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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2021

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A N A C T

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

Introduced By: Representative Gregg Amore

Date Introduced: February 05, 2021

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-18-30 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 **44-18-30. Gross receipts exempt from sales and use taxes.**

4 There are exempted from the taxes imposed by this chapter the following gross receipts:

5 (1) Sales and uses beyond constitutional power of state. From the sale and from the storage,
6 use, or other consumption in this state of tangible personal property the gross receipts from the sale
7 of which, or the storage, use, or other consumption of which, this state is prohibited from taxing
8 under the Constitution of the United States or under the constitution of this state.

9 (2) Newspapers.

10 (i) From the sale and from the storage, use, or other consumption in this state of any
11 newspaper.

12 (ii) "Newspaper" means an unbound publication printed on newsprint that contains news,
13 editorial comment, opinions, features, advertising matter, and other matters of public interest.

14 (iii) "Newspaper" does not include a magazine, handbill, circular, flyer, sales catalog, or
15 similar item unless the item is printed for, and distributed as, a part of a newspaper.

16 (3) School meals. From the sale and from the storage, use, or other consumption in this
17 state of meals served by public, private, or parochial schools, school districts, colleges, universities,
18 student organizations, and parent-teacher associations to the students or teachers of a school,

1 college, or university whether the meals are served by the educational institutions or by a food
2 service or management entity under contract to the educational institutions.

3 (4) Containers.

4 (i) From the sale and from the storage, use, or other consumption in this state of:

5 (A) Non-returnable containers, including boxes, paper bags, and wrapping materials that
6 are biodegradable and all bags and wrapping materials utilized in the medical and healing arts,
7 when sold without the contents to persons who place the contents in the container and sell the
8 contents with the container.

9 (B) Containers when sold with the contents if the sale price of the contents is not required
10 to be included in the measure of the taxes imposed by this chapter.

11 (C) Returnable containers when sold with the contents in connection with a retail sale of
12 the contents or when resold for refilling.

13 (D) Keg and barrel containers, whether returnable or not, when sold to alcoholic beverage
14 producers who place the alcoholic beverages in the containers.

15 (ii) As used in this subdivision, the term "returnable containers" means containers of a kind
16 customarily returned by the buyer of the contents for reuse. All other containers are "non-returnable
17 containers."

18 (5)(i) Charitable, educational, and religious organizations. From the sale to, as in defined
19 in this section, and from the storage, use, and other consumption in this state, or any other state of
20 the United States of America, of tangible personal property by hospitals not operated for a profit;
21 "educational institutions" as defined in subdivision (18) not operated for a profit; churches,
22 orphanages, and other institutions or organizations operated exclusively for religious or charitable
23 purposes; interest-free loan associations not operated for profit; nonprofit, organized sporting
24 leagues and associations and bands for boys and girls under the age of nineteen (19) years; the
25 following vocational student organizations that are state chapters of national vocational student
26 organizations: Distributive Education Clubs of America (DECA); Future Business Leaders of
27 America, Phi Beta Lambda (FBLA/PBL); Future Farmers of America (FFA); Future Homemakers
28 of America/Home Economics Related Occupations (FHA/HERD); Vocational Industrial Clubs of
29 America (VICA); organized nonprofit golden age and senior citizens clubs for men and women;
30 and parent-teacher associations; and from the sale, storage, use, and other consumption in this state,
31 of and by the Industrial Foundation of Burrillville, a Rhode Island domestic nonprofit corporation.

32 (ii) In the case of contracts entered into with the federal government, its agencies, or
33 instrumentalities, this state, or any other state of the United States of America, its agencies, any
34 city, town, district, or other political subdivision of the states; hospitals not operated for profit;

1 educational institutions not operated for profit; churches, orphanages, and other institutions or
2 organizations operated exclusively for religious or charitable purposes, the contractor may purchase
3 such materials and supplies (materials and/or supplies are defined as those that are essential to the
4 project) that are to be utilized in the construction of the projects being performed under the contracts
5 without payment of the tax.

6 (iii) The contractor shall not charge any sales or use tax to any exempt agency, institution,
7 or organization but shall in that instance provide his or her suppliers with certificates in the form
8 as determined by the division of taxation showing the reason for exemption and the contractor's
9 records must substantiate the claim for exemption by showing the disposition of all property so
10 purchased. If any property is then used for a nonexempt purpose, the contractor must pay the tax
11 on the property used.

12 (6) Gasoline. From the sale and from the storage, use, or other consumption in this state of:

13 (i) Gasoline and other products taxed under chapter 36 of title 31 and (ii) Fuels used for the
14 propulsion of airplanes.

15 (7) Purchase for manufacturing purposes.

16 (i) From the sale and from the storage, use, or other consumption in this state of computer
17 software, tangible personal property, electricity, natural gas, artificial gas, steam, refrigeration, and
18 water, when the property or service is purchased for the purpose of being manufactured into a
19 finished product for resale and becomes an ingredient, component, or integral part of the
20 manufactured, compounded, processed, assembled, or prepared product, or if the property or
21 service is consumed in the process of manufacturing for resale computer software, tangible personal
22 property, electricity, natural gas, artificial gas, steam, refrigeration, or water.

23 (ii) "Consumed" means destroyed, used up, or worn out to the degree or extent that the
24 property cannot be repaired, reconditioned, or rendered fit for further manufacturing use.

