Advisory:

Tax changes to take effect on Monday

The Rhode Island Division of Taxation urges retailers and consumers to take note of the following changes to Rhode Island’s sales tax that will take effect Monday, October 1, 2012:

- The 7 percent sales and use tax will apply to articles of clothing, including footwear, priced at more than $250 per item. Only the increment above $250 will be taxed. For example, for a suit that costs $275, the tax rate will be applied only to $25, resulting in a tax of $1.75. Please see Notice 2012-10 and Regulation SU 12-13 for details.

- The 7 percent sales and use tax will apply to taxicab services, limousine services, charter bus services, and other transit and ground transportation services. Interstate transportation and certain other transportation services will be exempt from the tax. Please see Notice 2012-08 and Regulation 12-151 for details.

- The 7 percent sales and use tax will apply to pet care services – including boarding, grooming, sitting, and training pets. Veterinary and testing laboratories services will be exempt from the tax. Please see Notice 2012-09 and Regulation SU 12-152 for details.

“We've been working closely with retailers, accountants, business groups, and others to get the word out about these changes,” said Rhode Island Tax Administrator David M. Sullivan. “We've received a lot of cooperation, and we anticipate that the changes will be implemented smoothly.”

To help with implementation, the Tax Division has posted a sales tax table specifically for taxicabs, a sales tax table for retailers of clothing or footwear, and a general sales tax table. All the tables are suitable for printing and display.

The tax changes were included in a budget bill approved and enacted in June 2012. Their effective date was postponed until Monday, October 1, 2012, to allow time for implementation. As a result of the changes, some businesses will now be considered retailers under state law: They must register with the Tax Division, pay the annual $10 sales tax permit fee, and file sales and use tax returns with the Tax Division, said Peter McVay associate director of revenue services.

Retailers and consumers who have questions about the sales tax changes may call the Tax Division’s Excise Tax section at (401) 574-8955.

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