

DOR Rhode Island Department of Revenue
Division of Taxation

VIA EMAIL

February 16, 2016

**Mr. Craig Johnson, Executive Director
Streamlined Sales Tax Governing Board, Inc.
100 Majestic Drive, Suite 400
Westby, WI 54667**

RE: Rhode Island Statement of Noncompliance with Requirements of the Streamlined Sales and Use Tax Agreement

Dear Craig,

On December 18, 2015, the Streamlined Sales Tax Governing Board determined that Rhode Island is not in compliance with the following requirement(s) of the Streamlined Sales and Use Tax Agreement (Agreement):

Section 323 – Caps and Thresholds – Under the Agreement, a state is not allowed to have a cap or threshold on the application of state sales or use tax that is based on the value of the transactions unless the member state assumes the administrative responsibility in a manner that places no additional burden on the retailer. Rhode Island has a cap or threshold that exempts the first \$250 of each qualifying clothing item.

Rhode Island's online taxability matrix and certificate of compliance have been updated to clearly reflect how its provisions differ from the above requirement of the Agreement, as required by Section 805.1 of the Agreement.

In an effort to get back into substantial compliance with the above requirements, Rhode Island is taking the following steps:

Rhode Island is committed to working with the SSTGB Executive Committee in reaching a resolution that allows Rhode Island to maintain its thresholds on the first \$250 of each item of clothing sold and respectfully requests that the SSTGB Executive Committee take into account the economic and regional competitive context of Rhode Island in resolving this issue.

Rhode Island acknowledges that a threshold exempting the first \$250 of each item of clothing sold has been in effect since October 1, 2012; therefore, according to the procedures followed by the SSTGB Executive Committee, Rhode Island is no longer in compliance with Section 323 of the Streamline Sales and Use Tax Agreement. In reviewing Rhode Island's status, it is imperative that the SSTGB consider the impact and competitive status of Rhode Island's neighboring states. Massachusetts also has a threshold on clothing and Connecticut charges sales tax on all clothing sales. The threshold

exemption allows Rhode Island to compete with its neighboring states. Due to the size of the three states, it is easy for a taxpayer to drive to another state with a more favorable tax law. It does not appear that the current threshold will be amended or repealed, therefore Rhode Island requests that the SSTGB Executive Committee consider an amendment to allow for thresholds on certain sales.

Please let me know if you have any questions regarding this or need additional information.

Sincerely,



Neena S. Savage
Acting Tax Administrator

cc: The Honorable Brian Patrick Kennedy, State Representative
Mr. Donald Englert, Chief, Excise Tax
Mr. Patrick Gengarella, Chief, Field Audit