25 (iii) "Consumed" includes mere obsolescence.

26 (iv) "Manufacturing" means and includes: manufacturing, compounding, processing,
27 assembling, preparing, or producing.

28 (v) "Process of manufacturing" means and includes all production operations performed in
29 the producing or processing room, shop, or plant, insofar as the operations are a part of and
30 connected with the manufacturing for resale of tangible personal property, electricity, natural gas,
31 artificial gas, steam, refrigeration, or water and all production operations performed insofar as the
32 operations are a part of and connected with the manufacturing for resale of computer software.

33 (vi) "Process of manufacturing" does not mean or include administration operations such
34 as general office operations, accounting, collection, or sales promotion, nor does it mean or include

1 distribution operations that occur subsequent to production operations, such as handling, storing,
2 selling, and transporting the manufactured products, even though the administration and
3 distribution operations are performed by, or in connection with, a manufacturing business.

4 (8) State and political subdivisions. From the sale to, and from the storage, use, or other
5 consumption by, this state, any city, town, district, or other political subdivision of this state. Every
6 redevelopment agency created pursuant to chapter 31 of title 45 is deemed to be a subdivision of
7 the municipality where it is located.

8 (9) Food and food ingredients. From the sale and storage, use, or other consumption in this
9 state of food and food ingredients as defined in § 44-18-7.1(l).

10 For the purposes of this exemption "food and food ingredients" shall not include candy,
11 soft drinks, dietary supplements, alcoholic beverages, tobacco, food sold through vending
12 machines, or prepared food, as those terms are defined in § 44-18-7.1, unless the prepared food is:

13 (i) Sold by a seller whose primary NAICS classification is manufacturing in sector 311,
14 except sub-sector 3118 (bakeries);

15 (ii) Sold in an unheated state by weight or volume as a single item;

16 (iii) Bakery items, including: bread, rolls, buns, biscuits, bagels, croissants, pastries,
17 donuts, danish, cakes, tortes, pies, tarts, muffins, bars, cookies, tortillas; and

18 is not sold with utensils provided by the seller, including: plates, knives, forks, spoons,
19 glasses, cups, napkins, or straws.

20 (10) Medicines, drugs, and durable medical equipment. From the sale and from the storage,
21 use, or other consumption in this state, of:

22 (i) "Drugs" as defined in § 44-18-7.1(h)(i), sold on prescriptions, medical oxygen, and
23 insulin whether or not sold on prescription. For purposes of this exemption drugs shall not include
24 over-the-counter drugs and grooming and hygiene products as defined in § 44-18-7.1(h)(iii).

25 (ii) Durable medical equipment as defined in § 44-18-7.1(k) for home use only, including,
26 but not limited to: syringe infusers, ambulatory drug delivery pumps, hospital beds, convalescent
27 chairs, and chair lifts. Supplies used in connection with syringe infusers and ambulatory drug
28 delivery pumps that are sold on prescription to individuals to be used by them to dispense or
29 administer prescription drugs, and related ancillary dressings and supplies used to dispense or
30 administer prescription drugs, shall also be exempt from tax.

31 (11) Prosthetic devices and mobility enhancing equipment. From the sale and from the
32 storage, use, or other consumption in this state, of prosthetic devices as defined in § 44-18-7.1(t),
33 sold on prescription, including, but not limited to: artificial limbs, dentures, spectacles, eyeglasses,
34 and artificial eyes; artificial hearing devices and hearing aids, whether or not sold on prescription;

1 and mobility enhancing equipment as defined in § 44-18-7.1(p), including wheelchairs, crutches,
2 and canes.

3 (12) Coffins, caskets, urns, shrouds and burial garments. From the sale and from the
4 storage, use, or other consumption in this state of coffins, caskets, urns, shrouds, and other burial
5 garments that are ordinarily sold by a funeral director as part of the business of funeral directing.

6 (13) Motor vehicles sold to nonresidents.

7 (i) From the sale, subsequent to June 30, 1958, of a motor vehicle to a bona fide nonresident
8 of this state who does not register the motor vehicle in this state, whether the sale or delivery of the
9 motor vehicle is made in this state or at the place of residence of the nonresident. A motor vehicle
10 sold to a bona fide nonresident whose state of residence does not allow a like exemption to its
11 nonresidents is not exempt from the tax imposed under § 44-18-20. In that event, the bona fide
12 nonresident pays a tax to Rhode Island on the sale at a rate equal to the rate that would be imposed
13 in his or her state of residence not to exceed the rate that would have been imposed under § 44-18-
14 20. Notwithstanding any other provisions of law, a licensed motor vehicle dealer shall add and
15 collect the tax required under this subdivision and remit the tax to the tax administrator under the
16 provisions of chapters 18 and 19 of this title. When a Rhode Island licensed, motor vehicle dealer
17 is required to add and collect the sales and use tax on the sale of a motor vehicle to a bona fide
18 nonresident as provided in this section, the dealer in computing the tax takes into consideration the
19 law of the state of the nonresident as it relates to the trade-in of motor vehicles.

20 (ii) The tax administrator, in addition to the provisions of §§ 44-19-27 and 44-19-28, may
21 require any licensed motor vehicle dealer to keep records of sales to bona fide nonresidents as the
22 tax administrator deems reasonably necessary to substantiate the exemption provided in this
23 subdivision, including the affidavit of a licensed motor vehicle dealer that the purchaser of the
24 motor vehicle was the holder of, and had in his or her possession a valid out-of-state motor vehicle
25 registration or a valid out-of-state driver's license.

