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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2019

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A N A C T

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

Introduced By: Senators Quezada, Ciccone, Euer, Goodwin, and Pearson

Date Introduced: January 24, 2019

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-18-7.1 of the General Laws in Chapter 44-18 entitled "Sales and
2 Use Taxes - Liability and Computation" is hereby amended to read as follows:

3 **44-18-7.1. Additional definitions.**

4 (a) "Agreement" means the streamlined sales and use tax agreement.

5 (b) "Alcoholic beverages" means beverages that are suitable for human consumption and
6 contain one-half of one percent (.5%) or more of alcohol by volume.

7 (c) "Bundled transaction" is the retail sale of two or more products, except real property
8 and services to real property, where (1) The products are otherwise distinct and identifiable, and
9 (2) The products are sold for one non-itemized price. A "bundled transaction" does not include
10 the sale of any products in which the "sales price" varies, or is negotiable, based on the selection
11 by the purchaser of the products included in the transaction.

12 (i) "Distinct and identifiable products" does not include:

13 (A) Packaging -- such as containers, boxes, sacks, bags, and bottles -- or other materials -
14 - such as wrapping, labels, tags, and instruction guides -- that accompany the "retail sale" of the
15 products and are incidental or immaterial to the "retail sale" thereof. Examples of packaging that
16 are incidental or immaterial include grocery sacks, shoeboxes, dry cleaning garment bags, and
17 express delivery envelopes and boxes.

18 (B) A product provided free of charge with the required purchase of another product. A

1 product is "provided free of charge" if the "sales price" of the product purchased does not vary
2 depending on the inclusion of the products "provided free of charge."

3 (C) Items included in the member state's definition of "sales price," pursuant to appendix
4 C of the agreement.

5 (ii) The term "one non-itemized price" does not include a price that is separately
6 identified by product on binding sales or other supporting sales-related documentation made
7 available to the customer in paper or electronic form including, but not limited to, an invoice, bill
8 of sale, receipt, contract, service agreement, lease agreement, periodic notice of rates and
9 services, rate card, or price list.

10 (iii) A transaction that otherwise meets the definition of a "bundled transaction" as
11 defined above, is not a "bundled transaction" if it is:

12 (A) The "retail sale" of tangible personal property and a service where the tangible
13 personal property is essential to the use of the service, and is provided exclusively in connection
14 with the service, and the true object of the transaction is the service; or

15 (B) The "retail sale" of services where one service is provided that is essential to the use
16 or receipt of a second service and the first service is provided exclusively in connection with the
17 second service and the true object of the transaction is the second service; or

18 (C) A transaction that includes taxable products and nontaxable products and the
19 "purchase price" or "sales price" of the taxable products is de minimis.

20 1. De minimis means the seller's "purchase price" or "sales price" of the taxable products
21 is ten percent (10%) or less of the total "purchase price" or "sales price" of the bundled products.

22 2. Sellers shall use either the "purchase price" or the "sales price" of the products to
23 determine if the taxable products are de minimis. Sellers may not use a combination of the
24 "purchase price" and "sales price" of the products to determine if the taxable products are de
25 minimis.

26 3. Sellers shall use the full term of a service contract to determine if the taxable products
27 are de minimis; or

28 (D) The "retail sale" of exempt tangible personal property and taxable tangible personal
29 property where:

30 1. The transaction includes "food and food ingredients", "drugs", "durable medical
31 equipment", "mobility enhancing equipment", "over-the-counter drugs", "prosthetic devices" (all
32 as defined in this section) or medical supplies; and

33 2. Where the seller's "purchase price" or "sales price" of the taxable tangible personal
34 property is fifty percent (50%) or less of the total "purchase price" or "sales price" of the bundled

1 tangible personal property. Sellers may not use a combination of the "purchase price" and "sales
2 price" of the tangible personal property when making the fifty percent (50%) determination for a
3 transaction.

