

# **State of Rhode Island - Division of Taxation**

## **Sales and Use Tax**

### **Regulation SU 87-31**

#### **Damaged Goods**

##### **Sales Tax**

If damage to goods in transit to the consumer occurs after the "sale" as defined in Section 44-18-7, General Laws 1956, as amended, is made, sales tax applies to the sale. If the damage occurs before the sale, sales tax applies as follows:

- (a) If the goods are destroyed, tax does not apply to damages paid the retailer for their destruction.
- (b) If the goods are not destroyed, and are sold at retail in their damaged condition, tax applies to that portion of the total amount paid to the retailer representing the price paid for the goods in their damaged condition.

##### **Use Tax**

Use tax does not apply with respect to goods destroyed before the purchaser makes any storage or use of the goods in this state. If the goods are damaged but are nevertheless stored or used in this state by the purchaser, tax applies to the total amount paid to the retailer.

**R. GARY CLARK**  
**TAX ADMINISTRATOR**

DATE: May 1, 1987