



STATE OF RHODE ISLAND

Division of Taxation

Department of Revenue

 **Agency Announcements**

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Electronic Filing Mandate and New Sales Tax Form

ELECTRONIC FILING MANDATE:

In accordance with changes signed into law in June of 2022, a larger business registrant will be required to use electronic means to file returns and remit taxes to the State of Rhode Island for tax periods beginning on or after January 1, 2023.

Visit our [Electronic Filing Mandate page](#) for more information on this requirement.

NEW SALES TAX FORM:

Starting with the return for the period ending January 2023 [filed in February 2023], monthly and quarterly Sales and Use Tax filers will begin using the RI Division of Taxation's new sales form - [Form RI-STR](#). Click for [Form RI-STR](#), the [form instructions](#) and the [Advisory issued](#) regarding the new form. Forms STM and STQ are to be used only for periods ending on or before December 31, 2022.

For guidance on completing and filing Form RI-STR, click [here](#).

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Sales & Use Tax

The law provides generally for a tax on the sales at retail of tangible personal property, certain public utility services, and curtailed enumerated services. Note that any sale is a retail sale if the property sold is not to be resold in the regular course of business.

Complementing the sales tax, a use tax is imposed at 7% on the storage, use or consumption in this state of tangible personal property

Every person, firm or organization engaged in the business of making retail sales in this state is required to obtain a permit.

Sales and Use Tax Frequently Asked Questions

What is the Sales Tax and Use Tax?

Sales Tax

The sales tax is a levy imposed on the retail sale, rental or lease of many goods and services. Any sale is a retail sale if the property or service sold will be used and not resold in the regular course of business.

The sales tax is imposed upon the retailer at the rate of 7% of the gross receipts from taxable sales. In addition to the sales tax, there is also a 6% hotel tax on the rental of rooms in hotels, motels or lodging houses.

The retailer or vendor must collect tax from their customers which must be remitted directly to the state.

Use Tax

Use tax returns are required from every retailer and from every person who purchases property subject to the use tax unless the tax has already been paid to a retailer authorized to collect it.

Use tax is imposed at 7% on the storage, use, or consumption of tangible personal property in Rhode Island.

This includes, but is not limited to, a casual sale of motor vehicle, or trailer purchased from any retailer. A casual sale is a sale made by a person other than a licensed motor vehicle dealer (including an auctioneer selling a motor vehicle at an auction), or other than a retailer of airplanes or trailers. In the case of a casual sale of a motor vehicle, the tax imposed cannot be less than the product obtained by multiplying the tax rate by the retail dollar value. Where the sales price is greater than the retail dollar value, the sales price is used. The retail dollar value is the amount shown in the current issue of a recognized guide used for appraisal purposes in Rhode Island. Within 30 days after payment of the tax, the Tax Administrator may, on request, redetermine the retail dollar value after affording the taxpayer reasonable opportunity to be heard. Some casual sales, such as those made between members of the immediate family, are exempt.

+ Who must collect, file, and pay the sales tax?

A business that is selling, renting or leasing tangible personal property at retail must collect the sales tax. This includes, but is not limited to, the following:

- home appliances
- craft items
- household furnishings
- antiques
- VCR's & tapes
- jewelry
- stereo & TV equipment
- computers and computer software
- certain services including, but not limiting to the furnishing of telecommunications service and cable television services
- Eating and/or Drinking establishment (which must additionally collect and remit the 1% local meals and beverage tax)

+ How do I register my business?

The Division of Taxation recommends that all taxpayers who are able to register, file, and pay electronically do so. The Division's Taxpayer Portal (<https://taxportal.ri.gov>) offers a convenient and easy way to register, file, and pay. The Taxpayer Portal enables advanced payment scheduling and allows users to check compliance across all tax accounts.

You may also register by submitting the completed BAR form to tax.excise@tax.ri.gov or tax.registration@tax.ri.gov. Please note that the sales tax permits expire every June 30th and renewal applications are due annually by February 1st.