4 (d) "Certified automated system (CAS)" means software certified under the agreement to
5 calculate the tax imposed by each jurisdiction on a transaction, determine the amount of tax to
6 remit to the appropriate state, and maintain a record of the transaction.

7 (e) "Certified service provider (CSP)" means an agent certified under the agreement to
8 perform all the seller's sales and use tax functions, other than the seller's obligation to remit tax on
9 its own purchases.

10 (f) Clothing and related items.

11 (i) "Clothing" means all human wearing apparel suitable for general use.

12 (ii) "Clothing accessories or equipment" means incidental items worn on the person or in
13 conjunction with "clothing." "Clothing accessories or equipment" does not include "clothing",
14 "sport or recreational equipment", or "protective equipment."

15 (iii) "Protective equipment" means items for human wear and designed as protection of
16 the wearer against injury or disease or as protections against damage or injury of other persons or
17 property but not suitable for general use. "Protective equipment" does not include "clothing",
18 "clothing accessories or equipment", and "sport or recreational equipment."

19 (iv) "Sport or recreational equipment" means items designed for human use and worn in
20 conjunction with an athletic or recreational activity that are not suitable for general use. "Sport or
21 recreational equipment" does not include "clothing", "clothing accessories or equipment", and
22 "protective equipment."

23 (g) Computer and related items.

24 (i) "Computer" means an electronic device that accepts information in digital or similar
25 form and manipulates it for a result based on a sequence of instructions.

26 (ii) "Computer software" means a set of coded instructions designed to cause a
27 "computer" or automatic data processing equipment to perform a task.

28 (iii) "Delivered electronically" means delivered to the purchaser by means other than
29 tangible storage media.

30 (iv) "Electronic" means relating to technology having electrical, digital, magnetic,
31 wireless, optical, electromagnetic, or similar capabilities.

32 (v) "Load and leave" means delivery to the purchaser by use of a tangible storage media
33 where the tangible storage media is not physically transferred to the purchaser.

34 (vi) "Prewritten computer software" means "computer software," including prewritten

1 upgrades, that is not designed and developed by the author or other creator to the specifications of
2 a specific purchaser. The combining of two (2) or more "prewritten computer software"
3 programs or prewritten portions thereof does not cause the combination to be other than
4 "prewritten computer software." "Prewritten computer software" includes software designed and
5 developed by the author or other creator to the specifications of a specific purchaser when it is
6 sold to a person other than the specific purchaser. Where a person modifies or enhances
7 "computer software" of which the person is not the author or creator, the person shall be deemed
8 to be the author or creator only of such person's modifications or enhancements. "Prewritten
9 computer software" or a prewritten portion thereof that is modified or enhanced to any degree,
10 where such modification or enhancement is designed and developed to the specifications of a
11 specific purchaser, remains "prewritten computer software"; provided, however, that where there
12 is a reasonable, separately stated charge or an invoice or other statement of the price given to the
13 purchaser for such modification or enhancement, such modification or enhancement shall not
14 constitute "prewritten computer software."

15 (vii) "Vendor-hosted prewritten computer software" means prewritten computer software
16 that is accessed through the internet and/or a vendor-hosted server regardless of whether the
17 access is permanent or temporary and regardless of whether any downloading occurs.

18 (h) Drugs and related items.

19 (i) "Drug" means a compound, substance, or preparation, and any component of a
20 compound, substance, or preparation, other than "food and food ingredients," "dietary
21 supplements" or "alcoholic beverages":

22 (A) Recognized in the official United States Pharmacopoeia, official Homeopathic
23 Pharmacopoeia of the United States, or official National Formulary, and supplement to any of
24 them; or

25 (B) Intended for use in the diagnosis, cure, mitigation, treatment, or prevention of
26 disease; or

27 (C) Intended to affect the structure or any function of the body.

28 "Drug" shall also include insulin and medical oxygen whether or not sold on prescription.

