

State of Rhode Island and Providence Plantations
Rhode Island Department of Revenue
Division of Taxation

Public Notice of Proposed Rule-Making

Pursuant to the provisions of 42-35-3(a)(1) of the General Laws of Rhode Island, and in accordance with the Administrative Procedures Act Chapter 42-35 of the General Laws, the Division of Taxation hereby gives notice of its intent to issue a regulation regarding taxicab, limousine, charter bus, and other ground passenger transportation services.

The purpose of this regulation is to implement Rhode Island General Laws (RIGL) Chapters 44-18 and 44-19. Specifically, Section 44-18-7(16) which, effective October 1, 2012, imposes sales and use tax on services as provided in RIGL 44-18-7.3, which includes taxicab, limousine, charter bus, and other ground passenger transportation services. This regulation shall take effect October 1, 2012.

The proposed regulation and concise summary of non-technical requirements and proposed new rules are available for public inspection at www.tax.ri.gov, in person at the Rhode Island Division of Taxation, or requested by e-mail at Michael.Canole@tax.ri.gov or by calling Michael Canole at (401) 574-8729.

In the development of the proposed regulation, consideration was given to: (1) alternative approaches; (2) overlap or duplication with other statutory and regulatory provisions; and (3) whether the regulation, in and of itself, would have significant economic impact on small business. No alternative approach, duplication, or overlap was identified based upon available information.

All interested parties are invited to submit written or oral comments concerning the proposed regulations by August 23, 2012 to Michael Canole, Rhode Island Division of Taxation, One Capitol Hill, Providence, RI – telephone number (401) 574-8729 or via e-mail at Michael.Canole@tax.ri.gov. A public hearing to consider the proposed regulation will be held on **August 23, 2012, at 9:30 am**, at the Rhode Island Division of Taxation, One Capitol Hill, Providence, RI, at which time and place all persons interested therein will be heard. The room is accessible to the disabled and interpreter services for the hearing impaired will be provided if requested 48 hours prior to the hearing. Requests for this service can be made in writing to Michael Canole at the Rhode Island Division of Taxation, One Capitol Hill, Providence, RI 02908 or by calling (401) 574-8729.

Rhode Island Department of Revenue

Division of Taxation

Concise Summary of ALL Non-technical requirements pursuant to RIGL Section 42-35-3(a)(1) for Rules and Regulation regarding Taxicab, Limousine, Charter Bus, and Other Ground Passenger Transportation Services.

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This regulation shall take effect October 1, 2012.

State of Rhode Island – Division of Taxation

Sales and Use Tax

Regulation SU 12-151

**Taxicab, Limousine, Charter Bus, and Other Ground Passenger
Transportation Services**

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RULE 1 PURPOSE

This regulation implements Rhode Island General Laws (RIGL) Chapters 44-18 and 44-19. These Chapters provide for Sales and Use Taxes Liability and Computation, and Sales and Use Taxes Enforcement and Collection in regard to taxicab and limousine services and charter bus and other ground passenger transportation services.

RULE 2 AUTHORITY

This regulation is promulgated pursuant to RIGL Chapters 44-18 and 44-19 as amended. These rules have been prepared in accordance with the requirements of RIGL §§ 44-1-1 et. seq. and 44-19-33.

RULE 3 APPLICATION

The terms and provisions of these rules and regulations shall be liberally construed to permit the Department of Revenue to effectuate the purposes of RIGL Chapters 44-18 and 44-19 and other applicable state laws and regulations.

RULE 4 SEVERABILITY

If any provision of these rules and regulations or the application thereof to any person or circumstances is held invalid by a court of competent jurisdiction, the validity of the remainder of the rules and regulations shall not be affected thereby.

RULE 5 DEFINITIONS

“Charter bus services “ means establishments engaged in providing buses for charter. These establishments provide bus services to meet customers’ road transportation needs and generally do not operate over fixed routes and on regular schedules.

“Limousine services” means establishments engaged in providing an array of specialty and luxury passenger transportation services via limousine or luxury sedans generally on a reserved basis. These establishments do not operate over regular routes and on regular schedules.

“Other ground passenger transportation services” means establishments engaged in providing ground passenger transportation, except:

- 1) urban transit systems; interurban and rural bus transportation – i.e., Rhode Island Public Transit Authority,
- 2) courtesy shuttle services for which no consideration is paid;
- 3) school and employee bus transportation;
- 4) special needs transportation.

