**An Update from the State House**

**Senate Finance Committee to Hear Sales Tax**

On Tuesday, February 12th at approximately 4:30 pm in the Senate Lounge, the Senate Finance Committee will take testimony on Article 5, Section 9 of the Governor’s budget. 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.

**House Labor Takes Up Paid Leave Option**

On Wednesday, February 13th, at approximately 4:30 pm in Room 203, the House Labor Committee will accept testimony on H.5271, An Act Relating to …Rhode Island Parental and Family Medical Leave Act. H.5271 allows an employee to substitute any accrued vacation, sick or other paid leave for any part of parental leave or family leave.

**What’s in the Governor’s Budget – Article 9 Local Aid**

Article 9 addresses local taxation of non-profit higher education institutions and non-profit hospitals, as well as vehicle excise taxes.

Section 1 of the Article allows cities and towns to tax the real estate of a higher education entity if that property is not exclusively used for educational purposes. In addition, any personal property held within that real estate would also be taxable by the municipality. Likewise, any property held by a non-profit hospital that is not used exclusively for hospital purposes would be taxable (and the personal property located within that real estate). Vacant lots, improved or unimproved, would be taxable. The proposal gives municipalities the authority to waive the taxes due and payable if the non-profit entity makes a payment in lieu of taxes. In the event the municipality does not waive the tax due, then any current payment in lieu of taxes made would be credited against the taxes owed should this language pass into law.

Section 2 of the Article proposes changes to the vehicle excise tax phase-out. In a nutshell, the Governor’s proposal is a follows (information presented by the House Fiscal Staff):

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Fiscal Year | Current Law | Current Law | Current Law | Gov. Budget | Gov. Budget | Gov. Budget |
|  | % of Retail Value | Rate cap per $1000 | Exempt Floor | % of Retail Value | Rate cap per $1000 | Exempt Floor |
| 2020 | 85 | $35 | $3000 | 87.5 | $40 | $2800 |
| 2021 | 80 | $35 | $4000 | 84 | $35 | $3800 |
| 2022 | 75 | $30 | $5000 | 79 | $30 | $4800 |
| 2023 | 70 | $20 | $6000 | 64.5 | $25 | $6000 |
| 2024 | No Tax | No Tax | No Tax | No Tax | No Tax | No Tax |

For example, this coming year, the current law calls for communities to reduce the percentage of retail value from 90% to 85%. If your car is worth $10,000, then communities could tax you on $9000 last year and $8500 this coming year. The Governor’s budget changes the 85% retail value to 87.5% thus allowing communities to tax you on $8750 in value for the $10,000 car. Second, current law restricts communities, in FY2020, to taxing at a rate not higher that $35 per $1000 of vehicle value. Last year the cap was $50 per $1000 of value. The Governor proposes to allow communities to tax at a rate not higher than $40 in the coming year. Finally current law states that if your vehicle, after the % of Retail Value is calculated, is worth less than $2000 then you pay no vehicle excise tax. Current law calls for that “Exempt Floor” to go to $3000 in this coming year (2020). The Governor proposes to decrease the Exempt floor to $2800, meaning more people will pay the tax in FY2020. The Governor’s budget does call for the complete phase out to occur in 2024, just as the current law provides, but a larger portion of the fiscal impact comes in later years.

**Article 10 – Universal Pre-kindergarten**

Article 10 proposes to provide universal prekindergarten education to all 4 year-olds in the state. “Universal access” will statutorily be considered achieved under this proposal when 70% of 4 year-olds are enrolled in high-quality programs. However, the program does call for continuing expansion until “every family who wants a high quality, prekindergarten seat” for their child has one.

The Department of Elementary and Secondary Education is charged with writing regulations for the program that takes into account: teacher education and certification, class size and staff ratios, learning time, learning standards, curriculum, support for students with special needs, support for dual English language learners, professional development, child assessments and observations to improve practice. Local Education Agencies (LEA’s) are called upon to develop transition plans for students going from pre-k to kindergarten. The strategies should consider student visits to their future kindergarten classroom, kindergarten teacher visits to the pre-k classroom, workshops for families of incoming kindergarten kids, and kindergarten orientation sessions the summer before school starts.

According to the House Fiscal Staff, the Governor’s proposal calls for $15.6 million in funding. $14.5 million would go to fully fund the current 60 classrooms and expand the program; $.7 million would go to contracted professional development and program evaluation costs; and $.4 million would be used for four new full-time employee positions.

**Article 11 – Rhode Island Promise (College Tuition Program)**

One of the major areas highlighted in the Governor’s State of the State Address can be found in Article 11. This is the Article that expands the free college tuition program to include Rhode Island College (RIC) as well as the Community College of Rhode Island (CCRI); and covers adult learners as well as high school graduates.

A two-year scholarship would be available for an Associate’s Degree at CCRI, a Bachelor’s Degree at RIC (or a combination of CCRI and RIC), and Certificate Programs meaning “any certificate program with labor market value as defined by the Postsecondary Commissioner.” The Certificate Programs appear to be restricted to CCRI and RIC.

Adult learners are considered to be those 25 years of age or older and must be first-time enrollees in college. Just like the original program, these individuals must maintain a 2.5 gpa, and they must stay on track to graduate. Part-time students are given 4 years to complete an Associate’s Degree.

