



Rhode Island Department of Revenue Division of Taxation

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FAQS: CONSUMER GUIDE TO NOTICES FROM NON-COLLECTING RETAILERS

For the first time, many Rhode Island taxpayers will be receiving notices in the mail this tax filing season from certain retailers regarding the taxpayers' obligation involving Rhode Island's sales and use tax.

The new law – similar to laws adopted in a number of other states – is the result of legislation proposed by Rhode Island Gov. Gina M. Raimondo and approved by the Rhode Island General Assembly in August 2017.¹

The new law says that, on or before January 31 of each year, a “non-collecting retailer” – such as a website that does not collect or remit Rhode Island sales/use tax – must send a written notice to each of its Rhode Island customers who had cumulative annual taxable purchases from the non-collecting retailer totaling \$100 or more for the prior calendar year. The notice is intended to help taxpayers determine their use tax obligation. The following Q&A may provide helpful guidance regarding this new provision.

Q: When will the first notices go out?

A: The first such notices were to be mailed on or before January 31, 2018. Each non-collecting retailer must send such a notice to each of its Rhode Island customers who had \$100 or more in cumulative taxable purchases for the 2017 calendar year.

¹ Public Law 2017 ch. 302, art. 8, § 18, codified at Rhode Island General Laws § 44-18.2-1, *et seq.*

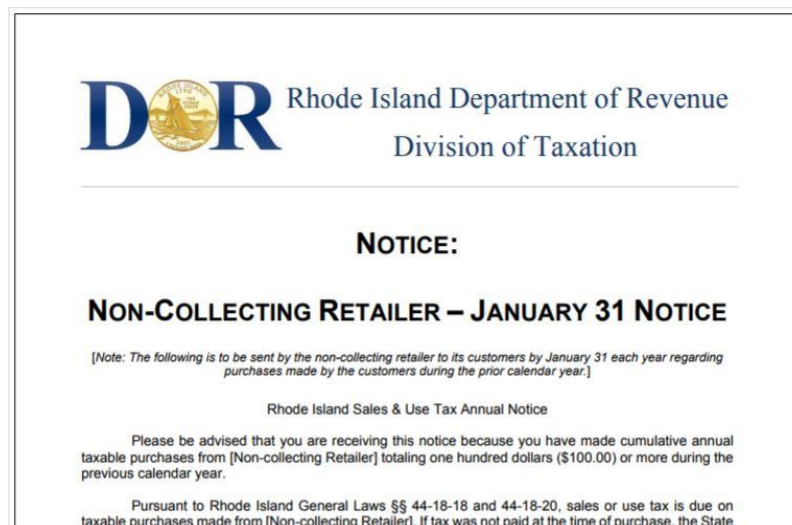
Example:²

XYZ Website Co., which is located in Nevada, sells personal computer equipment online and sends the completed orders to customers throughout the country, including Rhode Island.³ It does not collect and remit Rhode Island sales and use tax.

Thus, on or before January 31, 2018, XYZ Website must send a notice to its Rhode Island customers who each had \$100 or more in cumulative taxable purchases for the 2017 calendar year. The notice must show purchases made during the entire calendar year of 2017.

Q: What will the notice look like?

A: We've posted a sample notice on the Division of Taxation's website, at the following address: <https://go.usa.gov/xnvnw>. A screenshot of the sample appears below.



Q: Will all notices look like the sample notice that's posted on the Division of Taxation's website?

A: Non-collecting retailers aren't required to use the sample notice; they may draft their own. Thus, it is possible that the notice you receive may be different in appearance. We

² All names used in this publication are for illustration purposes only and are used in a fictitious manner. Any resemblance to actual persons or actual entities is coincidental.

³ For this example, XYZ Website Co. has an office and warehouse in Nevada. It has no physical location anywhere else. All orders are shipped from its warehouse via common carrier to customer locations.

provided the sample as a convenience to non-collecting retailers. The sample also gives those retailers, and taxpayers and tax preparers, an idea of what the new law is about.

Q: Why is the notice important?

A: The notice is important because it will help you in computing your Rhode Island sales and use tax obligation.

Q: What sorts of items are subject to use tax?

A: The same items (or services) that are subject to Rhode Island sales tax are subject to Rhode Island use tax. For example, if you buy a computer or a piece of furniture from a retailer such as an out-of-state website, and that retailer does not collect Rhode Island sales tax, you must pay Rhode Island's 7 percent use tax.

Q: What about clothing?

Rhode Island's 7 percent sales and use tax applies to each sale of clothing and footwear with a sales price of more than \$250.