Establishments engaged in operating shuttle services and vanpools are included in this industry. Shuttle service establishments generally provide travel on regular routes and on regular schedules between hotels, airports, or other destination points.

“Person” means and includes any individual, partnership, association, corporation, estate, trust, fiduciary, limited liability company, limited liability partnership or any other legal entity.

“Services” means all activities engaged in for other persons for a fee, retainer, commission, or other monetary charge, which activities involve the performance of a service in this state as distinguished from selling property. In determining what is a

service, the intended use, principal objective or ultimate objective of the contracting parties shall not be controlling. For the purposes of this rule, services rendered by an employee for his employer are not taxable.

“Taxicab services including taxi dispatchers” means establishments engaged in providing passenger transportation by automobile or van, not operated over regular routes and on regular schedules. Establishments of taxicab owner/operators, taxicab fleet operators, or taxicab organizations are included in this industry.

RULE 6 TAXICAB, LIMOUSINE, CHARTER BUS, AND OTHER GROUND PASSENGER TRANSPORTATION SERVICES

(a) For the period commencing October 1, 2012 sales and use tax at the rate as provided in RIGL §§ 44-18-18 and 44-18-20 is imposed on receipts from the sale of taxicab, limousine, charter bus, and other ground passenger transportation services provided in this state.

(i) Receipts from the sale of such services are subject to tax only if the service begins and ends in Rhode Island (intrastate service). Services that begin or end outside of Rhode Island (interstate service) are not subject to tax. If a round trip service starts in Rhode Island and proceeds to a destination in another state, and later returns to Rhode Island, a single charge for this round trip service would not be taxable since the trip was interstate in nature.

(ii) Receipts in the form of a gratuity are subject to sales and use tax only to the extent they are part of the amount billed to the customer. Voluntary payment of a gratuity by the passenger is not subject to sales and use tax.

(iii) Transportation services provided in connection with funerals, or services provided in connection with ambulance or emergency service transportation are not subject to sales and use tax.

(b) Exempt entities: Sales and use tax does not apply to sales of taxicab, limousine, charter bus, and other ground passenger transportation services to the United States Government or the State of Rhode Island or its agencies, any city or town within the State of Rhode Island, or any entity or institution otherwise exempt from sales and use tax. The exemption applies only when the cost is paid directly by the exempt agency or governmental unit. (See Example 6)

(c) Any person furnishing taxicab, limousine, charter bus, and other ground passenger transportation services in this state is a retailer as provided in RIGL §44-18-15 and is required to register with the Tax Administrator and to charge, collect and remit Rhode Island sales and use tax.

Example 1:

A charter bus departs Providence, R.I. for its destination of Boston, Mass and later returns back to Rhode Island. Since the destination is outside of Rhode Island, the entire charter service fee is not subject to tax.

Example 2:

A charter bus departs Providence, R.I. for its destination of Newport, R.I. The bus travels through a portion of Massachusetts while en route to Newport. Since the service begins and ends in Rhode Island and the destination is also in Rhode Island, it is subject to tax even though it passes outside the state during a portion of the trip.

Example 3:

A taxicab picks up a customer in Warwick, R.I. and transports the customer to a hotel in Providence, R.I. Since the service begins and ends in Rhode Island (intrastate), it is taxable. If the customer were transported to a hotel located in Massachusetts, the service would not be taxable as it started in Rhode Island but ended in another state (interstate).

Example 4:

A group hires a limousine service to pick them up in Providence, R.I., take them for dinner in Newport, R.I. and then to Connecticut for a show. Since one of the predetermined destinations is outside of Rhode Island (interstate), the entire charter service fee is not subject to tax.

Example 5:

A group hires a limousine service to pick them up in Providence, R.I., take them for dinner in Newport, R.I. and then to a destination(s) to be determined by the customers. Since at the time the limousine service was hired it was determined the service will begin and end in Rhode Island and the predetermined destination is also in Rhode Island, it is subject to tax regardless of whether additional out of state destinations are later included.

Example 6:

A non-profit hospital that has filed for and received tax-exempt status in Rhode Island enters into a contract with a taxicab company to provide transportation services to patients. The taxicab company picks up patients at their residence, transports them to the hospital for treatment, and then drives the patients back to their residence. The taxicab company invoices the hospital for this service and the invoice is paid by the hospital. Since the tax exempt hospital is the customer, this taxicab service is not subject to tax.

RULE 7 EFFECTIVE DATE

This regulation shall take effect on October 1, 2012.

David M. Sullivan
Tax Administrator