

2016 -- H 7010

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LC003340
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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

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A N A C T

RELATING TO TAXATION - SALES AND USE TAXES - LIABILITY AND
COMPUTATION

Introduced By: Representatives Ruggiero, Shekarchi, Kennedy, Blazejewski, and
Abney

Date Introduced: January 06, 2016

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Legislative Findings. -- The general assembly hereby finds and declares as
2 follows:

3 WHEREAS, A sales tax holiday would make certain purchases made by individuals for
4 personal use not subject to Rhode Island sales or use taxes; and

5 WHEREAS, A one-day tax holiday in August, 2016, would encourage Rhode Island
6 residents and visitors from nearby states to make purchases in Rhode Island and stimulate the
7 local business economy;

8 Therefore, the general assembly hereby authorizes a one-time holiday as set forth in this
9 act.

10 SECTION 2. Chapter 44-18 of the General Laws entitled "Sales and Use Taxes -
11 Liability and Computation" is hereby amended by adding thereto the following section:

12 **44-18-18.2. Annual Sales Tax Holiday.** -- (a) A sales tax holiday on purchases made by
13 individuals for personal use shall not be subject to Rhode Island sales or use taxes. The sales tax
14 holiday shall occur on Saturday, August 6, 2016, for one time only to encourage Rhode Island
15 residents and visitors from nearby states to make purchases and to stimulate the local business
16 economy.

17 (b) The exemption only applies to sales of tangible personal property bought for personal
18 use.

1 (1) Purchases by corporations or other businesses and purchases by individuals for
2 business use remain taxable. Purchases exempt from the sales tax are also exempt from use tax.
3 Eligible items of tangible personal property purchased on the Rhode Island sales tax holiday
4 weekend from out-of-state retailers for use in Rhode Island are exempt from the Rhode Island use
5 tax.

6 (c) The following exemptions are applicable to Rhode Island sales tax holiday exemption:

7 (1) All sales of motor vehicles, motorboats, meals, telecommunications services, gas
8 steam, electricity, tobacco products and of any single item whose price is in excess of twenty-five
9 hundred dollars (\$2,500), do not qualify for the sales tax holiday exemption and remain subject
10 to tax.

11 (2) When the sale price of any single item is greater than two thousand five hundred
12 dollars (\$2,500), sales and/or use tax is due on the entire price charged for the item. The sale price
13 is not reduced by the threshold amount.

14 (3) Where a customer is purchasing multiple items on the sales tax holiday, separate
15 invoices are not required, so long as each individual item is two thousand five hundred dollars
16 (\$2,500) or less. There is no upper limit on the tax-free amount each customer may purchase.

17 (4)(i) When several items are offered for a sale at a single price, the entire package is
18 exempt if the sale price of the package is two thousand five hundred dollars (\$2,500) or less. By
19 way of example, a computer package including a CPU, keyboard, monitor, mouse and a printer
20 with a single sales price of three thousand five hundred dollars (\$3,500) would not qualify for the
21 sales tax holiday exemption because the single sale price of the package, three thousand five
22 hundred dollars (\$3,500), is more than the sales tax holiday threshold amount of two thousand
23 five hundred dollars (\$2,500).

24 (ii) Items that are priced separately and are to be sold as separate articles will qualify for
25 the sales tax holiday exemption if the price of each article is two thousand five hundred dollars
26 (\$2,500) or less. By way of example, a customer purchases a personal computer for three
27 thousand dollars (\$3,000) and a computer printer for two hundred dollars (\$200), each of which is
28 priced separately. The purchase of the personal computer will not qualify for the exemption
29 because the sale price, three thousand dollars (\$3,000), is in excess of the sales tax holiday
30 threshold amount of two thousand five hundred dollars (\$2,500). However, since the sale price of
31 the computer printer, two hundred dollars (\$200), is less than two thousand five hundred dollars
32 (\$2,500), the printer would be exempt from tax.

33 (5) If a store coupon or discount provided by a retailer or manufacturer reduces the sale
34 price of the property, the discounted sale price determines whether the sale price is within the sale

1 tax holiday price threshold of two thousand five hundred dollars (\$2,500) or less. If a store
2 coupon or discount applies to the total amount paid by a purchaser rather than to the sale price of
3 a particular item and the purchaser has purchased both eligible property and taxable property, the
4 seller should allocate the discount on a pro rata basis to each article sold.