Must I make a minimum amount of sales before I am required to register for collection of sales tax?

No. You are required to register before you start your business.



For how long is my Sales and Use Tax Permit valid?

Sales and use tax permits must be renewed annually and each new business location must have its own seller's permit.

If your business expands and you open a second location, you must obtain a new permit for the new location.

Also, if the ownership or structure of the business changes (for example, if a sole proprietorship becomes a partnership or corporation), a new permit is required.



How do I obtain a new copy of my Sales and Use Tax permit if I change my address or lose the permit?

You may request a copy of your Sales and Use Tax Permit but contacting the RI Division of Taxation via email or sending a written notification to the contact information listed below.

There is no fee for this service.



How often must the Sales Tax and Use Tax be filed and/or Paid?

Generally, a retailer must file a Sales and Use Tax return on or before the 20th day of each month for the previous calendar month and pay the tax due.

Individuals who owe a Use Tax on non-business-related purchases may elect to pay once a year by entering the amount on the use tax line of their RI personal income tax return that is filed the following April 15th.

All retailers must report sales on an accrual basis. Sales must be reported in the month in which the sale takes place regardless of when the money or consideration for the sale is received by the retailer.

If you have made no sales, you are still required to complete and file a return. You should complete the form by listing "zero sales" and "zero taxes".

Taxpayers may apply to the Tax Administrator for permission to file and remit sales tax on a quarterly basis if the sales and use tax liability for six (6) consecutive months has averaged less than two hundred dollars (\$200) per month. If approved, you will be notified in writing and quarterly returns are due

on the last days of July, October, January and April to reflect the activity for the prior three months.

+ Do I need to register my business for sales tax if I am a wholesaler only?

No. Sales tax registration is required only when all or a portion of your sales are at retail.

+ How do I compute my Sales Tax?

The tax is computed on the selling price (not your cost) of the taxable goods, rental, lease or service.

In general, sellers of taxable goods and services must report sales on the accrual basis. This means that all sales you make must be reported during the filing period in which the sale is made, not when the customer renders payment.

If you have made no sales, you should list "zero sales" and "zero taxes".

+ What does it mean when Sales Tax is referred to as a Trust Fund Tax?

All taxes collected by any retailer from purchases under the sales tax law, and all taxes collected by any retailer from purchases under color of the law, **are a trust fund for the state until paid to the Tax Administrator.** *Taxes collected must be held separately from sales receipts and must be held until it must be remitted to the State.*

The trust funds are enforceable against:

- The retailer;
- Any officer, agent, servant or employee of any corporate retailer responsible for either the collection of the tax or the payment of the tax or both;
- Any person receiving any part of the fund without consideration or knowing that the retailer (or any officer, agent, servant or employee of any corporate retailer) is committing a breach of trust; and
- Their estates, heirs, and representatives. However, a purchaser to whom a refund has been properly made, or any person who receives payment of a lawful obligation of the retailer from the fund, shall be presumed to have received the same in good faith and without any knowledge of the breach of trust.

+ What is the penalty for misappropriation of Trust Fund Taxes

Any retailer (or any officer, agent, servant or employee of any corporate retailer responsible for either the collection or payment of the tax) who appropriates or converts the tax collected to his or her own use or to any use other than the payment of the tax to the extent that the money required to be collected is not available for payment on the due date as prescribed, shall be liable for the penalties for misappropriation. Upon conviction for each offense, that person may be fined not more than \$10,000 or be imprisoned for 1 year, or by both fine and imprisonment. The fine and imprisonment may be in addition to any other penalty provided by law.

+ What if I have customers that are exempt from paying sales tax?

The customer must give you a completed Rhode Island sales and use tax resale certificate or one of several types of exemption certificates issued on or after July 1, 2021. Some of the most common are:

If the customer is a charitable or religious organization, the customer must present a Rhode Island Exempt Organization Exemption Certificate. (Rhode Island retailers should not accept Exemption Certificates from other states.)

