



# WHAT'S A USE TAX?

If you buy something in Rhode Island -- such as a computer, business cards, or a broom -- you must pay the 7 percent sales tax.

But what if you buy the same thing from a seller located outside of Rhode Island -- and the seller does not charge sales tax?

In that case, you owe Rhode Island's 7 percent use tax.

So suppose you buy staplers, some tape, tape dispensers, paperclips, envelopes, and other administrative supplies for your business, for a total of \$1,000. And suppose you use a website, a catalog, or a toll-free number to make the purchases from an out-of-state vendor. If the out-of-state seller does not charge sales tax, you owe Rhode Island's

7 percent use tax. In this example, the tax is \$70.

If you did not pay the required use tax, you can apply for Rhode Island's new self-audit program. If you meet the program's rules,

and pay the tax you owe, the Division of Taxation will waive all penalties and forgive some of the interest.

*The list (at right) shows some of the items that are subject to use tax. Examples (below) show who may owe use tax.*



*If you buy any of the following from an out-of-state seller, you probably owe Rhode Island use tax:*

▪ **Computers**

Including desktops, laptops, printers, scanners, monitors, software, maintenance agreements, and related equipment.

▪ **Office Equipment**

Including copy and fax machines, calculators, file cabinets, telephone systems, humidifiers, dehumidifiers, video equipment, and related equipment.



▪ **Printed supplies**

Including desk calendars, business cards, manuals, and training books, directories, posters, and any related items.

▪ **Furniture**

Including desks, chairs, tables, lamps, cords, televisions, CD players, DVD players, and any related items.



▪ **Administrative Supplies**

Including checks, photocopies, paper, envelopes, folders, schedulers, books, staplers, tape, tape dispensers, clips, etc.

▪ **Cleaning Supplies**

Including mops, brooms, sponges, buckets, cleaning products, disposable gloves, and paper towels.



## EXAMPLES OF WHO OWES THE USE TAX

**Dentist**

A dentist's office bought a big-screen TV screen for the waiting room, and dental equipment to examine patients. The out-of-state vendor who sold the \$2,500 in equipment to the dentist's office didn't charge sales tax. The dentist's office owes \$175 in Rhode Island's 7 percent use tax.

**Lawyer**

A law firm bought a copy machine, as well as business cards, desk calendars, paper, and other supplies, for a total of \$10,000 from an out-of-state seller, who did not charge sales tax. The law firm owes \$700 in Rhode Island use tax.

**Contractor**

A building contractor buys, through an out-of-state seller, a total of \$25,000 in drills and specialty tools to use on jobs. The seller does not charge sales tax. The contractor owes \$1,750 in Rhode Island use tax.

Questions? See our website, [www.tax.ri.gov](http://www.tax.ri.gov), or call us at (401) 574-8962.