So here's the general rule to keep in mind about clothing: If the sales price is \$250 or less, it's exempt from the tax.

What if the sales price is more than \$250? In that case, the tax applies only to the portion of the sales price of an individual item of clothing or footwear that exceeds \$250. For example:

- For a pair of shoes priced at \$275, the sales tax applies to \$25, for a total tax of \$1.75.
- For a suit priced at \$300, the tax applies to \$50, for a total tax of \$3.50.
- If you buy 10 shirts at \$30 a shirt, for a total of \$300, no tax applies because the sale of each item is less than \$250.
- If you buy one blouse for \$50, no tax applies because the sales price is less than \$250.

WHAT'S TAXABLE?

Following is a partial list of commonly purchased items that are subject to Rhode Island's 7 percent sales and use tax:

- Antiques
- Appliances
- Auto Parts
- Books
- Cleaning supplies
- Compact discs (CDs)
- Computers
- Computer equipment
- Cosmetics
- Craft items
- Diapers
- Furniture
- Home goods
- Household furnishings
- Jewelry
- Medicine (over-the-counter)
- Non-prescription drugs

(This is a partial and general list; please see Rhode Island General Laws for details.)

Q: What about food?

A: In general, groceries are exempt.⁴

Q: What other exemptions are there?

A: Many goods and some services are subject to Rhode Island sales/use tax. Some goods and many services are exempt. For a list of exemptions:

<http://webserver.rilin.state.ri.us/Statutes/TITLE44/44-18/44-18-30.HTM>

Q: Whom shall I contact to find out if something’s taxable or not?

A: Contact our Excise Tax section. Call (401) 574-8955. Or email: Tax.Excise@tax.ri.gov. Or visit the Excise Tax section at the Division of Taxation office, One Capitol Hill, Providence, Rhode Island. For a map and directions: <http://www.tax.ri.gov/contact/>.

Q: Why do I have a sales and use tax obligation?

A: By law, Rhode Island sales or use tax is due on taxable purchases made from “non-collecting retailers.” If tax was not paid at the time of purchase, the Rhode Island law requires that all customers who use, store, or otherwise consume taxable goods and services in Rhode Island must pay use tax.⁵

Example:

Jane, of Providence, Rhode Island, buys \$1,000 in jewelry at a store in Providence, Rhode Island. At the time of purchase, the store collects Rhode Island’s 7 percent sales tax and turns it over to the Division of Taxation. In this example, Jane must pay \$1,000 for the jewelry, and \$70 in Rhode Island sales tax.

Suppose that Jane buys \$1,000 in jewelry from a website that does not collect Rhode Island tax? In that case, Jane owes \$70 in Rhode Island use tax.

⁴ Food and drink purchased at a restaurant or other such venue is subject to Rhode Island's 7 percent sales and use tax, as well as the 1 percent meals and beverage tax.

⁵ Rhode Island's law regarding sales and use tax is similar to that of many other states.

WHAT IS USE TAX?

What is use tax? See the following links to two Division of Taxation publications about use tax:

- <https://go.usa.gov/xn7sV>
- <https://go.usa.gov/xn77Z>

You may also find Rhode Island sales and use tax regulations helpful:

- <http://www.sos.ri.gov/rules/>

For more about Rhode Island sales and use tax, see Chapters 18, 18.1, 18.2, and 19 of Title 44 of the Rhode Island General Laws:

- <https://go.usa.gov/xn7sv>

Q: What should I do if I receive that notice in the mail?

A: File a signed use tax return, Form T-205. Form T-205, “Consumer’s Use Tax Return,” is available on our website: http://www.tax.ri.gov/forms/2016/Excise/UseTaxReturn_b.pdf Instructions are on the form.⁶ A screenshot of the form appears nearby.

The screenshot shows the top portion of Form T-205. It includes the state name, form title, and a header table with fields for Name, Federal employer identification/social security number, Address, For the period of (MM/DD/YYYY to MM/DD/YYYY), Address 2, Business type, City, town or post office, State, ZIP code, and E-mail address. Below the table is a question about consistent purchases with YES/NO checkboxes, a section for the Schedule of Purchases Subject to the Use Tax, and a note about itemizing purchases.

Q: I have received such a notice. Must I file Form T-205, or may I include the information on my Rhode Island personal income tax return?

A: You may include the information on your Rhode Island personal income tax return instead of including it on, and filing, Form T-205. If you choose to include it on your personal income tax return, begin by filling out Schedule U, “Individual’s Consumer’s Use Tax.” (See screenshot nearby.)