29 (ii) "Over-the-counter drug" means a drug that contains a label that identifies the product
30 as a drug as required by 21 C.F.R. § 201.66. The "over-the-counter drug" label includes:

31 (A) A "Drug Facts" panel; or

32 (B) A statement of the "active ingredient(s)" with a list of those ingredients contained in
33 the compound, substance, or preparation.

34 "Over-the-counter drug" shall not include "grooming and hygiene products."

1 (iii) "Grooming and hygiene products" are soaps and cleaning solutions, shampoo,
2 toothpaste, mouthwash, antiperspirants, and suntan lotions and screens, regardless of whether the
3 items meet the definition of "over-the-counter drugs."

4 (iv) "Prescription" means an order, formula, or recipe issued in any form of oral, written,
5 electronic, or other means of transmission by a duly licensed practitioner authorized by the laws
6 of the member state.

7 (i) "Delivery charges" means charges by the seller of personal property or services for
8 preparation and delivery to a location designated by the purchaser of personal property or services
9 including, but not limited to: transportation, shipping, postage, handling, crating, and packing.

10 "Delivery charges" shall not include the charges for delivery of "direct mail" if the
11 charges are separately stated on an invoice or similar billing document given to the purchaser.

12 (j) "Direct mail" means printed material delivered or distributed by United States mail or
13 other delivery service to a mass audience or to addressees on a mailing list provided by the
14 purchaser or at the direction of the purchaser when the cost of the items are not billed directly to
15 the recipients. "Direct mail" includes tangible personal property supplied directly or indirectly by
16 the purchaser to the direct mail seller for inclusion in the package containing the printed material.
17 "Direct mail" does not include multiple items of printed material delivered to a single address.

18 (k) "Durable medical equipment" means equipment including repair and replacement
19 parts for same which:

- 20 (i) Can withstand repeated use; and
- 21 (ii) Is primarily and customarily used to serve a medical purpose; and
- 22 (iii) Generally is not useful to a person in the absence of illness or injury; and
- 23 (iv) Is not worn in or on the body.

24 Durable medical equipment does not include mobility enhancing equipment.

25 (l) Food and related items.

26 (i) "Food and food ingredients" means substances, whether in liquid, concentrated, solid,
27 frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are
28 consumed for their taste or nutritional value. "Food and food ingredients" does not include
29 "alcoholic beverages", "tobacco", "candy", "dietary supplements", and "soft drinks."

30 (ii) "Prepared food" means:

31 (A) Food sold in a heated state or heated by the seller;

32 (B) Two (2) or more food ingredients mixed or combined by the seller for sale as a single
33 item; or

34 (C) Food sold with eating utensils provided by the seller, including: plates, knives, forks,

1 spoons, glasses, cups, napkins, or straws. A plate does not include a container or packaging used
2 to transport the food.

3 "Prepared food" in (B) does not include food that is only cut, repackaged, or pasteurized
4 by the seller, and eggs, fish, meat, poultry, and foods containing these raw animal foods requiring
5 cooking by the consumer as recommended by the Food and Drug Administration in chapter 3,
6 part 401.11 of its Food Code so as to prevent food borne illnesses.

7 (iii) "Candy" means a preparation of sugar, honey, or other natural or artificial sweeteners
8 in combination with chocolate, fruits, nuts, or other ingredients or flavorings in the form of bars,
9 drops, or pieces. "Candy" shall not include any preparation containing flour and shall require no
10 refrigeration.

11 (iv) "Soft drinks" means non-alcoholic beverages that contain natural or artificial
12 sweeteners. "Soft drinks" do not include beverages that contain milk or milk products, soy, rice,
13 or similar milk substitutes, or greater than fifty percent (50%) of vegetable or fruit juice by
14 volume.

