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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2014

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A N A C T

RELATING TO TAXATION - SALES AND USE TAXES - LIABILITY AND  
COMPUTATION

Introduced By: Senator Walter S.Felag

Date Introduced: February 27, 2014

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-18-30 of the General Laws in Chapter 44-18 entitled "Sales and  
2 Use Taxes - Liability and Computation" is hereby amended to read as follows:

3 **44-18-30. Gross receipts exempt from sales and use taxes.** -- There are exempted from  
4 the taxes imposed by this chapter the following gross receipts:

5 (1) Sales and uses beyond constitutional power of state. - From the sale and from the  
6 storage, use, or other consumption in this state of tangible personal property the gross receipts  
7 from the sale of which, or the storage, use, or other consumption of which, this state is prohibited  
8 from taxing under the Constitution of the United States or under the constitution of this state.

9 (2) Newspapers.

10 (i) From the sale and from the storage, use, or other consumption in this state of any  
11 newspaper.

12 (ii) "Newspaper" means an unbound publication printed on newsprint, which contains  
13 news, editorial comment, opinions, features, advertising matter, and other matters of public  
14 interest.

15 (iii) "Newspaper" does not include a magazine, handbill, circular, flyer, sales catalog, or  
16 similar item unless the item is printed for and distributed as a part of a newspaper.

17 (3) School meals. - From the sale and from the storage, use, or other consumption in this  
18 state of meals served by public, private, or parochial schools, school districts, colleges,

1 universities, student organizations, and parent teacher associations to the students or teachers of a  
2 school, college, or university whether the meals are served by the educational institutions or by a  
3 food service or management entity under contract to the educational institutions.

4 (4) Containers.

5 (i) From the sale and from the storage, use, or other consumption in this state of:

6 (A) Non-returnable containers, including boxes, paper bags, and wrapping materials  
7 which are biodegradable and all bags and wrapping materials utilized in the medical and healing  
8 arts, when sold without the contents to persons who place the contents in the container and sell  
9 the contents with the container.

10 (B) Containers when sold with the contents if the sale price of the contents is not  
11 required to be included in the measure of the taxes imposed by this chapter.

12 (C) Returnable containers when sold with the contents in connection with a retail sale of  
13 the contents or when resold for refilling.

14 (ii) As used in this subdivision, the term "returnable containers" means containers of a  
15 kind customarily returned by the buyer of the contents for reuse. All other containers are "non-  
16 returnable containers."

17 (5) (i) Charitable, educational, and religious organizations. - From the sale to as in  
18 defined in this section, and from the storage, use, and other consumption in this state or any other  
19 state of the United States of America of tangible personal property by hospitals not operated for a  
20 profit, "educational institutions" as defined in subdivision (18) not operated for a profit, churches,  
21 orphanages, and other institutions or organizations operated exclusively for religious or charitable  
22 purposes, interest free loan associations not operated for profit, nonprofit organized sporting  
23 leagues and associations and bands for boys and girls under the age of nineteen (19) years, the  
24 following vocational student organizations that are state chapters of national vocational students  
25 organizations: Distributive Education Clubs of America, (DECA); Future Business Leaders of  
26 America, phi beta lambda (FBLA/PBL); Future Farmers of America (FFA); Future Homemakers  
27 of America/Home Economics Related Occupations (FHA/HERD); and Vocational Industrial  
28 Clubs of America (VICA), organized nonprofit golden age and senior citizens clubs for men and  
29 women, and parent teacher associations.

30 (ii) In the case of contracts entered into with the federal government, its agencies or  
31 instrumentalities, this state or any other state of the United States of America, its agencies, any  
32 city, town, district, or other political subdivision of the states, hospitals not operated for profit,  
33 educational institutions not operated for profit, churches, orphanages, and other institutions or  
34 organizations operated exclusively for religious or charitable purposes, the contractor may

1 purchase such materials and supplies (materials and/or supplies are defined as those which are  
2 essential to the project) that are to be utilized in the construction of the projects being performed  
3 under the contracts without payment of the tax.

4 (iii) The contractor shall not charge any sales or use tax to any exempt agency,  
5 institution, or organization but shall in that instance provide his or her suppliers with certificates  
6 in the form as determined by the division of taxation showing the reason for exemption; and the  
7 contractor's records must substantiate the claim for exemption by showing the disposition of all  
8 property so purchased. If any property is then used for a nonexempt purpose, the contractor must  
9 pay the tax on the property used.

10 (6) Gasoline. - From the sale and from the storage, use, or other consumption in this state  
11 of: (i) gasoline and other products taxed under chapter 36 of title 31, and (ii) fuels used for the  
12 propulsion of airplanes.

13 (7) Purchase for manufacturing purposes.

14 (i) From the sale and from the storage, use, or other consumption in this state of  
15 computer software, tangible personal property, electricity, natural gas, artificial gas, steam,  
16 refrigeration, and water, when the property or service is purchased for the purpose of being  
17 manufactured into a finished product for resale, and becomes an ingredient, component, or  
18 integral part of the manufactured, compounded, processed, assembled, or prepared product, or if  
19 the property or service is consumed in the process of manufacturing for resale computer software,  
20 tangible personal property, electricity, natural gas, artificial gas, steam, refrigeration, or water.

21 (ii) "Consumed" means destroyed, used up, or worn out to the degree or extent that the  
22 property cannot be repaired, reconditioned, or rendered fit for further manufacturing use.

