



Rhode Island Department of Revenue

Division of Taxation

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TAX ADMINISTRATION

ADVISORY FOR TAX PROFESSIONALS
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State tax changes are now in effect

New provisions involve sales and use tax, gasoline tax, and certain other levies

PROVIDENCE, R.I. – The Rhode Island Division of Taxation reminds tax professionals, taxpayers, tax software providers, businesses, and others about tax changes that are now in effect.

Some of the changes are the result of recently enacted legislation. Other changes are the result of legislation enacted in recent years. Following is a brief summary of key provisions and their various effective dates.

■ **REMOTE SELLERS, MARKETPLACE FACILITATORS, REFERRERS:** Remote sellers, marketplace facilitators, and referrers are required to register with the Rhode Island Division of Taxation and collect and remit Rhode Island sales and use tax effective July 1, 2019, if they meet or exceed certain thresholds involving sales.¹ The change is the result of a recently enacted Rhode Island law, which followed a landmark U.S. Supreme Court case known as *Wayfair*.² One result of the law is that, effective July 1, 2019, some online retailers that had not been collecting and remitting Rhode Island sales and use tax on purchases made by individuals and businesses in Rhode Island will begin to do so. To learn more, click [here](#).

■ **GAS TAX:** Once every two years, the Rhode Island Division of Taxation is required by statute to determine whether inflation has been sufficient to increase the gasoline tax.³ This time around, the Division found sufficient inflation to result in an increase in the gasoline tax as of July 1, 2019. Therefore, based on statutory formula, the gasoline tax as of July 1, 2019, is now 34 cents per gallon, up from 33 cents per gallon before the change, an increase of one cent. To learn more, click [here](#).

What's ahead

Rhode Island's recently enacted [budget bill](#) included tax changes involving digital downloads (such as video, music, and books), streaming music, streaming video, urns, and feminine hygiene products, among other things. However, those changes do not take effect until October 1, 2019. The Division of Taxation plans to post details on those and other changes at a later date.

¹ Senate Bill 251A and House Bill 5278A, approved by the Rhode Island General Assembly and signed into law by Rhode Island Governor Gina M. Raimondo on March 29, 2019.

² *South Dakota v. Wayfair, Inc., et al.*, 585 U.S. ___ (2018), decided June 21, 2018.

³ Rhode Island General Laws § 31-36-7.

■ **ELECTION FOR PASS-THROUGH ENTITIES:** Under a recently enacted Rhode Island law,⁴ pass-through entities may elect to pay an entity-level Rhode Island tax on net income at the rate of 5.99%. If the election is made, the entity will show the result on Schedule K-1 for each member, partner, shareholder, or principal. When figuring one's federal adjusted gross income for Rhode Island tax purposes, the pass-through entity's member, partner, shareholder, or principal will add back his or her share of the entity-level tax by which net income was reduced. Once Rhode Island tax liability is determined, the pass-through entity's member, partner, shareholder, or principal will receive a Rhode Island credit equal to his or her share of the tax payment made by the pass-through entity. The election applies to tax years beginning on or after January 1, 2019.

■ **AIRPORT PARKING FEE:** The annual permit fee for the Warwick airport parking district has been eliminated, effective July 5, 2019. The fee had been charged to each parking lot operator (technically, to anyone providing transient parking within the district) for the initial application and for the annual renewal. The fee totaled \$10 for each parking space, up to a total of \$250. It was levied under Rhode Island General Laws § 1-6-3. The requirement to obtain, hold, and renew a permit continues to apply; it's just that the fee has been eliminated.

■ **MOTOR CARRIER LICENSE FEE:** The motor carrier fuel use license fee, under Rhode Island General Laws § 31-36.1-3(a), has been eliminated, effective July 5, 2019. The \$10 fee formerly applied to each carrier operating a qualified motor vehicle in two or more jurisdictions. The licensing requirement continues to apply; it's just that the fee has been eliminated.

■ **MOTOR CARRIER DECAL FEE:** The fee that normally applies for a decal (or "identification device") for each licensed motor carrier has been eliminated, effective July 5, 2019. The \$10-per-vehicle fee, under Rhode Island General Laws § 31-36.1-3(a), was for a decal or device that must be displayed on the exterior portion of each side of the vehicle's cab. The device/decal requirement continues to apply; it's just that the fee has been eliminated.

■ **MOTOR CARRIER TEMPORARY LICENSE FEE:** The fee that normally applies to an unlicensed motor carrier for a temporary license has been eliminated, effective July 5, 2019. The \$10 fee, under Rhode Island General Laws § 31-36.1-3(c), provided a license which authorized one qualified motor vehicle to be operated on Rhode Island highways. The licensing requirement continues to apply; it's just that the fee has been eliminated.

■ **GAS STATION FEE:** The \$5 fee to operate a retail gasoline station has been eliminated, effective July 5, 2019. The fee had been required under Rhode Island General Laws § 31-37-10. The licensing requirement continues to apply; it's just that the fee has been eliminated.

⁴ House Bill 5151Aaa (the "budget bill"), approved by the Rhode Island General Assembly and signed into law by Rhode Island Governor Gina M. Raimondo on July 5, 2019.

■ **BEVERAGE CONTAINER TAX:**⁵ The tax that is levied on beverage containers, now four cents per case, has increased to eight cents per case, effective July 1, 2019. The tax is levied on each case of beverage containers sold by a beverage wholesaler to a beverage retailer or consumer in Rhode Island.