26 (iii) Any nonresident who registers a motor vehicle in this state within ninety (90) days of
27 the date of its sale to him or her is deemed to have purchased the motor vehicle for use, storage, or
28 other consumption in this state, and is subject to, and liable for, the use tax imposed under the
29 provisions of § 44-18-20.

30 (14) Sales in public buildings by blind people. From the sale and from the storage, use, or
31 other consumption in all public buildings in this state of all products or wares by any person
32 licensed under § 40-9-11.1.

33 (15) Air and water pollution control facilities. From the sale, storage, use, or other
34 consumption in this state of tangible personal property or supplies acquired for incorporation into

1 or used and consumed in the operation of a facility, the primary purpose of which is to aid in the
2 control of the pollution or contamination of the waters or air of the state, as defined in chapter 12
3 of title 46 and chapter 23 of title 23, respectively, and that has been certified as approved for that
4 purpose by the director of environmental management. The director of environmental management
5 may certify to a portion of the tangible personal property or supplies acquired for incorporation
6 into those facilities or used and consumed in the operation of those facilities to the extent that that
7 portion has as its primary purpose the control of the pollution or contamination of the waters or air
8 of this state. As used in this subdivision, "facility" means any land, facility, device, building,
9 machinery, or equipment.

10 (16) Camps. From the rental charged for living quarters, or sleeping, or housekeeping
11 accommodations at camps or retreat houses operated by religious, charitable, educational, or other
12 organizations and associations mentioned in subsection (5), or by privately owned and operated
13 summer camps for children.

14 (17) Certain institutions. From the rental charged for living or sleeping quarters in an
15 institution licensed by the state for the hospitalization, custodial, or nursing care of human beings.

16 (18) Educational institutions. From the rental charged by any educational institution for
17 living quarters, or sleeping, or housekeeping accommodations or other rooms or accommodations
18 to any student or teacher necessitated by attendance at an educational institution. "Educational
19 institution" as used in this section means an institution of learning not operated for profit that is
20 empowered to confer diplomas, educational, literary, or academic degrees; that has a regular
21 faculty, curriculum, and organized body of pupils or students in attendance throughout the usual
22 school year; that keeps and furnishes to students and others records required and accepted for
23 entrance to schools of secondary, collegiate, or graduate rank; and no part of the net earnings of
24 which inures to the benefit of any individual.

25 (19) Motor vehicle and adaptive equipment for persons with disabilities.

26 (i) From the sale of: (A) Special adaptations; (B) The component parts of the special
27 adaptations; or (C) A specially adapted motor vehicle; provided that the owner furnishes to the tax
28 administrator an affidavit of a licensed physician to the effect that the specially adapted motor
29 vehicle is necessary to transport a family member with a disability or where the vehicle has been
30 specially adapted to meet the specific needs of the person with a disability. This exemption applies
31 to not more than one motor vehicle owned and registered for personal, noncommercial use.

32 (ii) For the purpose of this subsection the term "special adaptations" includes, but is not
33 limited to: wheelchair lifts, wheelchair carriers, wheelchair ramps, wheelchair securements, hand
34 controls, steering devices, extensions, relocations, and crossovers of operator controls, power-

1 assisted controls, raised tops or dropped floors, raised entry doors, or alternative signaling devices
2 to auditory signals.

3 (iii) From the sale of: (a) Special adaptations, (b) The component parts of the special
4 adaptations, for a "wheelchair accessible taxicab" as defined in § 39-14-1, and/or a "wheelchair
5 accessible public motor vehicle" as defined in § 39-14.1-1.

6 (iv) For the purpose of this subdivision the exemption for a "specially adapted motor
7 vehicle" means a use tax credit not to exceed the amount of use tax that would otherwise be due on
8 the motor vehicle, exclusive of any adaptations. The use tax credit is equal to the cost of the special
9 adaptations, including installation.

10 (20) Heating fuels. From the sale and from the storage, use, or other consumption in this
11 state of every type of heating fuel.

12 (21) Electricity and gas. From the sale and from the storage, use, or other consumption in
13 this state of electricity and gas.

14 (22) Manufacturing machinery and equipment.

15 (i) From the sale and from the storage, use, or other consumption in this state of tools, dies,
16 molds, machinery, equipment (including replacement parts), and related items to the extent used in
17 an industrial plant in connection with the actual manufacture, conversion, or processing of tangible
18 personal property, or to the extent used in connection with the actual manufacture, conversion, or
19 processing of computer software as that term is utilized in industry numbers 7371, 7372, and 7373
20 in the standard industrial classification manual prepared by the Technical Committee on Industrial
21 Classification, Office of Statistical Standards, Executive Office of the President, United States
22 Bureau of the Budget, as revised from time to time, to be sold, or that machinery and equipment
23 used in the furnishing of power to an industrial manufacturing plant. For the purposes of this
24 subdivision, "industrial plant" means a factory at a fixed location primarily engaged in the
25 manufacture, conversion, or processing of tangible personal property to be sold in the regular
26 course of business;