23 (iii) "Consumed" includes mere obsolescence.

24 (iv) "Manufacturing" means and includes manufacturing, compounding, processing,  
25 assembling, preparing, or producing.

26 (v) "Process of manufacturing" means and includes all production operations performed  
27 in the producing or processing room, shop, or plant, insofar as the operations are a part of and  
28 connected with the manufacturing for resale of tangible personal property, electricity, natural gas,  
29 artificial gas, steam, refrigeration, or water and all production operations performed insofar as the  
30 operations are a part of and connected with the manufacturing for resale of computer software.

31 (vi) "Process of manufacturing" does not mean or include administration operations such  
32 as general office operations, accounting, collection, sales promotion, nor does it mean or include  
33 distribution operations which occur subsequent to production operations, such as handling,  
34 storing, selling, and transporting the manufactured products, even though the administration and

1 distribution operations are performed by or in connection with a manufacturing business.

2 (8) State and political subdivisions. - From the sale to, and from the storage, use, or other  
3 consumption by, this state, any city, town, district, or other political subdivision of this state.  
4 Every redevelopment agency created pursuant to chapter 31 of title 45 is deemed to be a  
5 subdivision of the municipality where it is located.

6 (9) Food and food ingredients. - From the sale and storage, use, or other consumption in  
7 this state of food and food ingredients as defined in section 44-18-7.1(l).

8 For the purposes of this exemption "food and food ingredients" shall not include candy,  
9 soft drinks, dietary supplements, alcoholic beverages, tobacco, food sold through vending  
10 machines or prepared food (as those terms are defined in section 44-18-7.1, unless the prepared  
11 food is:

12 (i) Sold by a seller whose primary NAICS classification is manufacturing in sector 311,  
13 except sub-sector 3118 (bakeries);

14 (ii) Sold in an unheated state by weight or volume as a single item;

15 (iii) Bakery items, including bread, rolls, buns, biscuits, bagels, croissants, pastries,  
16 donuts, danish, cakes, tortes, pies, tarts, muffins, bars, cookies, tortillas; and

17 is not sold with utensils provided by the seller, including plates, knives, forks, spoons,  
18 glasses, cups, napkins, or straws.

19 (10) Medicines, drugs and durable medical equipment. - From the sale and from the  
20 storage, use, or other consumption in this state, of;

21 (i) "Drugs" as defined in section 44-18-7.1(h)(i), sold on prescriptions, medical oxygen,  
22 and insulin whether or not sold on prescription. For purposes of this exemption drugs shall not  
23 include over-the-counter drugs and grooming and hygiene products as defined in section 44-18-  
24 7.1(h)(iii).

25 (ii) Durable medical equipment as defined in section 44-18-7.1(k) for home use only,  
26 including, but not limited to, syringe infusers, ambulatory drug delivery pumps, hospital beds,  
27 convalescent chairs, and chair lifts. Supplies used in connection with syringe infusers and  
28 ambulatory drug delivery pumps which are sold on prescription to individuals to be used by them  
29 to dispense or administer prescription drugs, and related ancillary dressings and supplies used to  
30 dispense or administer prescription drugs shall also be exempt from tax.

31 (11) Prosthetic devices and mobility enhancing equipment. - From the sale and from the  
32 storage, use, or other consumption in this state, of prosthetic devices as defined in section 44-18-  
33 7.1(t), sold on prescription, including but not limited to, artificial limbs, dentures, spectacles and  
34 eyeglasses, and artificial eyes; artificial hearing devices and hearing aids, whether or not sold on

1 prescription and mobility enhancing equipment as defined in section 44-18-7.1(p) including  
2 wheelchairs, crutches and canes.

3 (12) Coffins, caskets, and burial garments. - From the sale and from the storage, use, or  
4 other consumption in this state of coffins or caskets, and shrouds or other burial garments which  
5 are ordinarily sold by a funeral director as part of the business of funeral directing.

6 (13) Motor vehicles sold to nonresidents.

7 (i) From the sale, subsequent to June 30, 1958, of a motor vehicle to a bona fide  
8 nonresident of this state who does not register the motor vehicle in this state, whether the sale or  
9 delivery of the motor vehicle is made in this state or at the place of residence of the nonresident.  
10 A motor vehicle sold to a bona fide nonresident whose state of residence does not allow a like  
11 exemption to its nonresidents is not exempt from the tax imposed under section 44-18-20. In that  
12 event the bona fide nonresident pays a tax to Rhode Island on the sale at a rate equal to the rate  
13 that would be imposed in his or her state of residence not to exceed the rate that would have been  
14 imposed under section 44-18-20. Notwithstanding any other provisions of law, a licensed motor  
15 vehicle dealer shall add and collect the tax required under this subdivision and remit the tax to the  
16 tax administrator under the provisions of chapters 18 and 19 of this title. When a Rhode Island  
17 licensed motor vehicle dealer is required to add and collect the sales and use tax on the sale of a  
18 motor vehicle to a bona fide nonresident as provided in this section, the dealer in computing the  
19 tax takes into consideration the law of the state of the nonresident as it relates to the trade-in of  
20 motor vehicles.

