**An Update from the State House**

**Senate and House Finance Committees Hear Sales Tax Issues and Association Dues**

Both Finance Committees heard testimony on Article 5, Section 9 of the Governor’s budget and members of both committees asked pointed questions as to how certain items were singled out for taxation expansion. This is the Article that ***expands the 7% sales tax to the following items***:

- Digital Downloads ($2.6 million) such as Audio Works like Netflix, on-demand movies, games, movie streaming; Digital Audio Works such as audio book downloads; Ringtones; Digital books

- Hunting, Trapping and Shooting Services ($.6 million)

- Lobbying Services ($.9 million)

- Interior Design Services ($.5 million)

- ***Commercial Buildings Services ($6.2 million) which specifically includes extermination services, commercial cleaning services, landscaping and maintenance services, carpet and upholstery clearing services and janitorial services. These services, if performed in a private residence with a home office, are not taxable.***

**Please take to the time to share any concerns you might have about the commercial building services sales tax with your state representative and state senator. Now is the time to speak up!**

**Questions have been raised about the Governor’s proposal to tax organization dues**. The way the budget is drafted, an argument could easily be made that any organization that covers an entity subject to a sales tax could suddenly find its dues also subject to a 7% sales tax. For example, taxi services are subject to sales tax. If the taxi drivers have an association to which they pay dues, then the association dues could be subject to sales tax. That said, the Department of Revenue stated that this is not the intent. The intent of the association dues wording is meant to attach only to rod and gun clubs. The reason given for this particular item is based on a concern that gun clubs would include ammunition as part of its membership benefit paid by dues, thus allowing club members to skirt paying the 7% sales tax on ammunition which the budget wishes to impose. The budget language does require re-drafting if such a proposal is to move forward. The Department said there is no intent to tax golf club memberships, fraternal organization dues or other dues at this time.

The Department of Revenue also suggested exempting 501(c)(3) organizations from paying sales tax on lobbyist fees. The Chamber is not a 501(c)(3) and thus would still be subject to the tax, as would most trade associations.

**Senate Labor To Address Misclassification of Employees**

On Wednesday, March 6th at approximately 4:30 p.m. in the Senate Lounge, the Senate Labor Committee will be taking testimony on **S.370, An Act Relating to Labor and Labor Relations**. S.370 increases the maximum weekly unemployment benefit rate to the higher of 57.5% of the average weekly wages paid to workers in the prior calendar year or $636 per week. **S.510, An Act Relating to Labor and Labor Relations** will also be heard. S.510 increases the penalties for misclassifying an employee to $2000 for the first offense, with each misclassified employee being a separate offense. Any employer found to violate the law on three separate judgments on three separate dates within a 2 year period, will be subject to the loss of its licenses to operate the business in the state. The suspension of licenses will continue for at least 3 years and until all proper wages are paid.

**What’s in the Governor’s Budget**

**Article 15 – Children and Families**

* The budget requires a mandatory school breakfast program for any public school where 70% of the students are eligible for free or reduced price meals in the prior school year. The breakfast must be offered after the instructional day has officially begun and can be consumed in the classroom.
* Children detained in the Slater Training School are considered residents of the municipality where they lived prior to arrival at the training school. The home municipality will be responsible for payment of the community’s per pupil special education cost to DCYF for the delivery of education services to the child while detained in the Training School.
* The Department of Health will be responsible for conducting inspections of foster homes
* RI Works Program changes include an elimination of the Department of Labor and Training oversight of individuals’ work plans. The budget does set a lifetime limit on the adult collection of cash assistance to 48 months (children in a family or unit are not subject to the 48 month restriction).
* Under current law child care is to be provided to every assistance receiving participant “who requires child care…in order to meet work requirements.” The budget changes the language to provide child care assistance for every “child who is eligible for cash assistance” to ensure the adults they are living with are able to either obtain or maintain employment or meet their individual employment plans. Starting July 1, 2019, child care services are also provided to families at 180% of federal poverty level or below to allow adults to pursue an educational degree, vocational, technical, or professional certification.

The following bills were filed last week:

House Bill No. [5523](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5523.pdf) Barros**,**AN ACT RELATING TO TAXATION - SUGARY DRINKS (Creates a tax on sugary drinks and creates a dedicated revenue source for programs designed to benefit public health.)

House Bill No. [5550](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5550.pdf) Casimiro, Ackerman, Shanley, Noret, Alzate**,**AN ACT RELATING TO HEALTH AND SAFETY (Requires various health care facilities and child care facilities to have automated external defibrillators on site.)