27 (ii) Machinery and equipment and related items are not deemed to be used in connection
28 with the actual manufacture, conversion, or processing of tangible personal property, or in
29 connection with the actual manufacture, conversion, or processing of computer software as that
30 term is utilized in industry numbers 7371, 7372, and 7373 in the standard industrial classification
31 manual prepared by the Technical Committee on Industrial Classification, Office of Statistical
32 Standards, Executive Office of the President, United States Bureau of the Budget, as revised from
33 time to time, to be sold to the extent the property is used in administration or distribution operations;

34 (iii) Machinery and equipment and related items used in connection with the actual

1 manufacture, conversion, or processing of any computer software or any tangible personal property
2 that is not to be sold and that would be exempt under subdivision (7) or this subdivision if purchased
3 from a vendor or machinery and equipment and related items used during any manufacturing,
4 converting, or processing function is exempt under this subdivision even if that operation, function,
5 or purpose is not an integral or essential part of a continuous production flow or manufacturing
6 process;

7 (iv) Where a portion of a group of portable or mobile machinery is used in connection with
8 the actual manufacture, conversion, or processing of computer software or tangible personal
9 property to be sold, as previously defined, that portion, if otherwise qualifying, is exempt under
10 this subdivision even though the machinery in that group is used interchangeably and not otherwise
11 identifiable as to use;

12 (v) Where a taxpayer is treated as a manufacturer on account of processing raw materials
13 into finished goods at a fixed plant location in this state, the taxpayer manufacturer may duplicate
14 operations and be treated as a manufacturer for all business locations in the state.

15 (A) The taxpayer need not transport the raw materials to its fixed plant location if it would
16 be more cost effective to bring the processing equipment to the location of the raw materials.

17 (B) The taxpayer need not be the owner of the raw materials during the processing
18 operation when operating under a contract with another taxpayer who is the title holder.

19 (I) The taxpayer need not be the seller directly of the finished goods converted under the
20 contract.

21 (II) The customer in this instance could retain title throughout and would also be considered
22 the manufacturer/user/seller of the finished product.

23 (vi) Special rule for related companies with lease arrangements. When a manufacturer is
24 related to an equipment holding/leasing company under common employer rules determined by the
25 Internal Revenue Code, the leasing company will be treated as a manufacturer if the manufacturer's
26 employees operate the equipment provided under a lease arrangement. A lease arrangement is not
27 required to be in writing for purposes of this rule and may be a cost sharing/reimbursement
28 arrangement.

29 (23) Trade-in value of motor vehicles. From the sale and from the storage, use, or other
30 consumption in this state of so much of the purchase price paid for a new or used automobile as is
31 allocated for a trade-in allowance on the automobile of the buyer given in trade to the seller, or of
32 the proceeds applicable only to the automobile as are received from the manufacturer of
33 automobiles for the repurchase of the automobile whether the repurchase was voluntary or not
34 towards the purchase of a new or used automobile by the buyer. For the purpose of this subdivision,

1 the word "automobile" means a private passenger automobile not used for hire and does not refer
2 to any other type of motor vehicle.

3 (24) Precious metal bullion.

4 (i) From the sale and from the storage, use, or other consumption in this state of precious
5 metal bullion, substantially equivalent to a transaction in securities or commodities.

6 (ii) For purposes of this subdivision, "precious metal bullion" means any elementary
7 precious metal that has been put through a process of smelting or refining, including, but not limited
8 to: gold, silver, platinum, rhodium, and chromium, and that is in a state or condition that its value
9 depends upon its content and not upon its form.

10 (iii) The term does not include fabricated precious metal that has been processed or
11 manufactured for some one or more specific and customary industrial, professional, or artistic uses.

12 (25) Commercial vessels. From sales made to a commercial ship, barge, or other vessel of
13 fifty (50) tons burden or over, primarily engaged in interstate or foreign commerce, and from the
14 repair, alteration, or conversion of the vessels, and from the sale of property purchased for the use
15 of the vessels including provisions, supplies, and material for the maintenance and/or repair of the
16 vessels.

17 (26) Commercial fishing vessels. From the sale and from the storage, use, or other
18 consumption in this state of vessels and other watercraft that are in excess of five (5) net tons and
19 that are used exclusively for "commercial fishing," as defined in this subdivision, and from the
20 repair, alteration, or conversion of those vessels and other watercraft, and from the sale of property
21 purchased for the use of those vessels and other watercraft including provisions, supplies, and
22 material for the maintenance and/or repair of the vessels and other watercraft and the boats nets,
23 cables, tackle, and other fishing equipment appurtenant to or used in connection with the
24 commercial fishing of the vessels and other watercraft. "Commercial fishing" means taking or
25 attempting to take any fish, shellfish, crustacea, or bait species with the intent of disposing of it for
26 profit or by sale, barter, trade, or in commercial channels. The term does not include subsistence
27 fishing, i.e., the taking for personal use and not for sale or barter; or sport fishing; but shall include
28 vessels and other watercraft with a Rhode Island party and charter boat license issued by the
29 department of environmental management pursuant to § 20-2-27.1 that meet the following criteria:

30 (i) The operator must have a current United States Coast Guard (U.S.C.G.) license to carry
31 passengers for hire; (ii) U.S.C.G. vessel documentation in the coast wide fishery trade; (iii)
32 U.S.C.G. vessel documentation as to proof of Rhode Island home port status or a Rhode Island boat
33 registration to prove Rhode Island home port status; and (iv) The vessel must be used as a
34 commercial passenger carrying fishing vessel to carry passengers for fishing. The vessel must be

1 able to demonstrate that at least fifty percent (50%) of its annual gross income derives from charters
2 or provides documentation of a minimum of one hundred (100) charter trips annually; and (v) The
3 vessel must have a valid Rhode Island party and charter boat license. The tax administrator shall
4 implement the provisions of this subdivision by promulgating rules and regulations relating thereto.