21 (ii) The tax administrator, in addition to the provisions of sections 44-19-27 and 44-19-  
22 28, may require any licensed motor vehicle dealer to keep records of sales to bona fide  
23 nonresidents as the tax administrator deems reasonably necessary to substantiate the exemption  
24 provided in this subdivision, including the affidavit of a licensed motor vehicle dealer that the  
25 purchaser of the motor vehicle was the holder of, and had in his or her possession a valid out of  
26 state motor vehicle registration or a valid out of state driver's license.

27 (iii) Any nonresident who registers a motor vehicle in this state within ninety (90) days  
28 of the date of its sale to him or her is deemed to have purchased the motor vehicle for use,  
29 storage, or other consumption in this state, and is subject to, and liable for the use tax imposed  
30 under the provisions of section 44-18-20.

31 (14) Sales in public buildings by blind people. - From the sale and from the storage, use,  
32 or other consumption in all public buildings in this state of all products or wares by any person  
33 licensed under section 40-9-11.1.

34 (15) Air and water pollution control facilities. - From the sale, storage, use, or other

1 consumption in this state of tangible personal property or supplies acquired for incorporation into  
2 or used and consumed in the operation of a facility, the primary purpose of which is to aid in the  
3 control of the pollution or contamination of the waters or air of the state, as defined in chapter 12  
4 of title 46 and chapter 25 of title 23, respectively, and which has been certified as approved for  
5 that purpose by the director of environmental management. The director of environmental  
6 management may certify to a portion of the tangible personal property or supplies acquired for  
7 incorporation into those facilities or used and consumed in the operation of those facilities to the  
8 extent that that portion has as its primary purpose the control of the pollution or contamination of  
9 the waters or air of this state. As used in this subdivision, "facility" means any land, facility,  
10 device, building, machinery, or equipment.

11 (16) Camps. - From the rental charged for living quarters, or sleeping or housekeeping  
12 accommodations at camps or retreat houses operated by religious, charitable, educational, or  
13 other organizations and associations mentioned in subdivision (5), or by privately owned and  
14 operated summer camps for children.

15 (17) Certain institutions. - From the rental charged for living or sleeping quarters in an  
16 institution licensed by the state for the hospitalization, custodial, or nursing care of human beings.

17 (18) Educational institutions. - From the rental charged by any educational institution for  
18 living quarters, or sleeping or housekeeping accommodations or other rooms or accommodations  
19 to any student or teacher necessitated by attendance at an educational institution. "Educational  
20 institution" as used in this section means an institution of learning not operated for profit which is  
21 empowered to confer diplomas, educational, literary, or academic degrees, which has a regular  
22 faculty, curriculum, and organized body of pupils or students in attendance throughout the usual  
23 school year, which keeps and furnishes to students and others records required and accepted for  
24 entrance to schools of secondary, collegiate, or graduate rank, no part of the net earnings of which  
25 inures to the benefit of any individual.

26 (19) Motor vehicle and adaptive equipment for persons with disabilities.

27 (i) From the sale of: (A) special adaptations, (B) the component parts of the special  
28 adaptations, or (C) a specially adapted motor vehicle; provided, that the owner furnishes to the  
29 tax administrator an affidavit of a licensed physician to the effect that the specially adapted motor  
30 vehicle is necessary to transport a family member with a disability or where the vehicle has been  
31 specially adapted to meet the specific needs of the person with a disability. This exemption  
32 applies to not more than one motor vehicle owned and registered for personal, noncommercial  
33 use.

34 (ii) For the purpose of this subsection the term "special adaptations" includes, but is not

1 limited to: wheelchair lifts; wheelchair carriers; wheelchair ramps; wheelchair securements; hand  
2 controls; steering devices; extensions, relocations, and crossovers of operator controls; power-  
3 assisted controls; raised tops or dropped floors; raised entry doors; or alternative signaling  
4 devices to auditory signals.

5 (iii) From the sale of: (a) special adaptations, (b) the component parts of the special  
6 adaptations, for a "wheelchair accessible taxicab" as defined in section 39-14-1 and/or a  
7 "wheelchair accessible public motor vehicle" as defined in section 39-14.1-1.

8 (iv) For the purpose of this subdivision the exemption for a "specially adapted motor  
9 vehicle" means a use tax credit not to exceed the amount of use tax that would otherwise be due  
10 on the motor vehicle, exclusive of any adaptations. The use tax credit is equal to the cost of the  
11 special adaptations, including installation.

12 (20) Heating fuels. - From the sale and from the storage, use, or other consumption in  
13 this state of every type of fuel used in the heating of homes and residential premises.

14 (21) Electricity and gas. - From the sale and from the storage, use, or other consumption  
15 in this state of electricity and gas furnished for domestic use by occupants of residential premises.

16 (22) Manufacturing machinery and equipment.