House Bill No. [5576](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5576.pdf) Shekarchi, Ackerman, Lima, Kazarian, Noret**,**AN ACT RELATING TO TAXATION -- BUSINESS CORPORATION TAX (Provides tax relief for pass-through entities that would be unable to take a federal income tax deduction for state and local income taxes they pay on their personal tax returns.)

House Bill No. [5611](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5611.pdf) Walsh, Lombardi, Cassar, Caldwell, Fogarty**,**AN ACT RELATING TO HEALTH AND SAFETY -- COMPREHENSIVE HEALTH INSURANCE PROGRAM (Establishes a universal, comprehensive, affordable single-payer health care insurance program.)

House Bill No. [5614](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5614.pdf) Amore, Serodio**,**AN ACT RELATING TO TAXATION -- SALES AND USE TAXES -- LIABILITY AND COMPUTATION (Exempts from sales tax any amount a construction contractor charges clients for materials and supplies in connection with a construction contract.)

House Bill No. [5615](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5615.pdf) Noret, Serpa, Hawkins, Caldwell, Canario**,**AN ACT RELATING TO TAXATION -- ELECTRONIC PAYMENT OF SALES TAXES (Requires that the tax administrator credit electronic sales and use tax payments made electronically exactly when received.)

House Bill No. [5628](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5628.pdf) Maldonado, O'Brien, Blazejewski, Serpa, Carson**,**AN ACT RELATING TO WATERS AND NAVIGATION - THE CLIMATE CHANGE COASTAL ADAPTATION TRUST FUND (Establishes OSACR, a fund which provides grants to fund projects that adapt infrastructure to address climate change; assess eligibility of projects, allocation, disbursements and the fund's financing. Effective July 1, 2019.)

House Bill No. [5631](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5631.pdf) Marszalkowski, Cortvriend, Morin, Shanley**,**AN ACT RELATING TO STATE AFFAIRS AND GOVERNMENT - STATE FLEET REPLACEMENT REVOLVING LOAN FUND (Requires the state to phase in the use of zero emission vehicles beginning in 2020 using state fleet replacement revolving loan funds.)

House Bill No. [5648](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5648.pdf) Johnston**,**AN ACT RELATING TO ALCOHOLIC BEVERAGES - REGULATION OF SALES (Allows license holders to restrict any person who has not reached his or her twenty first birthday from entering the licensed establishment after ten o'clock (10:00) pm.)

House Bill No. [5656](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5656.pdf) Williams, Shekarchi, Ackerman, Marszalkowski, Almeida**,**AN ACT RELATING TO PUBLIC FINANCE - RHODE ISLAND SECURE CHOICE RETIREMENT SAVINGS PROGRAM ACT (Creates voluntary retirement IRA savings program for workers requiring employers to make available to employees if no employer retirement plan offered.)

House Bill No. [5657](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5657.pdf) Williams, Slater, Diaz, Almeida, Alzate**,**AN ACT RELATING TO LABOR AND LABOR RELATIONS - WORKERS' COMPENSATION BENEFITS (Shifts the legal burden of proof in certain workers' compensation actions involving intoxicating substances.)

House Bill No. [5659](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5659.pdf) Donovan, Blazejewski, Ranglin-Vassell, Craven, Casimiro**,**AN ACT RELATING TO LABOR AND LABOR RELATIONS -- FAIR EMPLOYMENT PRACTICES (Comprehensively addresses wage discrimination by expanding employee protections and the scope of the remedies available to employees who have experienced wage discrimination.)

House Bill No. [5660](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5660.pdf) Walsh, Lombardi, Lyle, Hull, Bennett**,**AN ACT RELATING TO LABOR AND LABOR RELATIONS - MINIMUM WAGE--GRATUITIES (Raises the minimum wage for tipped workers by fifty cents ($.50) per year commencing on January 1, 2020 until the tipped minimum wage is not less than two-thirds (2/3) of the regular minimum wage.)

House Bill No. [5667](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5667.pdf)  Bennett, Edwards, Jacquard, Diaz**,**AN ACT RELATING TO PUBLIC UTILITIES AND CARRIERS -- THE ENERGY AND CONSUMER SAVINGS ACT OF 2005 (Establishes minimum energy and water efficiency standards for certain products sold or installed in the state.)

House Bill No. [5671](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5671.pdf) (Dept. of Environmental Management) McEntee, Fellela, Ucci, Costantino, Handy**,**AN ACT RELATING TO HEALTH AND SAFETY - PLASTIC WASTE REDUCTION ACT (Creates the "Plastic Waste Reduction Act" designed to reduce the use of plastic bags by retail establishments by offering recyclable bag options and providing penalties for violations.)