



Division of Taxation Advisory

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State of Rhode Island and Providence Plantations

Department of Revenue

Rhode Island tax changes coming soon

Key changes to the state's sales tax are right around the corner, and the Rhode Island Division of Taxation requests your help in getting the word out about them.

Legislation approved by the General Assembly and signed into law on June 30 by Governor Lincoln D. Chafee made a number of changes to the state's tax system. Some of the changes took effect immediately, but the effective date for some other changes was delayed until October 1. Therefore, three weeks from tomorrow, Rhode Island's 7 percent sales and use tax will officially apply to all of the following:

- Non-prescription drugs, also known as over-the-counter drugs;
- Pre-written computer software delivered electronically, or by "load and leave," including applications ("apps") for smartphones and similar devices;
- The furnishing of certain package tours and scenic and sightseeing transportation; and
- Marijuana for medical use.

Another provision involves insurance proceeds that result from the total loss or destruction of a motor vehicle. In general, if a motorist uses the proceeds to buy an automobile, the portion of the acquisition price attributable to the insurance proceeds is currently exempt from Rhode Island sales tax. Effective October 1, the sales tax generally will apply to the entire sales price, without an allowance for an exemption for insurance proceeds.

"October 1st is coming, and the new sales tax provisions are taking effect," said Rhode Island Tax Administrator David M. Sullivan. "We're trying to ensure that retailers and others are aware of the new law and its provisions. We would appreciate your help in spreading the word – to your clients, colleagues, customers, and members of your professional, business or trade organization. We're trying to make sure that everyone has the information they need to comply with the law."

The Tax Division has held public hearings throughout the state in recent weeks to explain how the new provisions will work, and to draft regulations to help implement the new law, said Peter McVay, associate director of revenue services.

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- For details on the tax on non-prescription drugs, supplements, and medical marijuana:
<http://sos.ri.gov/documents/archives/regdocs/released/pdf/DOTAX/6529.pdf>
- For the tax on pre-written computer software:
<http://sos.ri.gov/documents/archives/regdocs/released/pdf/DOTAX/6528.pdf>
- For the tax on packaged tours and scenic and sightseeing transportation:
<http://sos.ri.gov/documents/archives/regdocs/released/pdf/DOTAX/6546.pdf>
- For the surcharge on compassion centers:
<http://sos.ri.gov/documents/archives/regdocs/released/pdf/DOTAX/6530.pdf>
- For the tax involving insurance and vehicle trade-ins:
<http://sos.ri.gov/documents/archives/regdocs/released/pdf/DOTAX/6545.pdf>

Collecting sales tax

Any clients or businesses that will now be required to collect the sales tax as a result of these changes should file the state's business application and registration form to obtain a sales tax permit. For a copy of the form, click here:

<http://www.tax.ri.gov/forms/2010/BAR%20092010.pdf>

For more information, please contact the Division of Taxation's excise tax section, at (401) 574-8955.