17 (i) From the sale and from the storage, use, or other consumption in this state of tools,  
18 dies, and molds, and machinery and equipment (including replacement parts), and related items to  
19 the extent used in an industrial plant in connection with the actual manufacture, conversion, or  
20 processing of tangible personal property, or to the extent used in connection with the actual  
21 manufacture, conversion or processing of computer software as that term is utilized in industry  
22 numbers 7371, 7372, and 7373 in the standard industrial classification manual prepared by the  
23 technical committee on industrial classification, office of statistical standards, executive office of  
24 the president, United States bureau of the budget, as revised from time to time, to be sold, or that  
25 machinery and equipment used in the furnishing of power to an industrial manufacturing plant.  
26 For the purposes of this subdivision, "industrial plant" means a factory at a fixed location  
27 primarily engaged in the manufacture, conversion, or processing of tangible personal property to  
28 be sold in the regular course of business;

29 (ii) Machinery and equipment and related items are not deemed to be used in connection  
30 with the actual manufacture, conversion, or processing of tangible personal property, or in  
31 connection with the actual manufacture, conversion or processing of computer software as that  
32 term is utilized in industry numbers 7371, 7372, and 7373 in the standard industrial classification  
33 manual prepared by the technical committee on industrial classification, office of statistical  
34 standards, executive office of the president, United States bureau of the budget, as revised from

1 time to time, to be sold to the extent the property is used in administration or distribution  
2 operations;

3 (iii) Machinery and equipment and related items used in connection with the actual  
4 manufacture, conversion, or processing of any computer software or any tangible personal  
5 property which is not to be sold and which would be exempt under subdivision (7) or this  
6 subdivision if purchased from a vendor or machinery and equipment and related items used  
7 during any manufacturing, converting or processing function is exempt under this subdivision  
8 even if that operation, function, or purpose is not an integral or essential part of a continuous  
9 production flow or manufacturing process;

10 (iv) Where a portion of a group of portable or mobile machinery is used in connection  
11 with the actual manufacture, conversion, or processing of computer software or tangible personal  
12 property to be sold, as previously defined, that portion, if otherwise qualifying, is exempt under  
13 this subdivision even though the machinery in that group is used interchangeably and not  
14 otherwise identifiable as to use.

15 (23) Trade-in value of motor vehicles. - From the sale and from the storage, use, or other  
16 consumption in this state of so much of the purchase price paid for a new or used automobile as is  
17 allocated for a trade-in allowance on the automobile of the buyer given in trade to the seller, or of  
18 the proceeds applicable only to the automobile as are received from the manufacturer of  
19 automobiles for the repurchase of the automobile whether the repurchase was voluntary or not  
20 towards the purchase of a new or used automobile by the buyer. For the purpose of this  
21 subdivision, the word "automobile" means a private passenger automobile not used for hire and  
22 does not refer to any other type of motor vehicle.

23 (24) Precious metal bullion.

24 (i) From the sale and from the storage, use, or other consumption in this state of precious  
25 metal bullion, substantially equivalent to a transaction in securities or commodities.

26 (ii) For purposes of this subdivision, "precious metal bullion" means any elementary  
27 precious metal which has been put through a process of smelting or refining, including, but not  
28 limited to, gold, silver, platinum, rhodium, and chromium, and which is in a state or condition  
29 that its value depends upon its content and not upon its form.

30 (iii) The term does not include fabricated precious metal which has been processed or  
31 manufactured for some one or more specific and customary industrial, professional, or artistic  
32 uses.

33 (25) Commercial vessels. - From sales made to a commercial ship, barge, or other vessel  
34 of fifty (50) tons burden or over, primarily engaged in interstate or foreign commerce, and from



1 the repair, alteration, or conversion of the vessels, and from the sale of property purchased for the  
2 use of the vessels including provisions, supplies, and material for the maintenance and/or repair  
3 of the vessels.

4 (26) Commercial fishing vessels. - From the sale and from the storage, use, or other  
5 consumption in this state of vessels and other water craft which are in excess of five (5) net tons  
6 and which are used exclusively for "commercial fishing", as defined in this subdivision, and from  
7 the repair, alteration, or conversion of those vessels and other watercraft, and from the sale of  
8 property purchased for the use of those vessels and other watercraft including provisions,  
9 supplies, and material for the maintenance and/or repair of the vessels and other watercraft and  
10 the boats nets, cables, tackle, and other fishing equipment appurtenant to or used in connection  
11 with the commercial fishing of the vessels and other watercraft. "Commercial fishing" means the  
12 taking or the attempting to take any fish, shellfish, crustacea, or bait species with the intent of  
13 disposing of them for profit or by sale, barter, trade, or in commercial channels. The term does  
14 not include subsistence fishing, i.e., the taking for personal use and not for sale or barter; or sport  
15 fishing; but shall include vessels and other watercraft with a Rhode Island party and charter boat  
16 license issued by the department of environmental management pursuant to section 20-2-27.1  
17 which meet the following criteria: (i) the operator must have a current U.S.C.G. license to carry  
18 passengers for hire; (ii) U.S.C.G. vessel documentation in the coast wide fishery trade; (iii)  
19 U.S.C.G. vessel documentation as to proof of Rhode Island home port status or a Rhode Island  
20 boat registration to prove Rhode Island home port status; (iv) the vessel must be used as a  
21 commercial passenger carrying fishing vessel to carry passengers for fishing. The vessel must be  
22 able to demonstrate that at least fifty percent (50%) of its annual gross income derives from  
23 charters or provides documentation of a minimum of one hundred (100) charter trips annually; (v)  
24 the vessel must have a valid Rhode Island party and charter boat license. The tax administrator  
25 shall implement the provisions of this subdivision by promulgating rules and regulations relating  
26 thereto.

