



# 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 0094**

**Date of State Budget Office Approval:** Friday, February 28, 2025

**Date Requested:** Friday, January 31, 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	\$(8,495,468)
FY 2027	\$0	FY 2027	\$(11,274,789)

### Explanation by State Budget Office:

This bill would exempt from the sale of beer and malt beverages from the 7% sales and use tax. Alcoholic beverages other than beer and malt beverages (i.e., wine and spirits) are already exempt from sales tax under R.I. Gen. Laws § 44-18-30(64). This bill would amend R.I. Gen. Laws § 44-18-30(64) to strike the exclusion of beer and malt beverages from the alcoholic beverage exemption, and R.I. Gen. Laws § 44-18-7.1(b) to make the definition of alcoholic beverages explicitly inclusive of beer and malt beverages.

### Summary of Facts and Assumptions:

The bill is effective upon passage. The Division of Taxation notes that under R.I. Gen. Laws § 44-18.1-5 and because Rhode Island is a signatory Streamlined Sales and Use Tax Agreement (SSUTA), it is necessary to allow for at least a ninety (90) day period for the change. To account for the 90-day period, the Office of Revenue Analysis (ORA) assumed the exemption would take effect October 1, 2025. The Division of Taxation also notes that a potential policy issue for consideration may need to address the tax parity between beer substitutes remaining subject to sales and use tax and the exemption of beer and malt liquor from sales tax.

The estimate begins with the net taxable sales of alcoholic beverages by Rhode Island liquor stores in calendar years 2022 and 2023, the two most recent calendar years of data available as of the preparation of this fiscal note. This is the sales after deductions and exemptions, including the exemption for wine and spirits. These sales totaled \$183,598,953 in CY 2022 and \$157,965,862 in CY 2023. To convert to fiscal year estimates, the estimate adds half of the CY 2022 sales to half of the CY 2023 sales to estimate the FY 2023 sales at \$170,782,408. The sales are then grown by the actual FY 2024 growth in alcohol excise tax collections to obtain an estimated FY 2024 figure of \$157,942,163. The FY 2025 sales are then grown by the growth rates adopted at the November 2024 Revenue Estimating Conference for alcohol excise tax for FY 2025 of 2.0%. The Governor's recommended FY 2026 budget forecasts no growth for the alcohol excise tax for FY 2026 and FY 2027. Thus, the FY 2025 - FY 2026 net taxable sales are all estimated to be \$161,068,410. The sales estimates for FY 2026 and FY 2027 are then multiplied by the sales and use tax rate of 7% to derive the estimate of full-year revenue that would be forgone if the bills were to be enacted of \$11,274,789. Applying the five-year moving average of the monthly share of total alcohol excise tax revenue for November - June (in which each year is weighted using an exponentially decreasing order starting with 50%) of 75.3% yields estimated forgone revenue for FY 2026 of \$8,495,468.



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The most recent version of the Sales and Taxation of Alcoholic Beverages as of the preparation of this fiscal note was published on April 30, 2024, which provides net taxable sales of alcoholic beverages through CY 2023. CY 2024 data will be available with the release of the next version of this report around May 1, 2025, which would allow this estimate to be updated to use the most recent available data.

### Comments on Sources of Funds:

All sales and use taxes are general revenues.

### Summary of Fiscal Impact:

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

FY 2026: A revenue loss of \$8,495,468 is forecast.

FY 2027: A revenue loss of \$11,274,789 is forecast.

Budget Office Signature: \_\_\_\_\_

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Fiscal Advisor Signature: \_\_\_\_\_