5 (27) Clothing and footwear. From the sales of articles of clothing, including footwear,
6 intended to be worn or carried on or about the human body for sales prior to October 1, 2012.
7 Effective October 1, 2012, the exemption will apply to the sales of articles of clothing, including
8 footwear, intended to be worn or carried on or about the human body up to two hundred and fifty
9 dollars (\$250) of the sales price per item. For the purposes of this section, "clothing or footwear"
10 does not include clothing accessories or equipment or special clothing or footwear primarily
11 designed for athletic activity or protective use as these terms are defined in section 44-18-7.1(f). In
12 recognition of the work being performed by the streamlined sales and use tax governing board,
13 upon passage of any federal law that authorizes states to require remote sellers to collect and remit
14 sales and use taxes, this unlimited exemption will apply as it did prior to October 1, 2012. The
15 unlimited exemption on sales of clothing and footwear shall take effect on the date that the state
16 requires remote sellers to collect and remit sales and use taxes.

17 (28) Water for residential use. From the sale and from the storage, use, or other
18 consumption in this state of water furnished for domestic use by occupants of residential premises.

19 (29) Bibles. [Unconstitutional; see *Ahlburn v. Clark*, 728 A.2d 449 (R.I. 1999); see Notes
20 to Decisions.] From the sale and from the storage, use, or other consumption in the state of any
21 canonized scriptures of any tax-exempt nonprofit religious organization including, but not limited
22 to, the Old Testament and the New Testament versions.

23 (30) Boats.

24 (i) From the sale of a boat or vessel to a bona fide nonresident of this state who does not
25 register the boat or vessel in this state or document the boat or vessel with the United States
26 government at a home port within the state, whether the sale or delivery of the boat or vessel is
27 made in this state or elsewhere; provided, that the nonresident transports the boat within thirty (30)
28 days after delivery by the seller outside the state for use thereafter solely outside the state.

29 (ii) The tax administrator, in addition to the provisions of §§ 44-19-27 and 44-19-28, may
30 require the seller of the boat or vessel to keep records of the sales to bona fide nonresidents as the
31 tax administrator deems reasonably necessary to substantiate the exemption provided in this
32 subdivision, including the affidavit of the seller that the buyer represented himself or herself to be
33 a bona fide nonresident of this state and of the buyer that he or she is a nonresident of this state.

34 (31) Youth activities equipment. From the sale, storage, use, or other consumption in this

1 state of items for not more than twenty dollars (\$20.00) each by nonprofit Rhode Island
2 eleemosynary organizations, for the purposes of youth activities that the organization is formed to
3 sponsor and support; and by accredited elementary and secondary schools for the purposes of the
4 schools or of organized activities of the enrolled students.

5 (32) Farm equipment. From the sale and from the storage or use of machinery and
6 equipment used directly for commercial farming and agricultural production; including, but not
7 limited to: tractors, ploughs, harrows, spreaders, seeders, milking machines, silage conveyors,
8 balers, bulk milk storage tanks, trucks with farm plates, mowers, combines, irrigation equipment,
9 greenhouses and greenhouse coverings, graders and packaging machines, tools and supplies and
10 other farming equipment, including replacement parts appurtenant to or used in connection with
11 commercial farming and tools and supplies used in the repair and maintenance of farming
12 equipment. "Commercial farming" means the keeping or boarding of five (5) or more horses or the
13 production within this state of agricultural products, including, but not limited to, field or orchard
14 crops, livestock, dairy, and poultry, or their products, where the keeping, boarding, or production
15 provides at least two thousand five hundred dollars (\$2,500) in annual gross sales to the operator,
16 whether an individual, a group, a partnership, or a corporation for exemptions issued prior to July
17 1, 2002. For exemptions issued or renewed after July 1, 2002, there shall be two (2) levels. Level I
18 shall be based on proof of annual, gross sales from commercial farming of at least twenty-five
19 hundred dollars (\$2,500) and shall be valid for purchases subject to the exemption provided in this
20 subdivision except for motor vehicles with an excise tax value of five thousand dollars (\$5,000) or
21 greater. Level II shall be based on proof of annual gross sales from commercial farming of at least
22 ten thousand dollars (\$10,000) or greater and shall be valid for purchases subject to the exemption
23 provided in this subdivision including motor vehicles with an excise tax value of five thousand
24 dollars (\$5,000) or greater. For the initial issuance of the exemptions, proof of the requisite amount
25 of annual gross sales from commercial farming shall be required for the prior year; for any renewal
26 of an exemption granted in accordance with this subdivision at either level I or level II, proof of
27 gross annual sales from commercial farming at the requisite amount shall be required for each of
28 the prior two (2) years. Certificates of exemption issued or renewed after July 1, 2002, shall clearly
29 indicate the level of the exemption and be valid for four (4) years after the date of issue. This
30 exemption applies even if the same equipment is used for ancillary uses, or is temporarily used for
31 a non-farming or a non-agricultural purpose, but shall not apply to motor vehicles acquired after
32 July 1, 2002, unless the vehicle is a farm vehicle as defined pursuant to § 31-1-8 and is eligible for
33 registration displaying farm plates as provided for in § 31-3-31.