27 (27) Clothing and footwear. - From the sales of articles of clothing, including footwear,  
28 intended to be worn or carried on or about the human body for sales prior to October 1, 2012.  
29 Effective October 1, 2012, the exemption will apply to the sales of articles of clothing, including  
30 footwear, intended to be worn or carried on or about the human body up to two hundred and fifty  
31 dollars (\$250) of the sales price per item. For the purposes of this section, "clothing or footwear"  
32 does not include clothing accessories or equipment or special clothing or footwear primarily  
33 designed for athletic activity or protective use as these terms are defined in section 44-18-7.1(f).  
34 In recognition of the work being performed by the Streamlined Sales and Use Tax Governing

1 Board, upon passage of any federal law which authorizes states to require remote sellers to collect  
2 and remit sales and use taxes, this unlimited exemption will apply as it did prior to October 1,  
3 2012. The unlimited exemption on sales of clothing and footwear shall take effect on the date that  
4 the state requires remote sellers to collect and remit sales and use taxes.

5 (28) Water for residential use. - From the sale and from the storage, use, or other  
6 consumption in this state of water furnished for domestic use by occupants of residential  
7 premises.

8 (29) Bibles. - [Unconstitutional; see *Ahlburn v. Clark*, 728 A.2d 449 (R.I. 1999); see  
9 Notes to Decisions.]From the sale and from the storage, use, or other consumption in the state of  
10 any canonized scriptures of any tax-exempt nonprofit religious organization including, but not  
11 limited to, the Old Testament and the New Testament versions.

12 (30) Boats.

13 (i) From the sale of a boat or vessel to a bona fide nonresident of this state who does not  
14 register the boat or vessel in this state, or document the boat or vessel with the United States  
15 government at a home port within the state, whether the sale or delivery of the boat or vessel is  
16 made in this state or elsewhere; provided, that the nonresident transports the boat within thirty  
17 (30) days after delivery by the seller outside the state for use thereafter solely outside the state.

18 (ii) The tax administrator, in addition to the provisions of sections 44-19-17 and 44-19-  
19 28, may require the seller of the boat or vessel to keep records of the sales to bona fide  
20 nonresidents as the tax administrator deems reasonably necessary to substantiate the exemption  
21 provided in this subdivision, including the affidavit of the seller that the buyer represented  
22 himself or herself to be a bona fide nonresident of this state and of the buyer that he or she is a  
23 nonresident of this state.

24 (31) Youth activities equipment. - From the sale, storage, use, or other consumption in  
25 this state of items for not more than twenty dollars (\$20.00) each by nonprofit Rhode Island  
26 eleemosynary organizations, for the purposes of youth activities which the organization is formed  
27 to sponsor and support; and by accredited elementary and secondary schools for the purposes of  
28 the schools or of organized activities of the enrolled students.

29 (32) Farm equipment. - From the sale and from the storage or use of machinery and  
30 equipment used directly for commercial farming and agricultural production; including, but not  
31 limited to, tractors, ploughs, harrows, spreaders, seeders, milking machines, silage conveyors,  
32 balers, bulk milk storage tanks, trucks with farm plates, mowers, combines, irrigation equipment,  
33 greenhouses and greenhouse coverings, graders and packaging machines, tools and supplies and  
34 other farming equipment, including replacement parts, appurtenant to or used in connection with

1 commercial farming and tools and supplies used in the repair and maintenance of farming  
2 equipment. "Commercial farming" means the keeping or boarding of five (5) or more horses or  
3 the production within this state of agricultural products, including, but not limited to, field or  
4 orchard crops, livestock, dairy, and poultry, or their products, where the keeping, boarding, or  
5 production provides at least two thousand five hundred dollars (\$2,500) in annual gross sales to  
6 the operator, whether an individual, a group, a partnership, or a corporation for exemptions issued  
7 prior to July 1, 2002; for exemptions issued or renewed after July 1, 2002, there shall be two (2)  
8 levels. Level I shall be based on proof of annual gross sales from commercial farming of at least  
9 twenty-five hundred dollars (\$2,500) and shall be valid for purchases subject to the exemption  
10 provided in this subdivision except for motor vehicles with an excise tax value of five thousand  
11 dollars (\$5,000) or greater; Level II shall be based on proof of annual gross sales from  
12 commercial farming of at least ten thousand dollars (\$10,000) or greater and shall be valid for  
13 purchases subject to the exemption provided in this subdivision including motor vehicles with an  
14 excise tax value of five thousand dollars (\$5,000) or greater. For the initial issuance of the  
15 exemptions, proof of the requisite amount of annual gross sales from commercial farming shall be  
16 required for the prior year; for any renewal of an exemption granted in accordance with this  
17 subdivision at either Level I or Level II, proof of gross annual sales from commercial farming at  
18 the requisite amount shall be required for each of the prior two (2) years. Certificates of  
19 exemption issued or renewed after July 1, 2002, shall clearly indicate the level of the exemption  
20 and be valid for four (4) years after the date of issue. This exemption applies even if the same  
21 equipment is used for ancillary uses, or is temporarily used for a non-farming or a non-  
22 agricultural purpose, but shall not apply to motor vehicles acquired after July 1, 2002, unless the  
23 vehicle is a farm vehicle as defined pursuant to section 31-1-8 and is eligible for registration  
24 displaying farm plates as provided for in section 31-3-31.

25 (33) Compressed air. - From the sale and from the storage, use, or other consumption in  
26 the state of compressed air.

27 (34) Flags. - From the sale and from the storage, consumption, or other use in this state  
28 of United States, Rhode Island or POW-MIA flags.