The Governor’s budget includes just under $8 million for the program. The House budget staff noted that $5.3 million of the allotted funds comes from one-time reserve funds and that future years will be paid through general revenues under the Governor’s proposal.

The following bills were filed last week:

House Bill No. [5278](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5278.pdf)  Abney**,**AN ACT RELATING TO TAXATION -- SALES AND USE TAX--NON-COLLECTING RETAILERS, REFERRERS, AND RETAIL SALE FACILITATORS ACT (Extends the requirement to collect sales tax to remote sellers in a way that conforms to a recent U.S. Supreme Court decision making it easier for states to compel collection/sales tax from retailers who do not have a physical presence in their state.)

House Bill No. [5287](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5287.pdf) (General Treasurer) Shekarchi, McKiernan, O'Brien, Slater, Diaz**,**AN ACT RELATING TO LABOR AND LABOR RELATIONS -- NON-ERISA COVERED PENSION PLANS (Requires that all defined pension plans which are not covered by the ERISA and have at least two hundred (200) members, comply with ERISA's annual reporting provisions.)

House Bill No. [5290](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5290.pdf) Slater**,**AN ACT RELATING TO FOOD AND DRUGS -- THE EDWARD O. HAWKINS AND THOMAS C. SLATER MEDICAL MARIJUANA ACT (Prevents employers from refusing to hire or discriminating against individuals for marijuana use and positive test results.)

House Bill No. [5299](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5299.pdf)  Hawkins, Lima, Phillips, Noret, Serodio**,**AN ACT RELATING TO HUMAN SERVICES - EQUAL RIGHTS OF BLIND AND DEAF PERSONS TO PUBLIC FACILITIES (Prohibits misrepresentation of the status of an animal as a service animal in order to acquire any right or privilege afforded disabled persons.)

House Bill No. [5301](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5301.pdf) Diaz, Bennett, McLaughlin**,**AN ACT RELATING TO HEALTH AND SAFETY - PUBLIC HEALTH AND WORKPLACE SAFETY ACT (Provides that any law or regulations which prohibits or protects a person from exposure to second-hand smoke would include second-hand marijuana smoke.)

House Bill No. [5314](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5314.pdf) Bennett, Handy, Ackerman, McNamara, Kislak**,**AN ACT RELATING TO FOOD AND DRUGS - SINGLE-USE PLASTIC STRAWS (Prohibits a food service establishment from providing a consumer with a single-use plastic straw unless requested by the consumer.)

House Bill No. [5319](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5319.pdf) Ucci, Lima, Fellela, Roberts**,**AN ACT RELATING TO TAXATION -- PUBLIC SERVICE CORPORATION TAX (Allows for accumulated depreciation reduction for physical deterioration, functional and economic obsolescence.)

House Bill No. [5326](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5326.pdf) Ucci, Kennedy, Lima, Costantino, Fellela**,**AN ACT RELATING TO ALCOHOLIC BEVERAGES - RETAIL LICENSES (Allows holders of a Class P license to purchase alcoholic beverages from either a retail or wholesale establishment in the state of Rhode Island.)

House Bill No. [5341](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5341.pdf) Shanley, Tanzi, Kazarian, Knight, Carson**,**AN ACT RELATING TO LABOR AND LABOR RELATIONS - FAIR EMPLOYMENT PRACTICES (Extends the timeframe within which to bring an action for an unlawful employment practice.)

House Bill No. [5343](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5343.pdf) Vella-Wilkinson, Tanzi, Walsh, Diaz, Alzate**,**AN ACT RELATING TO LABOR AND LABOR RELATIONS -- SEXUAL HARASSMENT, EDUCATION AND TRAINING IN THE WORKPLACE (Mandates sexual harassment training for employees and supervisors of employers of fifty (50) or more employees. It would recommend an annual climate survey for employers.)

House Bill No. [5344](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5344.pdf) Tanzi, Kazarian, Cassar, Donovan, Ajello**,**AN ACT RELATING TO LABOR AND LABOR RELATIONS -- UNLAWFUL EMPLOYMENT PRACTICES (Prohibits an employer/employment agency/labor organization/or employee/to directly/indirectly commit any act declared to be an unlawful employment practice/it being the legislative intent that individuals would be held personally liable for such conduct.)

House Bill No. [5345](http://webserver.rilin.state.ri.us/BillText/BillText19/HouseText19/H5345.pdf) Tanzi, Ruggiero, Shanley, Kazarian, Newberry**,**AN ACT RELATING TO LABOR AND LABOR RELATIONS -- FAIR EMPLOYMENT PRACTICES (Forbids an employer to require an employee to execute a nondisclosure agreement; or non-disparagement agreement regarding alleged violations of civil rights or criminal conduct as a condition of employment.)

Senate Bill No. [251](http://webserver.rilin.state.ri.us/BillText/BillText19/SenateText19/S0251.pdf)  Conley, Seveney, Murray, Pearson, DiPalma**,**AN ACT RELATING TO TAXATION -- SALES AND USE TAX--NON-COLLECTING RETAILERS, REFERRERS, AND RETAIL SALE FACILITATORS ACT (Extends requirement to collect sales tax to remote sellers in a way that conforms to a recent U.S. Supreme Court decision making it easier for states to compel collection of the sales tax from retailers who do not have a physical presence in their state.)