The screenshot shows the top of the 2017 RI Schedule U Individual Consumer's Use Tax Worksheet. It features the state name, form title, a barcode, and the number 17101699990101. Below this is a table with fields for Name(s) shown on Form RI-1040 or RI-1040NR and Your social security number. The title "Individual Consumer's Use Tax Worksheet" is prominently displayed, followed by a detailed NOTE and the heading "Option #1 - Actual Use Tax Due".

⁶ Form T-205 is due on or before the 20th day of each month following the month in which purchases are made, and must be accompanied by a remittance for the amount due. See form for more details.

As you fill out Schedule U, you'll notice that you have a choice: List either the actual amount of your use tax due, or an amount involving the Rhode Island Use Tax Lookup Table. (See screenshot nearby.)

USE TAX TABLE					
Federal AGI from RI-1040/NR, line 1		Use Tax Amount	Federal AGI from RI-1040/NR, line 1		Use Tax Amount
At least	Less than		At least	Less than	
\$0	6,350	\$5	\$38,200	\$44,600	\$35
6,350	12,700	10	44,600	50,950	40
12,700	19,100	15	50,950	57,350	45
19,100	25,450	20	57,350	63,700	50
25,450	31,850	25	63,700	70,100	55
31,850	38,200	30	70,100	76,450	60

If your Federal AGI is \$76,450 or greater, multiply Form RI-1040/NR, line 1 by 0.08% (0.0008)

If you know the actual amount of all the purchases you made that are subject to Rhode Island use tax, use the first option. Otherwise, use the second option (the lookup table).

Note: The example below focuses on the first option.

Example:

During calendar year 2017, John, of Coventry, Rhode Island, bought \$500 in computer equipment from a website that did not collect Rhode Island sales/use tax. Therefore, John must pay \$35 in Rhode Island use tax. He forgot to file Form T-205 during 2017.

In January 2018, he received a notice from the online retailer, reminding him of his \$500 purchase, for which no Rhode Island sales/use tax was charged. The notice was a handy reminder, because John had forgotten about the purchase and about his use tax obligation.

John uses the information from his notice to fill out Schedule U of his Rhode Island personal income tax return. All the other purchases he made in 2017 were not taxable or were subject to Rhode Island sales tax collected and remitted by the retailers.

So John does not bother with the use tax lookup table on Schedule U. Instead, he fills out only the top part of Schedule U, up to line 4, entering his actual purchase for 2017. (See screenshot nearby.)

Individual Consumer's Use Tax Worksheet

NOTE: When reporting the amount of use tax obligation on the Rhode Island personal income tax return. The taxpayer shall list either the actual amount of use tax due, or an amount using the Rhode Island Use Tax Lookup Table below. If you know the actual amount of all purchases made that are subject to the use tax, use Option #1. Otherwise, use Option #2. Be sure to check the box on page 1 of your return attesting to the amount of use tax listed on your return. For more information, see the 1040 instructions at www.tax.ri.gov.

Option #1 - Actual Use Tax Due

1	Enter the total price of purchases subject to the use tax	1	500	00
2	Use tax due. Multiply line 1 by 7% (0.07).....	2	35	00
3	Enter the amount of sales taxes paid in other states for the purchases on line 1.....	3	0	00
4	Net use tax due. Subtract line 3 from line 2. Enter here and on RI-1040, pg 1, line 12 or RI-1040NR, pg 1, line 15.	4	35	00

After completing Schedule U, he carries the amount (in this example, \$35) to the front page of his Rhode Island Form RI-1040.

What if you don't know the actual amount of all purchases you made that are subject to the use tax? You may use the second option, involving the lookup table.

Note: The example below focuses on the second option, involving the lookup table.

Example:

During calendar year 2017, Maria, of Middletown, Rhode Island, bought a number of items on which no Rhode Island sales/use tax was collected. She can't remember how much she spent on purchases overall, but she knows that none of the purchases exceeded \$1,000.

Also, she received a notice in January 2018 from a non-collecting retailer showing that she had made one purchase, for \$95, for which no Rhode Island sales/use tax was collected.

Her federal adjusted gross income for 2017 was \$45,000. Following the instructions on Schedule U, she multiplies her \$45,000 of income by 0.0008, resulting in use tax of \$36.

Next, she locates where her \$45,000 of income falls in the lookup table, and determines that the corresponding use tax amount is \$40.

She enters the lesser of the two amounts -- \$36 -- on line 6 of Schedule U. (See screenshot nearby.)