■ **TAX ON HARD-TO-DISPOSE MATERIAL:**⁶ The tax that is levied on hard-to-dispose material, such as lubricating oils, antifreeze, and tires, has increased, effective July 1, 2019, as shown in the following table:

Material	Current tax	New tax
Lubricating oils, per quart	\$0.05	\$0.10
Lubricating oils, per liter	\$0.053	\$0.106
Antifreeze, per gallon	\$0.10	\$0.20
Antifreeze, per liter	\$0.0264	\$0.0528
Organic solvents, per gallon	\$0.0025	\$0.005
Organic solvents, per liter	\$0.00066	\$0.00132
Tire	\$0.50	\$1.00

The tax must be separately stated and collected upon the sale by the hard-to-dispose material wholesalers to a hard-to-dispose material retailer. Every hard-to-dispose material retailer selling, using, or otherwise consuming in this state any hard-to-dispose material is liable for the tax.

■ **WITHHOLDING OF PERSONAL INCOME TAX:** Beginning on January 1, 2020, every employer that's required to deduct and withhold Rhode Island personal income tax – and that had an average tax amount of \$200 or more per month for the previous calendar year – must file a return and remit the payments by electronic funds transfer (or by other electronic means as defined by the Division of Taxation).

○ If the employer fails to pay the tax by electronic means, the employer shall be subject to what is, in essence, a penalty, amounting to 5% of the withheld tax payment that was not filed electronically, or \$500, whichever is less (unless there was reasonable cause for the failure – and the failure was not due to negligence or willful neglect).

○ If an entity fails to remit withheld tax at the required time, the Division of Taxation may assess interest at the annual rate provided under Rhode Island General Laws § 44-1-7 (currently 18%) for the period the failure continues – until the 31st day of the first month following the close of the taxable year. (If the failure to remit continues after that point, interest will continue to accrue under Rhode Island General Laws § 44-30-84.)

■ **LOTTERY WITHHOLDING:** Effective July 1, 2019, for Rhode Island personal income tax purposes, the director of the Division of State Lottery shall require the deduction and withholding of tax from winnings from video lottery terminal games and casino gaming –

⁵ Rhode Island General Laws § 44-44-3.

⁶ Rhode Island General Laws § 44-44-3.7.

consistent with federal rules and regulations and procedures related to Form W-2G. (The Division of State Lottery uses the tax rate of 5.99% for Rhode Island withholdings.)

■ **CODES FOR TAX ON SERVICES:** A section of existing Rhode Island law⁷ lists each service that's subject to the Rhode Island sales and use tax, along with each such service's applicable code -- known as the North American Industry Classification System (NAICS).⁸ Formerly, that section of Rhode Island law used NAICS codes as of 2007. However, as a result of recently enacted legislation, that section of Rhode Island law now uses NAICS codes of 2017, effective July 1, 2019. The new law does not change the services that are subject to tax, but makes it clear that, for purposes of which types of services are taxed, the 2017 NAICS codes are to be used.

■ **CODES FOR TAX ON INVESTIGATION, GUARD, ARMORED CAR SERVICES:** Rhode Island sales and use tax continues to apply to investigation, guard, and armored car services. However, the new law makes it clear that, effective July 1, 2019, the following 2017 NAICS codes apply: 561611 ("Investigation Services"), 561612 ("Security Guards and Patrol Services"), and 561613 ("Armored Car Services"). Prior law used the 2007 NAICS code of 56161.

NAICS Code 561611	NAICS Code 561612	NAICS Code 561613
Background check services	Body guard services	Armored car services
Bounty hunting services	Guard dog services	
Detective agencies	Guard services	
Fingerprint services	Parking security services	
Investigation services (except credit), private	Patrol services, security	
Investigators, private	Personal protection services (except security systems services)	
Lie detection services	Property protection services (except armored car, security systems)	
Missing person tracing services	Protection services (except armored car, security systems), personal or property	
Polygraph services	Protective guard services	
Private detective services	Security guard services	
Private investigation services (except credit)	Security patrol services	
Skip tracing services		
Source: U.S. Census Bureau		

■ **PARTNERSHIP AUDITS:** Federal legislation enacted in 2015 provided for a new centralized audit regime for partnerships.⁹ From the resulting federal audits (or from taxpayer amendments) may come adjustments for state tax purposes. Taxpayers and tax

⁷ Rhode Island General Laws § 44-18-7.3.

⁸ The NAICS, available on the [U.S. Census Bureau website](http://www.census.gov), provides uniformity and comparability in the presentation of statistical data describing the U.S. economy.

⁹ See, among other things, [U.S. Public Law 114-74](http://www.rhodeisland.gov) ("Bipartisan Budget Act of 2015"), enacted November 2, 2015.

professionals have looked to see what approaches the states would take in response. Under a recently enacted Rhode Island law, effective July 1, 2019, Rhode Island provides a process for taxpayers to report and pay Rhode Island taxes (or claim refunds) when federal adjustments occur due to the new federal rules regarding partnership audits. Also, within 180 days of receiving notification of final federal adjustments arising from a partnership-level audit or an administrative adjustment, partners must file the required supplemental Rhode Island return and make Rhode Island tax payments.

ABOUT THIS PUBLICATION

This publication includes a plain-language summary of several key Rhode Island tax changes.¹⁰ This publication is an informal summary, is for general information purposes only, and is not a substitute for Rhode Island General Laws, or for Rhode Island Division of Taxation regulations, rulings, or notices

The Rhode Island Division of Taxation office is at One Capitol Hill in Providence, R.I., diagonally across from the Smith Street entrance of the State House, and is open to the public 8:30 a.m. to 3:30 p.m. business days. To learn more, see the agency's website: www.tax.ri.gov.

¹⁰ Also, under legislation enacted in 2017, certain changes involving revocations for corporations and LLCs took effect July 1, 2019. See page 8 of [this Division newsletter](#) for details.