34 (33) Compressed air. From the sale and from the storage, use, or other consumption in the

1 state of compressed air.

2 (34) Flags. From the sale and from the storage, consumption, or other use in this state of
3 United States, Rhode Island or POW-MIA flags.

4 (35) Motor vehicle and adaptive equipment to certain veterans. From the sale of a motor
5 vehicle and adaptive equipment to and for the use of a veteran with a service-connected loss of or
6 the loss of use of a leg, foot, hand, or arm, or any veteran who is a double amputee, whether service
7 connected or not. The motor vehicle must be purchased by and especially equipped for use by the
8 qualifying veteran. Certificate of exemption or refunds of taxes paid is granted under rules or
9 regulations that the tax administrator may prescribe.

10 (36) Textbooks. From the sale and from the storage, use, or other consumption in this state
11 of textbooks by an "educational institution," as defined in subsection (18) of this section, and any
12 educational institution within the purview of § 16-63-9(4), and used textbooks by any purveyor.

13 (37) Tangible personal property and supplies used in on-site hazardous waste recycling,
14 reuse, or treatment. From the sale, storage, use, or other consumption in this state of tangible
15 personal property or supplies used or consumed in the operation of equipment, the exclusive
16 function of which is the recycling, reuse, or recovery of materials (other than precious metals, as
17 defined in subdivision (24)(ii) of this section) from the treatment of "hazardous wastes," as defined
18 in § 23-19.1-4, where the "hazardous wastes" are generated in Rhode Island solely by the same
19 taxpayer and where the personal property is located at, in, or adjacent to a generating facility of the
20 taxpayer in Rhode Island. The taxpayer shall procure an order from the director of the department
21 of environmental management certifying that the equipment and/or supplies as used or consumed,
22 qualify for the exemption under this subdivision. If any information relating to secret processes or
23 methods of manufacture, production, or treatment is disclosed to the department of environmental
24 management only to procure an order, and is a "trade secret" as defined in § 28-21-10(b), it is not
25 open to public inspection or publicly disclosed unless disclosure is required under chapter 21 of
26 title 28 or chapter 24.4 of title 23.

27 (38) Promotional and product literature of boat manufacturers. From the sale and from the
28 storage, use, or other consumption of promotional and product literature of boat manufacturers
29 shipped to points outside of Rhode Island that either: (i) Accompany the product that is sold; (ii)
30 Are shipped in bulk to out-of-state dealers for use in the sale of the product; or (iii) Are mailed to
31 customers at no charge.

32 (39) Food items paid for by food stamps. From the sale and from the storage, use, or other
33 consumption in this state of eligible food items payment for which is properly made to the retailer
34 in the form of U.S. government food stamps issued in accordance with the Food Stamp Act of 1977,

1 7 U.S.C. § 2011 et seq.

2 (40) Transportation charges. From the sale or hiring of motor carriers as defined in § 39-
3 12-2(1) to haul goods, when the contract or hiring cost is charged by a motor freight tariff filed with
4 the Rhode Island public utilities commission on the number of miles driven or by the number of
5 hours spent on the job.

6 (41) Trade-in value of boats. From the sale and from the storage, use, or other consumption
7 in this state of so much of the purchase price paid for a new or used boat as is allocated for a trade-
8 in allowance on the boat of the buyer given in trade to the seller or of the proceeds applicable only
9 to the boat as are received from an insurance claim as a result of a stolen or damaged boat, towards
10 the purchase of a new or used boat by the buyer.

11 (42) Equipment used for research and development. From the sale and from the storage,
12 use, or other consumption of equipment to the extent used for research and development purposes
13 by a qualifying firm. For the purposes of this subsection, "qualifying firm" means a business for
14 which the use of research and development equipment is an integral part of its operation and
15 "equipment" means scientific equipment, computers, software, and related items.

16 (43) Coins. From the sale and from the other consumption in this state of coins having
17 numismatic or investment value.

18 (44) Farm structure construction materials. Lumber, hardware, and other materials used in
19 the new construction of farm structures, including production facilities such as, but not limited to:
20 farrowing sheds, free stall and stanchion barns, milking parlors, silos, poultry barns, laying houses,
21 fruit and vegetable storages, rooting cellars, propagation rooms, greenhouses, packing rooms,
22 machinery storage, seasonal farm worker housing, certified farm markets, bunker and trench silos,
23 feed storage sheds, and any other structures used in connection with commercial farming.

24 (45) Telecommunications carrier access service. Carrier access service or
25 telecommunications service when purchased by a telecommunications company from another
26 telecommunications company to facilitate the provision of telecommunications service.

27 (46) Boats or vessels brought into the state exclusively for winter storage, maintenance,
28 repair, or sale. Notwithstanding the provisions of §§ 44-18-10, 44-18-11 and 44-18-20, the tax
29 imposed by § 44-18-20 is not applicable for the period commencing on the first day of October in
30 any year up to and including the 30th day of April next succeeding with respect to the use of any
31 boat or vessel within this state exclusively for purposes of: (i) Delivery of the vessel to a facility in
32 this state for storage, including dry storage and storage in water by means of apparatus preventing
33 ice damage to the hull, maintenance, or repair; (ii) The actual process of storage, maintenance, or
34 repair of the boat or vessel; or (iii) Storage for the purpose of selling the boat or vessel.