15 (v) "Dietary supplement" means any product, other than "tobacco", intended to
16 supplement the diet that:

17 (A) Contains one or more of the following dietary ingredients:

- 18 1. A vitamin;
- 19 2. A mineral;
- 20 3. An herb or other botanical;
- 21 4. An amino acid;
- 22 5. A dietary substance for use by humans to supplement the diet by increasing the total
23 dietary intake; or
- 24 6. A concentrate, metabolite, constituent, extract, or combination of any ingredient
25 described above; and

26 (B) Is intended for ingestion in tablet, capsule, powder, softgel, gelcap, or liquid form, or
27 if not intended for ingestion in such a form, is not represented as conventional food and is not
28 represented for use as a sole item of a meal or of the diet; and

29 (C) Is required to be labeled as a dietary supplement, identifiable by the "supplemental
30 facts" box found on the label and as required pursuant to 21 C.F.R. § 101.36.

31 (m) "Food sold through vending machines" means food dispensed from a machine or
32 other mechanical device that accepts payment.

33 (n) "Hotel" means every building or other structure kept, used, maintained, advertised as,
34 or held out to the public to be a place where living quarters are supplied for pay to transient or

1 permanent guests and tenants and includes a motel.

2 (i) "Living quarters" means sleeping rooms, sleeping or housekeeping accommodations,
3 or any other room or accommodation in any part of the hotel, rooming house, or tourist camp that
4 is available for or rented out for hire in the lodging of guests.

5 (ii) "Rooming house" means every house, boat, vehicle, motor court, or other structure
6 kept, used, maintained, advertised, or held out to the public to be a place where living quarters are
7 supplied for pay to transient or permanent guests or tenants, whether in one or adjoining
8 buildings.

9 (iii) "Tourist camp" means a place where tents or tent houses, or camp cottages, or cabins
10 or other structures are located and offered to the public or any segment thereof for human
11 habitation.

12 (o) "Lease or rental" means any transfer of possession or control of tangible personal
13 property for a fixed or indeterminate term for consideration. A lease or rental may include future
14 options to purchase or extend. Lease or rental does not include:

15 (i) A transfer of possession or control of property under a security agreement or deferred
16 payment plan that requires the transfer of title upon completion of the required payments;

17 (ii) A transfer of possession or control of property under an agreement that requires the
18 transfer of title upon completion of required payments and payment of an option price does not
19 exceed the greater of one hundred dollars (\$100) or one percent of the total required payments; or

20 (iii) Providing tangible personal property along with an operator for a fixed or
21 indeterminate period of time. A condition of this exclusion is that the operator is necessary for
22 the equipment to perform as designed. For the purpose of this subsection, an operator must do
23 more than maintain, inspect, or set-up the tangible personal property.

24 (iv) Lease or rental does include agreements covering motor vehicles and trailers where
25 the amount of consideration may be increased or decreased by reference to the amount realized
26 upon sale or disposition of the property as defined in 26 U.S.C. § 7701(h)(1).

27 (v) This definition shall be used for sales and use tax purposes regardless if a transaction
28 is characterized as a lease or rental under generally accepted accounting principles, the Internal
29 Revenue Code, the Uniform Commercial Code, or other provisions of federal, state, or local law.

30 (vi) This definition will be applied only prospectively from the date of adoption and will
31 have no retroactive impact on existing leases or rentals. This definition shall neither impact any
32 existing sale-leaseback exemption or exclusions that a state may have, nor preclude a state from
33 adopting a sale-leaseback exemption or exclusion after the effective date of the agreement.

34 (p) "Mobility enhancing equipment" means equipment, including repair and replacement

1 parts to same, that:

2 (i) Is primarily and customarily used to provide or increase the ability to move from one
3 place to another and that is appropriate for use either in a home or a motor vehicle; and

4 (ii) Is not generally used by persons with normal mobility; and

5 (iii) Does not include any motor vehicle or equipment on a motor vehicle normally
6 provided by a motor vehicle manufacturer.

7 Mobility enhancing equipment does not include durable medical equipment.

8 (q) "Model 1 Seller" means a seller that has selected a CSP as its agent to perform all the
9 seller's sales and use tax functions, other than the seller's obligation to remit tax on its own
10 purchases.

