

2014 -- H 7217

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2014

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A N A C T

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

Introduced By: Representatives McLaughlin, Chippendale, Hull, Bennett, and
Dickinson

Date Introduced: January 29, 2014

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Chapter 44-18 of the General Laws entitled "Sales and Use Taxes -
2 Liability and Computation" is hereby amended by adding thereto the following section:

3 **44-18-18.2. Annual Sales Tax Holiday. -- (a) A sales tax holiday on purchases made by**
4 **individuals for personal use shall not be subject to Rhode Island sales or use taxes. The sales tax**
5 **holiday shall occur on Presidents' day in the month of February and on the Saturday of Labor day**
6 **weekend of each calendar year.**

7 **(b) The exemption only applies to sales of tangible personal property bought for personal**
8 **use.**

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

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

15 **(1) All sales of motor vehicles, motorboats, meals, telecommunications services, gas**
16 **steam, electricity, tobacco products and any single item whose price is in excess of two thousand**
17 **five hundred dollars (\$2,500), do not qualify for the sales tax holiday exemption and remain**
18 **subject to tax.**

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

4 (3) Where a customer is purchasing multiple items on the sales tax holiday, separate
5 invoices are not required. As long as each individual item is two thousand five hundred dollars
6 (\$2,500) or less. There is no upper limit on the tax-free amount each customer may purchase.

7 (4)(i) When several items are offered for a sale at a single price, the entire package is
8 exempt if the sale price of the package is two thousand five hundred dollars (\$2,500) or less. (For
9 example, a computer package including a CPU, keyboard, monitor, mouse and a printer with a
10 single sales price of three thousand five hundred dollars (\$3,500) would not qualify for the sales
11 tax holiday exemption because the single sale price of the package, three thousand five hundred
12 dollars (\$3,500), is more than the sales tax holiday threshold amount of two thousand five
13 hundred dollars (\$2,500)).

14 (ii) Items that are priced separately and are to be sold as separate articles will qualify for
15 the sales tax holiday exemption if the price of each article is two thousand five hundred dollars
16 (\$2,500) or less. (For example, a customer purchases a personal computer for three thousand
17 dollars (\$3,000) and a computer printer for two-hundred dollars (\$200), each of which is priced
18 separately. The purchase of the personal computer will not qualify for the exemption because the
19 sale price, three thousand dollars (\$3,000), is in excess of the sales tax holiday threshold amount
20 of two thousand five hundred dollars (\$2,500). However, since the sale price of the computer
21 printer, two-hundred dollars (\$200) is less than two thousand five hundred dollars (\$2,500), the
22 printer would be exempt from tax.)

23 (5) If a store coupon or discount provided by a retailer or manufacturer reduces the sale
24 price of the property, the discounted sale price determines whether the sale price is within the sale
25 tax holiday price threshold of two thousand five hundred dollars (\$2,500) or less. If a store
26 coupon or discount applies to the total amount paid by a purchaser rather than to the sale price of
27 a particular item and the purchaser has purchased both eligible property and taxable property, the
28 seller should allocate the discount on a pro rata basis to each article sold.

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

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

33 (8) Special order items such as furniture are eligible for the sales tax holiday so long as
34 they are ordered and paid for in full on the sales tax holiday and the cost of each item is two

1 thousand five hundred dollars (\$2,500) or less, even if the delivery is made at a later date.

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

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

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

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

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

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

22 (15) Customers who are erroneously charged sales tax by a vendor for an exempt
23 purchase should take his/her tax paid receipt to the vendor to obtain the refund. If the vendor has
24 remitted the erroneously collected tax to the division of taxation, the vendor may file an
25 application for abatement of the erroneously collected tax within three (3) years upon satisfactory
26 evidence that the vendor has credited or refunded the tax to the purchaser.

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

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

31 (f) Retailers that back-date sales occurring after the sales tax holiday or that forward-date
32 sales that occurred before the sales tax holiday in order to make them appear to qualify for the
33 sales tax holiday or otherwise fail to follow the rules in this chapter in order to improperly avoid
34 collecting and remitting sales or use tax may be subject to the tax evasion penalties as prescribed

1 by Rhode Island general laws, including a felony conviction, a fine of not more than one hundred
2 thousand dollars (\$100,000) or five hundred thousand (\$500,000) in the case of a corporation, or
3 by imprisonment for not more than five (5) years, or both, and may be required to pay the costs of
4 prosecution.

5 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 provide a sales and use tax holiday on Presidents' day in the month of
- 2 February and on the Saturday of Labor day weekend in each calendar year.
- 3 This act would take effect upon passage.

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