1 (47) Jewelry display product. From the sale and from the storage, use, or other consumption
2 in this state of tangible personal property used to display any jewelry product; provided that title to
3 the jewelry display product is transferred by the jewelry manufacturer or seller and that the jewelry
4 display product is shipped out of state for use solely outside the state and is not returned to the
5 jewelry manufacturer or seller.

6 (48) Boats or vessels generally. Notwithstanding the provisions of this chapter, the tax
7 imposed by §§ 44-18-20 and 44-18-18 shall not apply with respect to the sale and to the storage,
8 use, or other consumption in this state of any new or used boat. The exemption provided for in this
9 subdivision does not apply after October 1, 1993, unless prior to October 1, 1993, the federal ten
10 percent (10%) surcharge on luxury boats is repealed.

11 (49) Banks and regulated investment companies interstate toll-free calls. Notwithstanding
12 the provisions of this chapter, the tax imposed by this chapter does not apply to the furnishing of
13 interstate and international, toll-free terminating telecommunication service that is used directly
14 and exclusively by or for the benefit of an eligible company as defined in this subdivision; provided
15 that an eligible company employs on average during the calendar year no less than five hundred
16 (500) "full-time equivalent employees" as that term is defined in § 42-64.5-2. For purposes of this
17 section, an "eligible company" means a "regulated investment company" as that term is defined in
18 the Internal Revenue Code of 1986, 26 U.S.C. § 851, or a corporation to the extent the service is
19 provided, directly or indirectly, to or on behalf of a regulated investment company, an employee
20 benefit plan, a retirement plan or a pension plan, or a state-chartered bank.

21 (50) Mobile and manufactured homes generally. From the sale and from the storage, use,
22 or other consumption in this state of mobile and/or manufactured homes as defined and subject to
23 taxation pursuant to the provisions of chapter 44 of title 31.

24 (51) Manufacturing business reconstruction materials.

25 (i) From the sale and from the storage, use, or other consumption in this state of lumber,
26 hardware, and other building materials used in the reconstruction of a manufacturing business
27 facility that suffers a disaster, as defined in this subdivision, in this state. "Disaster" means any
28 occurrence, natural or otherwise, that results in the destruction of sixty percent (60%) or more of
29 an operating manufacturing business facility within this state. "Disaster" does not include any
30 damage resulting from the willful act of the owner of the manufacturing business facility.

31 (ii) Manufacturing business facility includes, but is not limited to, the structures housing
32 the production and administrative facilities.

33 (iii) In the event a manufacturer has more than one manufacturing site in this state, the sixty
34 percent (60%) provision applies to the damages suffered at that one site.

1 (iv) To the extent that the costs of the reconstruction materials are reimbursed by insurance,
2 this exemption does not apply.

3 (52) Tangible personal property and supplies used in the processing or preparation of floral
4 products and floral arrangements. From the sale, storage, use, or other consumption in this state of
5 tangible personal property or supplies purchased by florists, garden centers, or other like producers
6 or vendors of flowers, plants, floral products, and natural and artificial floral arrangements that are
7 ultimately sold with flowers, plants, floral products, and natural and artificial floral arrangements
8 or are otherwise used in the decoration, fabrication, creation, processing, or preparation of flowers,
9 plants, floral products, or natural and artificial floral arrangements, including descriptive labels,
10 stickers, and cards affixed to the flower, plant, floral product, or arrangement, artificial flowers,
11 spray materials, floral paint and tint, plant shine, flower food, insecticide, and fertilizers.

12 (53) Horse food products. From the sale and from the storage, use, or other consumption
13 in this state of horse food products purchased by a person engaged in the business of the boarding
14 of horses.

15 (54) Non-motorized recreational vehicles sold to nonresidents.

16 (i) From the sale, subsequent to June 30, 2003, of a non-motorized recreational vehicle to
17 a bona fide nonresident of this state who does not register the non-motorized recreational vehicle
18 in this state, whether the sale or delivery of the non-motorized recreational vehicle is made in this
19 state or at the place of residence of the nonresident; provided that a non-motorized recreational
20 vehicle sold to a bona fide nonresident whose state of residence does not allow a like exemption to
21 its nonresidents is not exempt from the tax imposed under § 44-18-20; provided, further, that in
22 that event the bona fide nonresident pays a tax to Rhode Island on the sale at a rate equal to the rate
23 that would be imposed in his or her state of residence not to exceed the rate that would have been
24 imposed under § 44-18-20. Notwithstanding any other provisions of law, a licensed, non-motorized
25 recreational vehicle dealer shall add and collect the tax required under this subdivision and remit
26 the tax to the tax administrator under the provisions of chapters 18 and 19 of this title. Provided,
27 that when a Rhode Island licensed, non-motorized recreational vehicle dealer is required to add and
28 collect the sales and use tax on the sale of a non-motorized recreational vehicle to a bona fide
29 nonresident as provided in this section, the dealer in computing the tax takes into consideration the
30 law of the state of the nonresident as it relates to the trade-in of motor vehicles.