11 (r) "Model 2 Seller" means a seller that has selected a CAS to perform part of its sales
12 and use tax functions, but retains responsibility for remitting the tax.

13 (s) "Model 3 Seller" means a seller that has sales in at least five member states, has total
14 annual sales revenue of at least five hundred million dollars (\$500,000,000), has a proprietary
15 system that calculates the amount of tax due each jurisdiction, and has entered into a performance
16 agreement with the member states that establishes a tax performance standard for the seller. As
17 used in this definition, a seller includes an affiliated group of sellers using the same proprietary
18 system.

19 (t) "Prosthetic device" means a replacement, corrective, or supportive device including
20 repair and replacement parts for same worn on or in the body to:

21 (i) Artificially replace a missing portion of the body;

22 (ii) Prevent or correct physical deformity or malfunction; or

23 (iii) Support a weak or deformed portion of the body.

24 (u) "Purchaser" means a person to whom a sale of personal property is made or to whom
25 a service is furnished.

26 (v) "Purchase price" applies to the measure subject to use tax and has the same meaning
27 as sales price.

28 (w) "Seller" means a person making sales, leases, or rentals of personal property or
29 services.

30 (x) "State" means any state of the United States and the District of Columbia.

31 (y) "Telecommunications" tax base/exemption terms.

32 (i) Telecommunication terms shall be defined as follows:

33 (A) "Ancillary services" means services that are associated with or incidental to the
34 provision of "telecommunications services", including, but not limited to, "detailed

1 telecommunications billing", "directory assistance", "vertical service", and "voice mail services".

2 (B) "Conference bridging service" means an "ancillary service" that links two (2) or more
3 participants of an audio or video conference call and may include the provision of a telephone
4 number. "Conference bridging service" does not include the "telecommunications services" used
5 to reach the conference bridge.

6 (C) "Detailed telecommunications billing service" means an "ancillary service" of
7 separately stating information pertaining to individual calls on a customer's billing statement.

8 (D) "Directory assistance" means an "ancillary service" of providing telephone number
9 information, and/or address information.

10 (E) "Vertical service" means an "ancillary service" that is offered in connection with one
11 or more "telecommunications services", which offers advanced calling features that allow
12 customers to identify callers and to manage multiple calls and call connections, including
13 "conference bridging services".

14 (F) "Voice mail service" means an "ancillary service" that enables the customer to store,
15 send, or receive recorded messages. "Voice mail service" does not include any "vertical services"
16 that the customer may be required to have in order to utilize the "voice mail service".

17 (G) "Telecommunications service" means the electronic transmission, conveyance, or
18 routing of voice, data, audio, video, or any other information or signals to a point, or between or
19 among points. The term "telecommunications service" includes such transmission, conveyance,
20 or routing in which computer processing applications are used to act on the form, code, or
21 protocol of the content for purposes of transmission, conveyance, or routing without regard to
22 whether such service is referred to as voice over internet protocol services or is classified by the
23 Federal Communications Commission as enhanced or value added. "Telecommunications
24 service" does not include:

25 (1) Data processing and information services that allow data to be generated, acquired,
26 stored, processed, or retrieved and delivered by an electronic transmission to a purchaser where
27 such purchaser's primary purpose for the underlying transaction is the processed data or
28 information;

29 (2) Installation or maintenance of wiring or equipment on a customer's premises;

30 (3) Tangible personal property;

31 (4) Advertising, including, but not limited to, directory advertising;

32 (5) Billing and collection services provided to third parties;

33 (6) Internet access service;

34 (7) Radio and television audio and video programming services, regardless of the

1 medium, including the furnishing of transmission, conveyance, and routing of such services by
2 the programming service provider. Radio and television audio and video programming services
3 shall include, but not be limited to, cable service as defined in 47 U.S.C. § 522(6) and audio and
4 video programming services delivered by commercial mobile radio service providers as defined
5 in 47 C.F.R. § 20.3;

6 (8) "Ancillary services"; or

7 (9) Digital products "delivered electronically", including, but not limited to: software,
8 music, video, reading materials, or ring tones.