29 (35) Motor vehicle and adaptive equipment to certain veterans. - From the sale of a  
30 motor vehicle and adaptive equipment to and for the use of a veteran with a service-connected  
31 loss of or the loss of use of a leg, foot, hand, or arm, or any veteran who is a double amputee,  
32 whether service connected or not. The motor vehicle must be purchased by and especially  
33 equipped for use by the qualifying veteran. Certificate of exemption or refunds of taxes paid is  
34 granted under rules or regulations that the tax administrator may prescribe.

1 (36) Textbooks. - From the sale and from the storage, use, or other consumption in this  
2 state of textbooks by an "educational institution" as defined in subdivision (18) of this section and  
3 as well as any educational institution within the purview of section 16-63-9(4) and used textbooks  
4 by any purveyor.

5 (37) Tangible personal property and supplies used in on-site hazardous waste recycling,  
6 reuse, or treatment. - From the sale, storage, use, or other consumption in this state of tangible  
7 personal property or supplies used or consumed in the operation of equipment, the exclusive  
8 function of which is the recycling, reuse, or recovery of materials (other than precious metals, as  
9 defined in subdivision (24)(ii) of this section) from the treatment of "hazardous wastes", as  
10 defined in section 23-19.1-4, where the "hazardous wastes" are generated in Rhode Island solely  
11 by the same taxpayer and where the personal property is located at, in, or adjacent to a generating  
12 facility of the taxpayer in Rhode Island. The taxpayer shall procure an order from the director of  
13 the department of environmental management certifying that the equipment and/or supplies as  
14 used, or consumed, qualify for the exemption under this subdivision. If any information relating  
15 to secret processes or methods of manufacture, production, or treatment is disclosed to the  
16 department of environmental management only to procure an order, and is a "trade secret" as  
17 defined in section 28-21-10(b), it is not open to public inspection or publicly disclosed unless  
18 disclosure is required under chapter 21 of title 28 or chapter 24.4 of title 23.

19 (38) Promotional and product literature of boat manufacturers. - From the sale and from  
20 the storage, use, or other consumption of promotional and product literature of boat  
21 manufacturers shipped to points outside of Rhode Island which either: (i) accompany the product  
22 which is sold, (ii) are shipped in bulk to out of state dealers for use in the sale of the product, or  
23 (iii) are mailed to customers at no charge.

24 (39) Food items paid for by food stamps. - From the sale and from the storage, use, or  
25 other consumption in this state of eligible food items payment for which is properly made to the  
26 retailer in the form of U.S. government food stamps issued in accordance with the Food Stamp  
27 Act of 1977, 7 U.S.C. section 2011 et seq.

28 (40) Transportation charges. - From the sale or hiring of motor carriers as defined in  
29 section 39-12-2(1) to haul goods, when the contract or hiring cost is charged by a motor freight  
30 tariff filed with the Rhode Island public utilities commission on the number of miles driven or by  
31 the number of hours spent on the job.

32 (41) Trade-in value of boats. - From the sale and from the storage, use, or other  
33 consumption in this state of so much of the purchase price paid for a new or used boat as is  
34 allocated for a trade-in allowance on the boat of the buyer given in trade to the seller or of the

1 proceeds applicable only to the boat as are received from an insurance claim as a result of a stolen  
2 or damaged boat, towards the purchase of a new or used boat by the buyer.

3 (42) Equipment used for research and development. - From the sale and from the  
4 storage, use, or other consumption of equipment to the extent used for research and development  
5 purposes by a qualifying firm. For the purposes of this subdivision, "qualifying firm" means a  
6 business for which the use of research and development equipment is an integral part of its  
7 operation, and "equipment" means scientific equipment, computers, software, and related items.

8 (43) Coins. - From the sale and from the other consumption in this state of coins having  
9 numismatic or investment value.

10 (44) Farm structure construction materials. - Lumber, hardware and other materials used  
11 in the new construction of farm structures, including production facilities such as, but not limited  
12 to, farrowing sheds, free stall and stanchion barns, milking parlors, silos, poultry barns, laying  
13 houses, fruit and vegetable storages, rooting cellars, propagation rooms, greenhouses, packing  
14 rooms, machinery storage, seasonal farm worker housing, certified farm markets, bunker and  
15 trench silos, feed storage sheds, and any other structures used in connection with commercial  
16 farming.

17 (45) Telecommunications carrier access service. - Carrier access service or  
18 telecommunications service when purchased by a telecommunications company from another  
19 telecommunications company to facilitate the provision of telecommunications service.

20 (46) Boats or vessels brought into the state exclusively for winter storage, maintenance,  
21 repair or sale. - Notwithstanding the provisions of sections 44-18-10, 44-18-11, 44-18-20, the tax  
22 imposed by section 44-18-20 is not applicable for the period commencing on the first day of  
23 October in any year to and including the 30th day of April next succeeding with respect to the use  
24 of any boat or vessel within this state exclusively for purposes of: (i) delivery of the vessel to a  
25 facility in this state for storage, including dry storage and storage in water by means of apparatus  
26 preventing ice damage to the hull, maintenance, or repair; (ii) the actual process of storage,  
27 maintenance, or repair of the boat or vessel; or (iii) storage for the purpose of selling the boat or  
28 vessel.

29 (47) Jewelry display product. - From the sale and from the storage, use, or other  
30 consumption in this state of tangible personal property used to display any jewelry product;  
31 provided, that title to the jewelry display product is transferred by the jewelry manufacturer or  
32 seller and that the jewelry display product is shipped out of state for use solely outside the state  
33 and is not returned to the jewelry manufacturer or seller.