If the customer is a manufacturer, the customer must present a Manufacturers Exemption Certificate.

If the customer is a farmer, the customer must present a copy of the Farmer Tax Exemption Certificate.

If the customer is the State of Rhode Island, a RI municipality, or the Federal Government, the sale is exempt and no certificate is required. Purchases made by state or municipal governments from other states are subject to Rhode Island sales tax.

+ How do I purchase my inventory of goods for resale without paying sales tax?

Complete a Rhode Island sales and use tax resale certificate bearing your sales tax permit number, and give it to the vendor from whom you make a purchase of goods or services which you intend to resell. If you are not required to hold a permit because you are not making sales subject to tax in this state (e.g. no sales made in this state, wholesale sales, etc.) then an appropriate notation to that effect should be made on the certificate in lieu of a retail permit number.

A certificate may not be used to purchase items for your own use, such as office supplies, furniture and fixtures.

+ If I make a sale and deliver the goods outside Rhode Island, do I collect Rhode Island sales tax?

No. However, depending upon your activities in the other state, you may be required to register and collect sales tax for that state.

However, a resident of another state making a purchase and taking possession of the item in Rhode Island must pay Rhode Island sales tax.

+ What are the penalties and interest if I file a sales and use tax return late?

There is a penalty of 10% of the tax due for the late payment of the tax. Interest at the current rate is also calculated on the underpayment of tax, but not less than 12%.

+ What records must I keep to verify the figures on my sales and use tax return?

The following records must be kept at least three years:

Sales receipts
State and Federal Tax Returns

Purchase invoices
Documents that show price change

Cash register tapes
Exemption certificates

Under certain circumstances, you may be required to produce records for more than three years.

+ What other state taxes is a business liable for?

A business may be liable for:

- **Litter Control Participation Permit** - If you are a retailer making taxable sales of food and/or beverages, you must apply and pay for a litter permit fee each year.
- **State Income Tax Withholding** - If you are an employer who maintains an office in this state or transacts business in the state and makes payment of wages subject to Rhode Island personal income tax, you must withhold and remit Rhode Island income tax. There is no registration fee.
- **Unemployment Compensation Tax** - You must also contact the Rhode Island Department of Employment and Training at (401) 222-3696 if you have employees.
- **Business Corporation Tax** - If your business is incorporated, you may be liable for business corporation tax.
- **Use Tax** - If you purchase taxable goods and services for use by your business without paying Rhode Island tax, you must pay use tax to the State by filing a Consumer's Use Tax Return. It should also be noted that individuals who purchase taxable goods & services for their personal use without paying Rhode Island tax should also pay use tax to the State by filing a Consumer's Use Tax Return.

NOTE: The Internal Revenue Service (IRS) should also be contacted to determine your federal tax requirements. The Internal Revenue Service's toll-free telephone number is 1-800-829-1040.

+ What if my business is located out-of-state but I intend to come into Rhode Island and sell (for example at a craft show)?

You must complete an application for permit. You will be issued a sales tax permit to collect Rhode Island sales tax.

+ I am closing my business. What should I do?

You must cancel your sales and use tax permit by doing the following:

File your monthly or quarterly return and check the "Yes" box following the question, "Are you out of business now?"

Enter the last business date in the block provided.

Also, write the word FINAL prominently across the top of the return.

Enclose your permit card with the return.

+ When do I report sales that I make?

In general, sellers of taxable goods and services must report sales on the accrual basis. This means that all sales you make must be reported during the filing period in which the sale is made, not when the customer renders payment.

Resources

Statute: [R.I. Gen. Laws § 44-18](#) (Sales and Use Tax)

Statute: [R.I. Gen. Laws § 44-18-30](#) (Exemptions from Sales and Use Taxes)

Contact Us

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