9 (H) "800 service" means a "telecommunications service" that allows a caller to dial a toll-
10 free number without incurring a charge for the call. The service is typically marketed under the
11 name "800", "855", "866", "877", and "888" toll-free calling, and any subsequent numbers
12 designated by the Federal Communications Commission.

13 (I) "900 service" means an inbound toll "telecommunications service" purchased by a
14 subscriber that allows the subscriber's customers to call in to the subscriber's prerecorded
15 announcement or live service. "900 service" does not include the charge for: collection services
16 provided by the seller of the "telecommunications services" to the subscriber, or service or
17 product sold by the subscriber to the subscriber's customer. The service is typically marketed
18 under the name "900 service," and any subsequent numbers designated by the Federal
19 Communications Commission.

20 (J) "Fixed wireless service" means a "telecommunications service" that provides radio
21 communication between fixed points.

22 (K) "Mobile wireless service" means a "telecommunications service" that is transmitted,
23 conveyed, or routed regardless of the technology used, whereby the origination and/or
24 termination points of the transmission, conveyance, or routing are not fixed, including, by way of
25 example only, "telecommunications services" that are provided by a commercial mobile radio
26 service provider.

27 (L) "Paging service" means a "telecommunications service" that provides transmission of
28 coded radio signals for the purpose of activating specific pagers; such transmissions may include
29 messages and/or sounds.

30 (M) "Prepaid calling service" means the right to access exclusively "telecommunications
31 services", which must be paid for in advance and that enables the origination of calls using an
32 access number or authorization code, whether manually or electronically dialed, and that is sold
33 in predetermined units or dollars of which the number declines with use in a known amount.

34 (N) "Prepaid wireless calling service" means a "telecommunications service" that

1 provides the right to utilize "mobile wireless service", as well as other non-telecommunications
2 services, including the download of digital products "delivered electronically", content and
3 "ancillary services" which must be paid for in advance that is sold in predetermined units of
4 dollars of which the number declines with use in a known amount.

5 (O) "Private communications service" means a telecommunications service that entitles
6 the customer to exclusive or priority use of a communications channel or group of channels
7 between or among termination points, regardless of the manner in which such channel or
8 channels are connected, and includes switching capacity, extension lines, stations, and any other
9 associated services that are provided in connection with the use of such channel or channels.

10 (P) "Value-added non-voice data service" means a service that otherwise meets the
11 definition of "telecommunications services" in which computer processing applications are used
12 to act on the form, content, code, or protocol of the information or data primarily for a purpose
13 other than transmission, conveyance, or routing.

14 (ii) "Modifiers of Sales Tax Base/Exemption Terms" -- the following terms can be used
15 to further delineate the type of "telecommunications service" to be taxed or exempted. The terms
16 would be used with the broader terms and subcategories delineated above.

17 (A) "Coin-operated telephone service" means a "telecommunications service" paid for by
18 inserting money into a telephone accepting direct deposits of money to operate.

19 (B) "International" means a "telecommunications service" that originates or terminates in
20 the United States and terminates or originates outside the United States, respectively. United
21 States includes the District of Columbia or a U.S. territory or possession.

22 (C) "Interstate" means a "telecommunications service" that originates in one United
23 States state, or a United States territory or possession, and terminates in a different United States
24 state or a United States territory or possession.

25 (D) "Intrastate" means a "telecommunications service" that originates in one United
26 States state or a United States territory or possession, and terminates in the same United States
27 state or a United States territory or possession.

28 (E) "Pay telephone service" means a "telecommunications service" provided through any
29 pay telephone.

30 (F) "Residential telecommunications service" means a "telecommunications service" or
31 "ancillary services" provided to an individual for personal use at a residential address, including
32 an individual dwelling unit such as an apartment. In the case of institutions where individuals
33 reside, such as schools or nursing homes, "telecommunications service" is considered residential
34 if it is provided to and paid for by an individual resident rather than the institution.

