



**Testimony in Opposition to House Bill 7099  
House Committee on Finance  
Submitted by Douglas Hall, Ph.D.  
May 3, 2018**

The Economic Progress Institute opposes H7099: An Act Relating to Taxation – Sales and Use Taxes which creates a sales tax holiday in mid-August, eroding state revenues needed for the critical investments needed to build thriving communities and a strong vibrant economy.

In the FY2018 budget as enacted, the sales and use tax generates \$1.1B, or 28 percent of total General Revenues (Figure 1). Eroding this revenue source in any way places critical public investments in jeopardy.

H7099 would create a two-day window in August when no sales taxes would be collected on non-business sales of tangible personal property. Despite the obvious appeal, sales tax holidays are not smart public policy.

Today this committee is hearing several bills that would erode critical revenues at a time when we are already anticipating painful cuts in the programs and services that help make Rhode Island a great state to raise a family. As seen in Figure 2, we already lose more tax revenue than we collect through the sales and use tax, as a result of extensive tax expenditures that exempt 88 items from the sales tax, at the cost of \$1.3B in FY2014.

We encourage this committee to protect rather than erode our tax base—instead of passing H7099 out of committee, give serious consideration to further extending the sales and use tax to a broader range of services than those currently taxed.

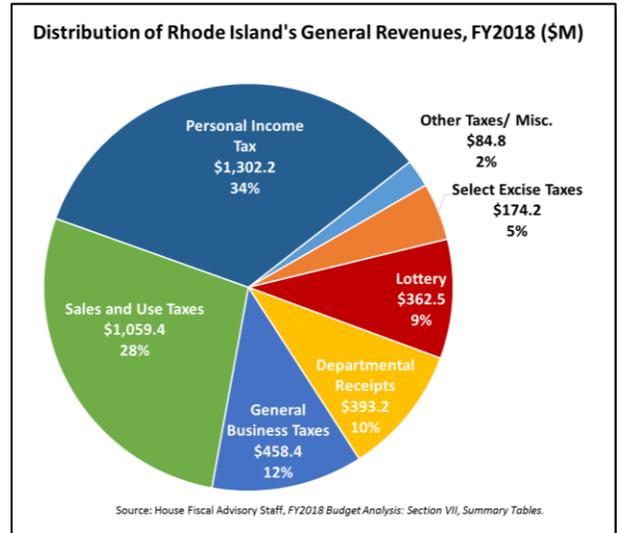


Figure 1

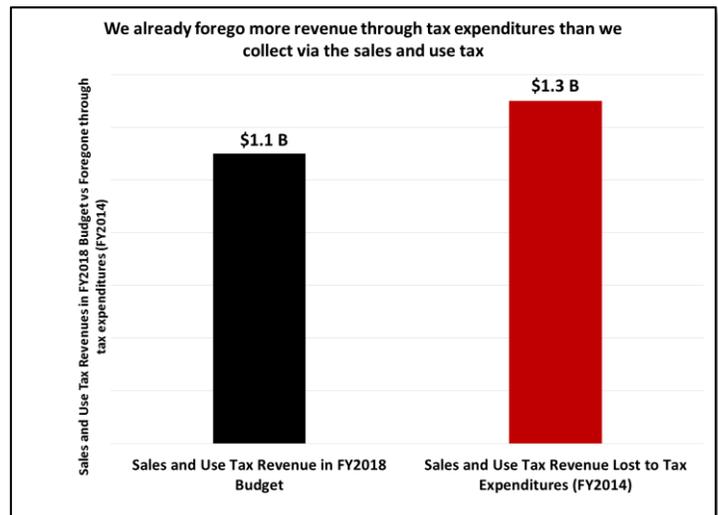


Figure 2

“Rhode Islanders understand that smart investments lay the foundation for thriving communities today and widely shared prosperity in the future. Investments in our schools set our children on a path to success, investments in health care help working people and their employers to succeed, and investments in infrastructure — roads, bridges, green buildings — help keep our families safe, facilitate commerce, and help to preserve the Ocean State’s abundant natural resources.”

Rachel Flum, Providence Journal, April 20, 2018