

**State of Rhode Island
Department of Revenue**

Tax Policy Strategy Work Group

“Develop a tax strategy so that Rhode Island’s tax structure is a competitive advantage in retaining jobs and recruiting businesses. To achieve this objective the tax strategy should result in a tax structure that meets the test of equity, efficiency, predictability, competitiveness and transparency.”

Individual Taxes Sub-Group Meeting Minutes – October 9, 2008

- I. Committee members present: Edward Cooney, Mark Higgins, Patricia Thompson, Grafton H. Willey IV

Committee members absent: Al Lubrano, E. Hans Lundsten, George Nee, and Edward Pieroni

Department of Revenue employees in attendance: Paul L. Dion, Gary S. Sasse, David Sullivan, Cee Vallee, Sunil Pokharel

Others in attendance: Kerry King, Governor’s Executive Council, Michael O’Keefe, House Fiscal Advisor, Steve Whitney, Senate Fiscal Office; Gary Ciminero, House Policy Office; Chris Long, Governor’s Policy Office, Ashley Denault, Rhode Island Public Expenditure Council
- II. Paul L. Dion, Chief of the Office of Revenue Analysis, reviewed sales tax rates, including local option sales tax rates, in the 50 states, including sales tax rates for the most populous counties in a state if that state allowed a local option sales tax rate. In addition, Dion reviewed sales tax bases for the 50 states as they pertain to the taxation or exemption of food, prescription drugs, over-the-counter drugs, alcoholic beverages, clothing, gasoline, and motor vehicles.
- III. Paul L. Dion, Chief of the Office of Revenue Analysis, presented information on the taxation of services in the 50 states with a breakdown on the taxation and exemption of services for the New England states.
- IV. Paul L. Dion, Chief of the Office of Revenue Analysis, reviewed in greater depth the taxation and exemption of transactions in the states of Connecticut, Massachusetts, and Rhode Island.

- V. Paul L. Dion, Chief of the Office of Revenue Analysis, provided the members of the committee with detailed information on the General Assembly's Rhode Island Sales and Use Tax micro-simulation model with particular attention being paid to the distribution the sales tax burden across business investment, business intermediate good, and consumer purchases. A discussion of the sales tax burden by AGI class for Rhode Island households was also undertaken.
- VI. Next steps — The following action items were discussed by the committee
- Use the Rhode Island Sales and Use Tax micro-simulation model to determine the revenue impact of lowering the sales tax rate to 5.0 percent and then expand the state's sales tax base incrementally to offset the revenue loss from the reduction in the sales tax rate.
- VII. Next Meeting – October 23, 2008 – 8:00am