1 The terms "ancillary services" and "telecommunications service" are defined as a broad
2 range of services. The terms "ancillary services" and "telecommunications service" are broader
3 than the sum of the subcategories. Definitions of subcategories of "ancillary services" and
4 "telecommunications service" can be used by a member state alone or in combination with other
5 subcategories to define a narrower tax base than the definitions of "ancillary services" and
6 "telecommunications service" would imply. The subcategories can also be used by a member
7 state to provide exemptions for certain subcategories of the more broadly defined terms.

8 A member state that specifically imposes tax on, or exempts from tax, local telephone or
9 local telecommunications service may define "local service" in any manner in accordance with §
10 44-18.1-28, except as limited by other sections of this Agreement.

11 (z) "Tobacco" means cigarettes, cigars, chewing, [hookah tobacco](#), or pipe tobacco, or any
12 other item that contains tobacco.

13 [\(aa\) "Vaping devices" means any device used to heat or vaporize a liquid solution](#)
14 [containing nicotine for human consumption.](#)

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

17 **44-18-36.2. Hookah tobacco, vaping devices and accessories tax.**

18 [\(a\) There is imposed a hookah tobacco and vaping devices tax of one percent \(1%\) upon](#)
19 [the total consideration charged for the sale and consumption of hookah tobacco and the sale of](#)
20 [vaping devices, as well as hookah and vaping accessories, supplies and replacement parts for](#)
21 [personal use or at establishments licensed for consumption on the premises. The hookah tobacco,](#)
22 [vaping devices and accessories tax is in addition to any sales tax imposed. This hookah tobacco,](#)
23 [vaping devices and accessories tax shall be administered and collected by the division of taxation](#)
24 [and unless provided to the contrary in this chapter, all the administration, collection, and other](#)
25 [provisions of chapter 18 and 19 of this title apply.](#)

26 [\(b\) There is hereby levied and imposed, upon the total consideration charged for the sale](#)
27 [and consumption of hookah tobacco and the sale of vaping devices, as well as hookah, vaping](#)
28 [devices and accessories, supplies and replacement parts in addition to all other taxes and fees now](#)
29 [imposed by law, a local hookah tobacco, vaping devices and accessories tax at the rate of one](#)
30 [percent \(1%\). The local hookah tobacco, vaping devices and accessories tax shall be administered](#)
31 [and collected in accordance with subsection \(a\) of this section. For purposes of this section,](#)
32 ["hookah accessories and supplies" shall include, but not be limited to, any hookah bowl, hose,](#)
33 [base, enhancer, stem or any device necessary to use a hookah to smoke tobacco products. For](#)
34 [purposes of this section, "vaping devices, accessories and supplies" shall include, but not be](#)

1 limited to, any vape pen, vaporizer, juice, tank, mod, electronic cigarette, battery, replacement
2 pod, nicotine salts e-liquid or any device necessary to use a vaping device.

3 (c) All sums received by the division of taxation from the local hookah tobacco, vaping
4 devices and accessories tax, penalties or forfeitures, interest, costs of suit and fines shall be
5 distributed at least quarterly, credited and paid by the state treasurer to the city or town where the
6 sale and/or consumption occurred. Unless provided to the contrary in this chapter, all of the
7 administration, collection, and other provisions of chapter 18 and 19 of this title shall apply.

8 (d) All monies received by the city or town shall be used for the education of persons as
9 to the dangers of hookah tobacco usage and the practice of vaping only and not as additional
10 revenue for the operations and administration of the city or town.

11 SECTION 3. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

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

1 This act would impose a one percent (1%) state tax on the sale of hookah tobacco and
2 vaping devices, as well as hookah and vaping accessories, supplies and replacement parts and a
3 similar one percent (1%) local hookah tobacco and vaping devices tax to be used by cities or
4 towns for the education of persons of the dangers of hookah tobacco usage and the practice of
5 vaping.

6 This act would take effect upon passage.

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