



OFFICE OF MANAGEMENT & BUDGET

State Budget Office

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State Fiscal Note for Bill Number:

2025-S 0099

Date of State Budget Office Approval: Thursday, May 1, 2025

Date Requested: Thursday, May 1, 2025

Date Due: Sunday, May 11, 2025

<i>Impact on Expenditures</i>		<i>Impact on Revenues</i>	
FY 2025	\$0	FY 2025	\$0
FY 2026	\$0	FY 2026	\$(3,574,995)
FY 2027	\$0	FY 2027	\$(5,053,488)

Explanation by State Budget Office:

This proposal would allow purchasers of a motor vehicle who are trading in a pickup truck with a gross vehicle weight of less than 8,100 lbs. that was used exclusively for personal use as part of the transaction to pay the use tax at registration on the gross price of the motor vehicle minus the value of the truck taken in trade. The use tax at registration would be determined by multiplying the net value of the transaction by 7%.

Under current Rhode Island law, all purchasers of trucks who register the truck in the state pay a use tax at registration equal to 7% of the gross purchase price of the truck being registered with no consideration given for the value of the truck traded in. Trade-in values are already exempt from use tax for private passenger automobiles and motorcycles.

Summary of Facts and Assumptions:

The bill is effective upon passage. To match similar proposals relating to sales tax on vehicle trade-in values, the Office of Revenue Analysis (ORA) assumed the exemption would take effect October 1, 2025. The Department of Revenue, Division of Taxation (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. Taxation also notes additional potential concerns with the bill as drafted and likely will be submitting a letter of concern for any hearing on the bill to note these concerns.

This bill specifies that the new exemption of the trade-in value only applies to "pickup trucks." Under state law and in Division of Motor Vehicle (DMV) data, the term pickup truck is not defined. DMV data does indicate that many vehicle transactions under 8,100 lbs. are associated with vehicles commonly known as pickup trucks. Given these facts, this analysis does not try to separate out pickup trucks from other trucks and instead looks at all truck transactions under 8,100 lbs.

Further, it is impossible for ORA to differentiate the use of the truck whether for personal use or commercial use or a combination of both. The analysis presented here should be interpreted as a maximum revenue loss as ORA calculated the impact with all trucks found under this weight limit regardless of use or plate type. ORA is unsure how the "personal use" language would be interpreted and implemented and recommends further research.



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This analysis uses data from the Division of Motor Vehicles (DMV) that specifies the trade-in value of trucks purchased in Massachusetts by Rhode Island residents. Massachusetts, unlike Rhode Island, allows the value of trade-ins to be exempt from that state's sales and use tax. Rhode Island residents are required to pay the difference in sales and use tax between Massachusetts (6.25%) and Rhode Island (7%) when they register their vehicle in Rhode Island. As part of this process, those purchasers must add back the value of the trade-in to calculate the Rhode Island use tax owed.

According to the DMV data, the trade-in value from Massachusetts-purchased trucks less than 8,100 pounds would have lowered sales and use tax collections (had those trade-in amounts been exempt from Rhode Island taxation) by 14.14% in FY 2024. ORA assumed that the value of trade-ins associated with non-Massachusetts dealers would be similar and applied that rate to the other truck transactions in the data.

In FY 2024, the value of total truck transactions less than 8,100 pounds in the DMV data from dealers other than Massachusetts dealers was \$397,896,683. Reducing this by 14.14% indicates that exempting the trade-in value would have reduced the value of these transactions by \$56,276,206. Applying Rhode Island's 7% use tax rate indicates that the exemption of this trade-in value would have reduced sales and use tax by \$3,939,334. Sales and use tax on the trade-in value of trucks purchased in Massachusetts was \$585,883 (which would also be forgone under this bill). Adding the loss from Massachusetts and non-Massachusetts transactions reveals a total loss in FY 2024 from the proposal of \$4,525,217.

The revenue loss was grown using the estimated growth rates for all sales and use tax adopted at the November 2024 Revenue Estimating Conference (REC) for FY 2025 and FY 2026 (and the growth rate estimated for FY 2027 in the Office of Management and Budget's tie-in forecast after the November 2024 REC). The loss estimate was also prorated for an October 1, 2025, start date by discounting by 26.6% (which is the average share of DMV revenue that occurs between July and September over the last five years).

Comments on Sources of Funds:

All sales and use taxes are general revenues.

Summary of Fiscal Impact:

FY 2025: Not applicable given the assumed effective date of October 1, 2025.

FY 2026: A general revenue loss of \$3,574,995 is forecast.

FY 2027: A general revenue loss of \$5,053,488 is forecast.

Budget Office Signature:

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Codega Jr.
Date: 2025.05.01 13:22:11 -04'00'

Fiscal Advisor Signature: