State of Rhode Island
Department of Administration
Office of Management and Budget

Fiscal Note for Proposed Administrative Rules (R.I. Gen. Laws § 22-12-1.1)

Name of Administrative Rules: Exemption of Sales by Writers, Composers and Artists (280-RICR-20-70-11) and Modification of Certain Income of Writers, Composers and Artists (280-RICR-20-55-13)

FISCAL IMPACT					
State Revenues		***State Expenditures***		***City/Town Expenditures***	
FY 2025	See below	FY 2025	$0	FY 2025	$0
FY 2026	See below	FY 2026	$0	FY 2026	$0
FY 2027	See below	FY 2027	$0	FY 2027	$0

Summary of Policy Change: The amendments to each regulation clarify which kinds of artistic works qualify for a personal income tax modification or sales tax exemption under these programs. The goal of the amendments is to provide further structure to the statutory requirement that a work of art under these programs must be "one of a kind" or for "limited production." To qualify as an eligible work, the regulations specify the work:

- must not be consumable;
- must not be intended for mass production or commercial production;
- must have a limited production of no more than 300 copies; and
- must not be sold through an online marketplace.

These requirements are new regulatory language, although they codify standards already utilized by the Division of Taxation (the "Division") and the Rhode Island State Council on the Arts. In addition, the 300-copy limit is in line with the definition of "work of fine art" found in R.I. Gen. Laws Ch. 5-62, titled "Works of Art – Artists' Rights."

Summary of State Fiscal Impact: Because these changes codify existing practice by the Division, there is no marginal change in state revenues or expenditures. Theoretically, these changes will increase compliance with the statutory intent of the programs, and thus limit the artworks that qualify for the personal income tax modification or sales tax exemption. Both the modification and exemption reduce state revenue. The most recent data indicates that these programs in total lead to around a $15,000 reduction in income tax revenue and a $1.2 million reduction in sales tax revenue.

In a benefit-cost analysis, which is part of the rulemaking record, the Division analyzed a scenario in which all of applications for the sales tax exemption that were denied in 2023 were due to these regulatory requirements (which almost certainly overstates the impact of these provisions). In this theoretical scenario, the proposed regulations lead to a $85,779 increase in sales tax revenue after factoring in a price elasticity of -0.64 for art. The Division did not analyze the impact of these rules on the personal income tax modification due to the smaller size of that program and the paucity of data. As previously mentioned, this is a theoretical calculation given that there are no actual changes to the status quo implementation of these programs.

These proposed regulations have no change on the personnel needed to administer these programs and, thus, there are no changes to state expenditures.

City or Town Impact: Because these regulations impact two state taxes (personal income tax and sales and use tax), there is no municipal impact.