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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

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A N A C T

RELATING TO TAXATION - SALES AND USE TAXES - LIABILITY AND
COMPUTATION

Introduced By: Representatives Malik, Azzinaro, Hull, Tobon, and Morin

Date Introduced: March 02, 2016

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-18-18.1 of the General Laws in Chapter 44-18 entitled "Sales
2 and Use Taxes - Liability and Computation" is hereby amended to read as follows:

3 **44-18-18.1. Local meals and beverage tax.** -- (a) There is hereby levied and imposed,
4 upon every purchaser of a meal and/or beverage, in addition to all other taxes and fees now
5 imposed by law, a local meals and beverage tax upon each and every meal and/or beverage sold
6 within the state of Rhode Island in or from an eating and/or drinking establishment, whether
7 prepared in the eating and/or drinking establishment or not and whether consumed at the premises
8 or not, at a rate of one percent of the gross receipts. The tax shall be paid to the tax administrator
9 by the retailer at the time and in the manner provided.

10 (b)(1) All sums received by the division of taxation under this section as taxes, penalties,
11 or forfeitures, interest, costs of suit, and fines shall be distributed at least quarterly and credited
12 and paid by the state treasurer to the city or town where the meals and beverages are delivered.

13 (2) In any fiscal year commencing with fiscal year 2017, the sums distributed to the city
14 or town where the meals and beverages are delivered shall increase at a rate of one percent (1%)
15 per fiscal year until the reimbursement rate reaches the rate of eight percent (8%) in fiscal year
16 2024 provided, that the budget enacted for the corresponding fiscal year shall result in a surplus
17 of funds.

18 (c) When used in this section, the following words have the following meanings:

1 (1) "Beverage" means all nonalcoholic beverages, as well as alcoholic beverages, beer,
2 lager beer, ale, porter, wine, similar fermented malt, or vinous liquor.

3 (2) "Eating and/or drinking establishment" means and includes restaurants, bars, taverns,
4 lounges, cafeterias, lunch counters, drive-ins, roadside ice cream and refreshment stands, fish-
5 and-chip places, fried chicken places, pizzerias, food-and-drink concessions, or similar facilities
6 in amusement parks, bowling alleys, clubs, caterers, drive-in theatres, industrial plants, race
7 tracks, shore resorts or other locations, lunch carts, mobile canteens and other similar vehicles,
8 and other like places of business that furnish or provide facilities for immediate consumption of
9 food at tables, chairs, or, counters or from trays, plates, cups, or other tableware, or in parking
10 facilities provided primarily for the use of patrons in consuming products purchased at the
11 location. Ordinarily, eating establishment does not mean and include food stores and
12 supermarkets. Eating establishments does not mean "vending machines," a self-contained
13 automatic device that dispenses for sale foods, beverages, or confection products. Retailers
14 selling prepared foods in bulk, either in customer-furnished containers or in the seller's
15 containers, for example "Soup and Sauce" establishments, are deemed to be selling prepared
16 foods ordinarily for immediate consumption and, as such, are considered eating establishments.

17 (3) "Meal" means any prepared food or beverage offered or held out for sale by an eating
18 and/or drinking establishment for the purpose of being consumed by any person to satisfy the
19 appetite and that is ready for immediate consumption. All such food and beverage, unless
20 otherwise specifically exempted or excluded herein shall be included, whether intended to be
21 consumed on the seller's premises or elsewhere, whether designated as breakfast, lunch, snack,
22 dinner, supper, or by some other name, and without regard to the manner, time, or place of
23 service.

24 (d) This local meals and beverage tax shall be administered and collected by the division
25 of taxation, and unless provided to the contrary in this chapter, all of the administration,
26 collection, and other provisions of chapters 18 and 19 of this title apply.

27 In recognition of the work being performed by the streamlined sales and use tax
28 governing board, upon passage of any federal law that authorizes states to require remote sellers
29 to collect and remit sales and use taxes, the rate imposed under this section shall be increased
30 from one percent (1%) to one and one-half percent (1.5%). The one and one-half percent (1.5%)
31 rate shall take effect on the date that the state requires remote sellers to collect and remit sales and
32 use taxes.

1 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

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1 This act would increase the amount of funds distributed to the city or town where meals
2 and beverages are delivered from one percent (1%) in fiscal year 2017 in annual increments of
3 one percent (1%) per fiscal year until the reimbursement rate equals eight percent (8%) in fiscal
4 year 2024, provided that the budget enacted for the corresponding fiscal year results in a surplus
5 of funds.

6 This act would take effect upon passage.

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