31 (ii) The tax administrator, in addition to the provisions of §§ 44-19-27 and 44-19-28, may
32 require any licensed, non-motorized recreational vehicle dealer to keep records of sales to bona fide
33 nonresidents as the tax administrator deems reasonably necessary to substantiate the exemption
34 provided in this subdivision, including the affidavit of a licensed, non-motorized recreational

1 vehicle dealer that the purchaser of the non-motorized recreational vehicle was the holder of, and
2 had in his or her possession a valid out-of-state non-motorized recreational vehicle registration or
3 a valid out-of-state driver's license.

4 (iii) Any nonresident who registers a non-motorized recreational vehicle in this state within
5 ninety (90) days of the date of its sale to him or her is deemed to have purchased the non-motorized
6 recreational vehicle for use, storage, or other consumption in this state, and is subject to, and liable
7 for, the use tax imposed under the provisions of § 44-18-20.

8 (iv) "Non-motorized recreational vehicle" means any portable dwelling designed and
9 constructed to be used as a temporary dwelling for travel, camping, recreational, and vacation use
10 that is eligible to be registered for highway use, including, but not limited to, "pick-up coaches" or
11 "pick-up campers," "travel trailers," and "tent trailers" as those terms are defined in chapter 1 of
12 title 31.

13 (55) Sprinkler and fire alarm systems in existing buildings. From the sale in this state of
14 sprinkler and fire alarm systems; emergency lighting and alarm systems; and the materials
15 necessary and attendant to the installation of those systems that are required in buildings and
16 occupancies existing therein in July 2003 in order to comply with any additional requirements for
17 such buildings arising directly from the enactment of the Comprehensive Fire Safety Act of 2003
18 and that are not required by any other provision of law or ordinance or regulation adopted pursuant
19 to that act. The exemption provided in this subdivision shall expire on December 31, 2008.

20 (56) Aircraft. Notwithstanding the provisions of this chapter, the tax imposed by §§ 44-18-
21 18 and 44-18-20 shall not apply with respect to the sale and to the storage, use, or other consumption
22 in this state of any new or used aircraft or aircraft parts.

23 (57) Renewable energy products. Notwithstanding any other provisions of Rhode Island
24 general laws, the following products shall also be exempt from sales tax: solar photovoltaic
25 modules or panels, or any module or panel that generates electricity from light; solar thermal
26 collectors, including, but not limited to, those manufactured with flat glass plates, extruded plastic,
27 sheet metal, and/or evacuated tubes; geothermal heat pumps, including both water-to-water and
28 water-to-air type pumps; wind turbines; towers used to mount wind turbines if specified by or sold
29 by a wind turbine manufacturer; DC to AC inverters that interconnect with utility power lines; and
30 manufactured mounting racks and ballast pans for solar collector, module, or panel installation. Not
31 to include materials that could be fabricated into such racks; monitoring and control equipment, if
32 specified or supplied by a manufacturer of solar thermal, solar photovoltaic, geothermal, or wind
33 energy systems or if required by law or regulation for such systems but not to include pumps, fans
34 or plumbing or electrical fixtures unless shipped from the manufacturer affixed to, or an integral

1 part of, another item specified on this list; and solar storage tanks that are part of a solar domestic
2 hot water system or a solar space heating system. If the tank comes with an external heat exchanger
3 it shall also be tax exempt, but a standard hot water tank is not exempt from state sales tax.

4 (58) Returned property. The amount charged for property returned by customers upon
5 rescission of the contract of sale when the entire amount exclusive of handling charges paid for the
6 property is refunded in either cash or credit, and where the property is returned within one hundred
7 twenty (120) days from the date of delivery.

8 (59) Dietary supplements. From the sale and from the storage, use, or other consumption
9 of dietary supplements as defined in § 44-18-7.1(l)(v), sold on prescriptions.

10 (60) Blood. From the sale and from the storage, use, or other consumption of human blood.

11 (61) Agricultural products for human consumption. From the sale and from the storage,
12 use, or other consumption of livestock and poultry of the kinds of products that ordinarily constitute
13 food for human consumption and of livestock of the kind the products of which ordinarily constitute
14 fibers for human use.

15 (62) Diesel emission control technology. From the sale and use of diesel retrofit technology
16 that is required by § 31-47.3-4.

17 (63) Feed for certain animals used in commercial farming. From the sale of feed for animals
18 as described in subsection (61) of this section.

19 (64) Alcoholic beverages. From the sale and storage, use, or other consumption in this state
20 by a Class A licensee of alcoholic beverages, as defined in § 44-18-7.1, excluding beer and malt
21 beverages; provided, further, notwithstanding § 6-13-1 or any other general or public law to the
22 contrary, alcoholic beverages, as defined in § 44-18-7.1, shall not be subject to minimum markup.

23 (65) Seeds and plants used to grow food and food ingredients. From the sale, storage, use,
24 or other consumption in this state of seeds and plants used to grow food and food ingredients as
25 defined in § 44-18-7.1(l)(i). "Seeds and plants used to grow food and food ingredients" shall not
26 include marijuana seeds or plants.

27 (66) Feminine hygiene products. From the sale and from the storage, use, or other
28 consumption of tampons, panty liners, menstrual cups, sanitary napkins, and other similar products
29 the principal use of which is feminine hygiene in connection with the menstrual cycle.

30 SECTION 2. 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 -- SALES AND USE TAXES -- LIABILITY AND
COMPUTATION

- 1 This act would expand the sales tax exemption of a manufacturer who processes raw
- 2 materials into finished goods.
- 3 This act would take effect upon passage.

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