34 (48) Boats or vessels generally. - Notwithstanding the provisions of this chapter, the tax

1 imposed by sections 44-18-20 and 44-18-18 shall not apply with respect to the sale and to the  
2 storage, use, or other consumption in this state of any new or used boat. The exemption provided  
3 for in this subdivision does not apply after October 1, 1993, unless prior to October 1, 1993, the  
4 federal ten percent (10%) surcharge on luxury boats is repealed.

5 (49) Banks and Regulated investment companies interstate toll-free calls. -  
6 Notwithstanding the provisions of this chapter, the tax imposed by this chapter does not apply to  
7 the furnishing of interstate and international, toll-free terminating telecommunication service that  
8 is used directly and exclusively by or for the benefit of an eligible company as defined in this  
9 subdivision; provided, that an eligible company employs on average during the calendar year no  
10 less than five hundred (500) "full-time equivalent employees", as that term is defined in section  
11 42-64.5-2. For purposes of this section, an "eligible company" means a "regulated investment  
12 company" as that term is defined in the Internal Revenue Code of 1986, 26 U.S.C. section 1 et  
13 seq., or a corporation to the extent the service is provided, directly or indirectly, to or on behalf of  
14 a regulated investment company, an employee benefit plan, a retirement plan or a pension plan or  
15 a state chartered bank.

16 (50) Mobile and manufactured homes generally. - From the sale and from the storage,  
17 use, or other consumption in this state of mobile and/or manufactured homes as defined and  
18 subject to taxation pursuant to the provisions of chapter 44 of title 31.

19 (51) Manufacturing business reconstruction materials.

20 (i) From the sale and from the storage, use or other consumption in this state of lumber,  
21 hardware, and other building materials used in the reconstruction of a manufacturing business  
22 facility which suffers a disaster, as defined in this subdivision, in this state. "Disaster" means any  
23 occurrence, natural or otherwise, which results in the destruction of sixty percent (60%) or more  
24 of an operating manufacturing business facility within this state. "Disaster" does not include any  
25 damage resulting from the willful act of the owner of the manufacturing business facility.

26 (ii) Manufacturing business facility includes, but is not limited to, the structures housing  
27 the production and administrative facilities.

28 (iii) In the event a manufacturer has more than one manufacturing site in this state, the  
29 sixty percent (60%) provision applies to the damages suffered at that one site.

30 (iv) To the extent that the costs of the reconstruction materials are reimbursed by  
31 insurance, this exemption does not apply.

32 (52) Tangible personal property and supplies used in the processing or preparation of  
33 floral products and floral arrangements. - From the sale, storage, use, or other consumption in this  
34 state of tangible personal property or supplies purchased by florists, garden centers, or other like

1 producers or vendors of flowers, plants, floral products, and natural and artificial floral  
2 arrangements which are ultimately sold with flowers, plants, floral products, and natural and  
3 artificial floral arrangements or are otherwise used in the decoration, fabrication, creation,  
4 processing, or preparation of flowers, plants, floral products, or natural and artificial floral  
5 arrangements, including descriptive labels, stickers, and cards affixed to the flower, plant, floral  
6 product or arrangement, artificial flowers, spray materials, floral paint and tint, plant shine, flower  
7 food, insecticide and fertilizers.

8 (53) Horse food products. - From the sale and from the storage, use, or other  
9 consumption in this state of horse food products purchased by a person engaged in the business of  
10 the boarding of horses.

11 (54) Non-motorized recreational vehicles sold to nonresidents.

12 (i) From the sale, subsequent to June 30, 2003, of a non-motorized recreational vehicle to  
13 a bona fide nonresident of this state who does not register the non-motorized recreational vehicle  
14 in this state, whether the sale or delivery of the non-motorized recreational vehicle is made in this  
15 state or at the place of residence of the nonresident; provided, that a non-motorized recreational  
16 vehicle sold to a bona fide nonresident whose state of residence does not allow a like exemption  
17 to its nonresidents is not exempt from the tax imposed under section 44-18-20; provided, further,  
18 that in that event the bona fide nonresident pays a tax to Rhode Island on the sale at a rate equal  
19 to the rate that would be imposed in his or her state of residence not to exceed the rate that would  
20 have been imposed under section 44-18-20. Notwithstanding any other provisions of law, a  
21 licensed non-motorized recreational vehicle dealer shall add and collect the tax required under  
22 this subdivision and remit the tax to the tax administrator under the provisions of chapters 18 and  
23 19 of this title. Provided, that when a Rhode Island licensed non-motorized recreational vehicle  
24 dealer is required to add and collect the sales and use tax on the sale of a non-motorized  
25 recreational vehicle to a bona fide nonresident as provided in this section, the dealer in computing  
26 the tax takes into consideration the law of the state of the nonresident as it relates to the trade-in  
27 of motor vehicles.

28 (ii) The tax administrator, in addition to the provisions of sections 44-19-27 and 44-19-  
29 28, may require any licensed non-motorized recreational vehicle dealer to keep records of sales to  
30 bona fide nonresidents as the tax administrator deems reasonably necessary to substantiate the  
31 exemption provided in this subdivision, including the affidavit of a licensed non-motorized  
32 recreational vehicle dealer that the purchaser of the non-motorized recreational vehicle was the  
33 holder of, and had in his or her possession a valid out-of-state non-motorized recreational vehicle  
34 registration or a valid out-of-state driver's license.