5 (6) If a customer purchases an item of eligible property during the sales tax holiday, but
6 later exchanges the item for an identical or similar eligible item for the same price ("an even
7 exchange"), no tax is due even if the exchange is made after the sales tax holiday.

8 (7) Layaway sales do not qualify for the sales tax holiday.

9 (8) Special order items such as furniture are eligible for the sales tax holiday so long as
10 they are ordered and paid for in full on the sales tax holiday and the cost of each item is two
11 thousand five hundred dollars (\$2,500) or less, even if the delivery is made at a later date.

12 (9) When a customer receives a raincheck because an item on sale was not available,
13 property bought with the use of the raincheck will qualify for the exemption regardless of when
14 the raincheck was issued if the raincheck is used on the sales tax holiday. Issuance of a raincheck
15 during the sales tax holiday weekend will not qualify otherwise eligible property for the sales tax
16 holiday exemption if the property is actually purchased after the sales tax holiday.

17 (10) Rentals of tangible personal property, except motor vehicles and motorboats, are
18 eligible for the sales tax holiday, even if the rental period covers days before or after the holiday,
19 provided payment in full is made during the sales tax holiday.

20 (11) A sale price discounted by a rebate determines whether the sale price is within the
21 sale tax holiday price threshold of two thousand five hundred dollars (\$2,500) or less. If a vendor
22 offers a customer a cash discount upon the purchase of tangible personal property and the
23 customer also receives a rebate from the manufacturer of the property after the sale, only the cash
24 discount given by the retailer is excluded from the sale price for purposes of the sale tax holiday
25 exemption. The amount of the manufacturer's rebate is not deducted from the sale price.

26 (12) Internet sales are exempt if ordered and paid for on the sales tax holiday.

27 (13) Items normally sold as a single unit must continue to be sold in that manner. Such
28 articles cannot be priced separately and sold as individual items in order to obtain the sales tax
29 holiday exemption.

30 (14) Sales tax may only be refunded to a retail customer on returns within ninety (90)
31 days of the sale.

32 (15) A customer who is erroneously charged sales tax by a vendor for an exempt
33 purchase should take their tax paid receipt to the vendor to obtain the refund. If the vendor has
34 remitted the erroneously collected tax to the division of taxation, the vendor may file an

1 application for abatement of the erroneously collected tax within three (3) years upon satisfactory
2 evidence that the vendor has credited or refunded the tax to the purchaser.

3 (d) All Rhode Island businesses normally making taxable sales of tangible personal
4 property that are open during the sales tax holiday must participate in the sales tax holiday.

5 (e) Out-of-state retailers registered to collect Rhode Island sales and use taxes must
6 participate in the sales tax holiday.

7 (f) Retailers that back-date sales occurring after the sales tax holiday or that forward-date
8 sales that occurred before the sales tax holiday in order to make them appear to qualify for the
9 sales tax holiday or otherwise fail to follow the rules in this chapter in order to improperly avoid
10 collecting and remitting sales or use taxes may be subject to the tax evasion penalties as
11 prescribed by Rhode Island general laws, including a felony conviction, a fine of not more than
12 one hundred thousand dollars (\$100,000) or five hundred thousand (\$500,000) in the case of a
13 corporation, or by imprisonment for not more than five (5) years, or both, and may be required to
14 pay the costs of prosecution.

15 SECTION 3. This act shall take effect upon passage and shall expire on September 1,
16 2016. Thereafter, the general assembly shall review the fiscal impact of the sales tax holiday and
17 determine whether to renew or continue the holding of a sales tax holiday.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO TAXATION - SALES AND USE TAXES - LIABILITY AND
COMPUTATION

- 1 This act would provide a sales and use tax holiday on Saturday, August 6, 2016.
- 2 This act would take effect upon passage and would expire on September 1, 2016.
- 3 Thereafter, the general assembly would review the fiscal impact of the sales tax holiday
- 4 and determine whether to renew or continue the holding of a sales tax holiday.

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