



## STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Revenue  
DIVISION OF TAXATION  
Excise Tax Section  
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Providence, RI 02908-5800  
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# IMPORTANT NOTICE

### *TO: ALL SCHOOL BUS OPERATORS*

Recently there have been some questions regarding the treatment of a sale of a school bus to a bus company. In order to clarify this issue please note that a bus company who purchases a school bus(s) and provides a driver or operator is providing a service, and this purchase is subject to tax.

#### Example:

A bus company agrees to a transportation service agreement or contract with the State of Rhode Island, or a city/town located in Rhode Island.

Per terms of the transportation service agreement or contract, the bus company provides buses, and drivers or operators. The buses are used to provide transportation to state/city/town students in accordance with bus routes provided by the state/city/town.

The bus company purchases a school bus(s) to meet the terms of the transportation service agreement or contract.

The bus(s) are subject to tax as the bus company is providing a transportation service and is the taxable consumer of the bus(s) purchased. The essential character of this type of business operation is the furnishing of a transportation service. It is noted that this example is not considered a lease.

If you have any questions regarding this notice, please contact the Excise Tax Section at (401) 574-8955.

*David Sullivan*  
Tax Administrator

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