1 (iii) Any nonresident who registers a non-motorized recreational vehicle in this state  
2 within ninety (90) days of the date of its sale to him or her is deemed to have purchased the non-  
3 motorized recreational vehicle for use, storage, or other consumption in this state, and is subject  
4 to, and liable for the use tax imposed under the provisions of section 44-18-20.

5 (iv) "Non-motorized recreational vehicle" means any portable dwelling designed and  
6 constructed to be used as a temporary dwelling for travel, camping, recreational, and vacation use  
7 which is eligible to be registered for highway use, including, but not limited to, "pick-up coaches"  
8 or "pick-up campers," "travel trailers," and "tent trailers" as those terms are defined in chapter 1  
9 of title 31.

10 (55) Sprinkler and fire alarm systems in existing buildings. - From the sale in this state of  
11 sprinkler and fire alarm systems, emergency lighting and alarm systems, and from the sale of the  
12 materials necessary and attendant to the installation of those systems, that are required in  
13 buildings and occupancies existing therein in July 2003, in order to comply with any additional  
14 requirements for such buildings arising directly from the enactment of the Comprehensive Fire  
15 Safety Act of 2003, and that are not required by any other provision of law or ordinance or  
16 regulation adopted pursuant to that Act. The exemption provided in this subdivision shall expire  
17 on December 31, 2008.

18 (56) Aircraft. - Notwithstanding the provisions of this chapter, the tax imposed by  
19 sections 44-18-18 and 44-18-20 shall not apply with respect to the sale and to the storage, use, or  
20 other consumption in this state of any new or used aircraft or aircraft parts.

21 (57) Renewable energy products. - Notwithstanding any other provisions of Rhode  
22 Island general laws the following products shall also be exempt from sales tax: solar photovoltaic  
23 modules or panels, or any module or panel that generates electricity from light; solar thermal  
24 collectors, including, but not limited to, those manufactured with flat glass plates, extruded  
25 plastic, sheet metal, and/or evacuated tubes; geothermal heat pumps, including both water-to-  
26 water and water-to-air type pumps; wind turbines; towers used to mount wind turbines if  
27 specified by or sold by a wind turbine manufacturer; DC to AC inverters that interconnect with  
28 utility power lines; manufactured mounting racks and ballast pans for solar collector, module or  
29 panel installation. Not to include materials that could be fabricated into such racks; monitoring  
30 and control equipment, if specified or supplied by a manufacturer of solar thermal, solar  
31 photovoltaic, geothermal, or wind energy systems or if required by law or regulation for such  
32 systems but not to include pumps, fans or plumbing or electrical fixtures unless shipped from the  
33 manufacturer affixed to, or an integral part of, another item specified on this list; and solar storage  
34 tanks that are part of a solar domestic hot water system or a solar space heating system. If the tank



1 comes with an external heat exchanger it shall also be tax exempt, but a standard hot water tank is  
2 not exempt from state sales tax.

3 (58) Returned property. - The amount charged for property returned by customers upon  
4 rescission of the contract of sale when the entire amount exclusive of handling charges paid for  
5 the property is refunded in either cash or credit, and where the property is returned within one  
6 hundred twenty (120) days from the date of delivery.

7 (59) Dietary Supplements. - From the sale and from the storage, use or other  
8 consumption of dietary supplements as defined in section 44-18-7.1(l)(v), sold on prescriptions.

9 (60) Blood. - From the sale and from the storage, use or other consumption of human  
10 blood.

11 (61) Agricultural products for human consumption. - From the sale and from the storage,  
12 use or other consumption of livestock and poultry of the kinds of products of which ordinarily  
13 constitute food for human consumption and of livestock of the kind the products of which  
14 ordinarily constitute fibers for human use.

15 (62) Diesel emission control technology. - From the sale and use of diesel retrofit  
16 technology that is required by section 31-47.3-4 of the general laws.

17 (63) Feed for certain animals used in commercial farming. - From the sale of feed for  
18 animals as described in subsection 44-18-30(61).

19 (64) Alcoholic beverages. - From the sale and storage, use, or other consumption in this  
20 state by a Class A licensee of alcoholic beverages, as defined in section 44-18-7.1, excluding beer  
21 and malt beverages from December 1, 2013 through March 31, 2015; provided, further,  
22 notwithstanding section 6-13-1 or any other general or public law to the contrary, alcoholic  
23 beverages, as defined in section 44-18-7.1, shall not be subject to minimum markup from  
24 December 1, 2013 through March 31, 2015.

25 (65) Products or services for telecommunication service purposes. – From the sale or use  
26 of tangible personal property or services critical or necessary to the receiving, initiating,  
27 amplifying, processing, transmitting, retransmitting, switching, or monitoring of switching of  
28 telecommunications, cable television, or internet access service, or any combination thereof. For  
29 the purpose of this section "telecommunication service" means the electronic transmission,  
30 conveyance, or routing of voice, data, audio, video, or any other information or signals to a point,  
31 or between or among points.

32 SECTION 2. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

A N A C T

RELATING TO TAXATION - SALES AND USE TAXES - LIABILITY AND  
COMPUTATION

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- 1 This act would exempt products and services which are necessary for the receipt or
- 2 transmission of cable television or internet access service from the sales and use tax.
- 3 This act would take effect upon passage.

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