Option #2 - Rhode Island Use Tax Lookup Table

5 Enter your 2017 Federal AGI from Form RI-1040 or RI-1040NR, page 1, line 1..... 5 45000 00

6 Use tax due. Multiply line 5 by 0.0008 or enter the amount from the Rhode Island Use Tax Lookup Table below..... 6 36 00

7 In the space below, list the actual amount of each single purchase greater than or equal to \$1,000.00

	Column A Product Purchased	Column B Product Cost	Column C Tax Due (Cost x 7%)	Column D Sales Tax Paid	Column E Sales Tax Due (Col C - Col D)
a Purchase #1					7a 0 00
b Purchase #2					7b 0 00
c Purchase #3					7c 0 00
d Purchase #4					7d 0 00
e Net use tax due on purchases equal to or greater than \$1,000. Add lines 7a, 7b, 7c and 7d.....					7e 0 00

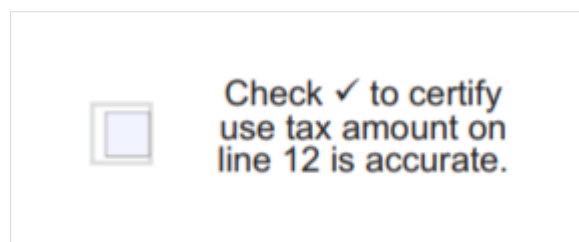
8 Use tax due. Add lines 6 and 7e. Enter here and on RI-1040, page 1, line 12 or RI-1040NR, page, 1, line 15..... 8 36 00

Federal AGI from RI-1040/NR, line 1		Use Tax Amount	Federal AGI from RI-1040/NR, line 1		Use Tax Amount
At least	Less than		At least	Less than	
\$0	6,350	\$5	\$38,200	\$44,600	\$35
6,350	12,700	10	44,600	50,950	40

After completing Schedule U, she carries the amount (in this example, \$36) to the front page of her Rhode Island Form RI-1040.

Q: Are there any other steps I must take related to the use tax computation on my Rhode Island personal income tax return?

A: Yes. After you carry the information from Schedule U over to page 1 of your Rhode Island personal income tax return, please remember to check the box on page 1 of your return attesting to the amount of use tax listed on your return. (See screenshot nearby.)



Q: Is there more information in the instructions to the Rhode Island Form RI-1040?

A: Yes. For forms and instructions: <http://www.tax.ri.gov/taxforms/personal.php>.

Q: Should this notice come as a surprise?

A: It shouldn't – it's just one of several notifications that non-collecting retailers have provided their customers already.

Under the new law, each non-collecting retailer (such as a website that doesn't collect and remit Rhode Island sales and use tax) have several obligations regarding you, the customer. For example, before even sending the January 31 notice, the non-collecting retailer must:

- Post a conspicuous notice on its website that informs you that sales or use tax is due on certain purchases, and that Rhode Island law requires you to file a sales or use tax return;
- Notify you, at the time of purchase, that sales or use tax is due on taxable purchases and that Rhode Island law requires the filing of a sales/use tax return; and
- Notify you, within 48 hours of the time of purchase, that sales or use tax is due on taxable purchases and that Rhode Island law requires you to file a sales/use tax return.

Q: Why is Rhode Island the only state requiring such things?

A: Rhode Island is far from alone; many other states have already taken similar measures. Also, the general notice mentioned above is commonplace online, especially where online purchases of taxable items are involved.

One goal that states have in implementing these measures is to help taxpayers understand and comply with their use tax obligation, including their use tax obligation for purchases made by non-collecting retailers (such as websites that do not collect and remit state sales and use tax).

Q: Is Rhode Island the only state that levies a sales tax?

A: A total of 45 states and the District of Columbia collect statewide sales taxes, according to the Tax Foundation.⁷

In addition, there are many counties, cities, and other jurisdictions in the United States that levy sales tax.

Q: Is Rhode Island the only state that levies a use tax?

A: Every state that imposes a general sales tax also imposes a use tax, according to the Sales Tax Institute.⁸

ABOUT THIS PUBLICATION

This publication is an informal summary of how some of the provisions of Rhode Island tax law are applied. This publication is for general information purposes only; it is not a substitute for Rhode Island General Laws, or for Rhode Island Division of Taxation regulations, rulings, or notices.

If you have questions about Rhode Island sale/use tax, contact the Division's Excise Tax section at (401) 574-8955.

⁷ See <https://taxfoundation.org/state-and-local-sales-tax-rates-in-2017/>.

⁸ See [http://www.salestaxinstitute.com/Sales Tax FAQs/What states impose sales use tax](http://www.salestaxinstitute.com/Sales_Tax_FAQs/What_states_impose_sales_use_tax).