY 2027 \$(29,274)

Explanation by State Budget Office:

Under R.I. Gen. Laws § 44-18-30(11) titled "Gross receipts exempt from sales and use taxes - Prosthetic devices and mobility enhancing equipment," a prosthetic device as defined in R.I. Gen. Laws § 44-18-7.1(t), sold on prescription, is exempt from sales tax (including, but not limited to: artificial limbs, dentures, spectacles, eyeglasses, and artificial eyes; artificial hearing devices and hearing aids, whether or not sold on prescription; and mobility enhancing). Under this proposal, scalp hair prosthesis and wigs worn for hair loss would also be exempt from sales and use taxes if recommended by a physician to treat a medical condition.

Summary of Facts and Assumptions:

The effective date of this bill is upon passage, but for estimation purposes the Office of Revenue Analysis (ORA) assume an implementation date of October 1, 2025. The Department of Revenue, Division of Taxation notes that, as Rhode Island is a signatory to the Streamlined Sales and Use Tax Agreement (SSUTA) and under R.I. Gen. Laws § 44-18.1-5, it is necessary to allow for at least a ninety (90) day period for the change.

A hair prosthesis (or cranial prosthesis) is a custom-made wig specifically designed for patients who have lost their hair because of medical conditions or treatments, such as alopecia areata, alopecia totalis, trichotillomania, chemotherapy, or any other clinical disease or treatment resulting in hair loss.

The Department of Revenue, Division of Taxation notes several potential technical concerns with the bill as drafted, and likely will be submitting a letter to document these concerns for any hearing on the bill. This includes the need to ensure compliance with the Streamlined Sales and Use Tax Agreement (SSUTA), to which Rhode Island is a signatory, in relation to current definitions of "prosthetic device" and the effective date as there are specific notice requirements under SSUTA.

Under Division of Taxation regulation 280-RICR-20-70-6, "wigs and hair pieces" are given as examples of "clothing accessories or equipment." Under R.I. Gen. Laws § 44-18-30(27), "clothing accessories or equipment" are not included in the state's sales and use tax exemption for clothing items priced under \$250 and are thus taxable. However, R.I. Gen. Laws § 44-18-30(11) does specify that prosthetic devices sold on prescription are exempt; therefor, a prescribed hair prosthesis may be exempt from taxation under current law.



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ORA assumed for this analysis that the most common medical conditions/treatments associated with hair loss are chemotherapy and alopecia areata. ORA did not include a specific estimate for wigs used to treat androgenetic alopecia, more commonly known as pattern baldness. ORA further assumed that wigs purchased by this population are currently taxable (although that might not be the case if the hair prosthesis was prescribed). Finally, ORA assumed that the mandatory insurance coverage amount of \$350 for scalp hair prostheses specified in R.I. Gen. Laws § 27-20-54 represents an average cost for a prosthesis.

ORA used the annual "Cancer Facts & Figures" published by American Cancer Society which showed 7,210 new cancer cases in Rhode Island in 2024. ORA found that 57.7% of the new cancer cases required chemotherapy, according to a report in Cancerworld magazine. In addition, a 2019 survey published in the Indian Dermatology Online Journal showed that 20.6% of those surveyed used a wig to address chemotherapy-induced hair loss. Multiplying the Rhode Island cancer cases by the share of those receiving chemotherapy and the percentage of those who might use a wig results in 857 individuals in 2024.

According to a March 2023 article in JAMA Dermatology, in 2019 the national incidence of alopecia cases was 92.90 per 100,000 people. Applying this to the Rhode Island population generates an estimate of 1,033 new cases of alopecia in 2024. ORA applied the same percentage of chemotherapy patients who report using a wig (20.6%) to the new alopecia cases to generate an estimate of 213 individuals in 2024. The total number of patients who might use a wig was calculated at 1,070 (857 + 213).

The next step was to calculate the average spending on hair prostheses. ORA estimated \$374,452 (i.e., $1,070 * \$350$) in 2024 for the total spending on these products. After applying the 7% sales tax, the associated revenue was \$26,212 (i.e., $\$374,452 * 0.07$) in 2024.

The Office of Management and Budget's (OMB) projection of sales and use tax revenues (based on the November 2024 Revenue Estimating Conference adopted estimates) are \$1,704,000,000 in FY 2025, \$1,760,400,000 in FY 2026, and \$1,826,506,635 in FY 2027, yielding growth rates of 4.19%, 3.31%, and 3.76%, respectively. ORA applied these growth rates to yield estimated forgone sales and use tax revenues of \$28,215 in FY 2026 and \$29,274 in FY 2027.

The FY 2026 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 (26.2%) to account for the October 1, 2025, effective date of the exemption.

Comments on Sources of Funds:

All sales and use taxes are general revenues.



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Summary of Fiscal Impact:

FY 2025: Not applicable due to the implementation date of the bill.

FY 2026: A revenue loss of \$20,828 is forecast.

FY 2027: A revenue loss of \$29,274 is forecast.

Budget Office Signature: _____

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Codega Jr.
Date: 2025.03.07 09:27:43 -05'00'

Fiscal Advisor Signature: _____

