



Rhode Island Department of Revenue

Division of Taxation

Notice 2017-14
Sales and Use Tax

August 28, 2017

Motor Vehicle Documentation and Title Preparation Fees

SECTION 1: PURPOSE

The Rhode Island Division of Taxation hereby provides notice to motor vehicle dealers and others regarding the application of the Rhode Island sales and use tax to motor vehicle documentation and title preparation fees, and other such miscellaneous fees, effective September 15, 2017.

SECTION 2: DESCRIPTION

As part of its analysis and review of Rhode Island statutes and regulations, and of the statutes and regulations of other states, the Division of Taxation has determined that Rhode Island's 7 percent sales and use tax shall apply to documentation and title preparation fees that are charged in motor vehicle transactions (including, but not limited to, the sales of motor vehicles).

Example: XYZ Motor Sales Inc., a dealership in Providence, R.I., sells a car to a Providence resident for \$24,000. As part of the transaction, XYZ Motor Sales Inc. also charges a \$200 documentation fee and a \$20 title preparation fee. The 7 percent Rhode Island sales and use tax rate applies to the gross sales price of \$24,220 – which includes the \$24,000 car price, the \$200 documentation fee, and the \$20 title preparation fee. Thus, in this example, the tax due on the purchase is \$1,695.40 (\$24,220 times 0.07).

Example	
Car price	\$ 24,000.00
Documentation fee	\$ 200.00
Title preparation fee	\$ 20.00
Gross sales price (including car price and fees)	\$ 24,220.00
Sales tax (at 7 percent)	\$ 1,695.40

When the dealer completes the dealer statement of sale on Form T-336, the dealer shall include all documentation and title preparation fees, and other such miscellaneous fees, as part of the gross sales price of the motor vehicle. When a dealer sells a motor vehicle to a *bona fide* nonresident (whose state of residence does not allow a like exemption to its nonresidents), the dealer shall include all documentation and title preparation fees, and other such miscellaneous fees, in the gross sales price.

SECTION 3: CITATION

Under Rhode Island General Laws § 44-18-18, a sales tax is imposed on gross receipts of a retailer. Under Rhode Island General Laws § 44-18-20, a use tax is imposed on the storage, use, or consumption of tangible personal property. The use tax is a complement to Rhode Island's sales tax.

Under Rhode Island General Laws § 44-18-12(a), the term "sales price" applies to the measure subject to sales tax. The term means the total amount of consideration, including cash, credit, property, and services, for which personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for charges by the seller for any services necessary to complete the sale (other than delivery and installation charges, as defined in statute).

SECTION 4: CONTACT PERSON

For questions about this notice, contact the Rhode Island Division of Taxation's Excise Tax section by telephone at (401) 574-8955, by email: Tax.Excise@tax.ri.gov, or by mail: Rhode Island Division of Taxation, One Capitol Hill, Providence, R.I. 02908.