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**COMMENTS ON PROPOSED DEPARTMENT OF REVENUE REGULATIONS ON
“MODIFICATION OF CERTAIN INCOME OF WRITERS, COMPOSERS AND ARTISTS”
[280-RICR-20-55-13]
February 14, 2025**

The ACLU of Rhode Island appreciates the opportunity to comment on this proposal, which addresses a topic on which we have received inquiries from affected artists, and particularly authors.

These regulations address a statute allowing certain Rhode Island artists to reduce their federal adjusted gross income based on works of art they have sold. At the same time, DOR is hearing separate proposed regulations addressing a companion statute establishing a statewide sales tax exemption on art, 280-RICR-20-70-11. Because our concerns about both sets of regulations are virtually identical, we have attached our testimony on these other regulations and request that it be considered in addressing this proposal.

The only addition we would note is that this proposal seeks to adopt a problematic definition of “one of a kind” that currently exists in the other set of regulations. Our concerns about this definition include the fact that it is limited to the creation of a “solitary” work even though the statute applies to artwork executed “either solely or jointly with another individual,” R.I.G.L. §44-30-1.1(b)(2), and its limitation to works “not intended for multiple or mass production” is undefined and likely to lead to confusion in its implementation. As with the other proposed rules, we therefore urge the Department to instead consider using the Administrative Procedures Act’s advance rule-making procedure, R.I.G.L. §42-35-2.5, to seek community input on devising alternative definitions to implement the statute.

We appreciate your attention to our views. If the suggestions we have made are not adopted, we request, pursuant to R.I.G.L. §42-35-2.6(1), a statement of the reasons for not accepting our arguments.

Submitted by: Steven Brown, Executive Director
American Civil Liberties Union of Rhode Island



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**COMMENTS ON PROPOSED DEPARTMENT OF REVENUE REGULATIONS ON
 “EXEMPTION OF SALES BY WRITERS, COMPOSERS AND ARTISTS”¹
 [280-RICR-20-70-11]
 February 14, 2025**

The ACLU of Rhode Island appreciates the opportunity to comment on these proposed regulations, for they address a topic on which we have received many inquiries from affected artists, and particularly authors.

The statewide sales tax exemption on art has been in effect for over a decade now, but its implementation has been rocky. As the Department knows, six years ago the ACLU was forced to sue over the agency’s implementation of the statute when it decided that non-fiction books did not constitute artwork covered by the sales tax exemption law. We are pleased that these proposed regulations codify the outcome of that lawsuit and make explicit that works qualify regardless of whether they are deemed fiction or non-fiction.

However, the proposed regulation’s attempt to further clarify – and narrow – the sales tax exemption’s reach only creates other problems, which we briefly outline below. We recognize that the Department, along with the State Council on the Arts, is implementing a vague law. The statute – by failing to define what constitutes a “one-of-a-kind, limited-production” work of art – is far from a model of clarity and has helped contribute to the confusion and controversy surrounding its implementation. Nonetheless, the goal of the statute – to “strengthen Rhode Island’s identity as an arts-friendly destination” – must always be kept in mind in adopting implementing regulations.

¹ These comments should be taken as also applying to the similar amendments being simultaneously proposed to DOR’s rules governing “Modification of Certain Income of Writers, Composers and Artists,” 280-RICR-20-55-13, which deals with the exemption’s reduction of federal gross adjusted income pursuant to R.I.G.L. §44-30-1.1.

The Department's attempt to craft an unduly narrow definition of what constitutes a qualifying work of art negates that goal.²

Presently, the regulations require a "limited edition" that qualifies for an exemption to be a solitary work "intended for limited reproduction signed and numbered by the artist." The proposal would additionally require the work to be self-published; to total no more than 300 copies; and to not be "sold through an online marketplace or third-party vendor." Without conceding the current definition's validity,³ we find these additional limitations inappropriate and urge their rejection.

Whether a book is self-published is totally unrelated to either the creative or Rhode Island-based nature of the work and, therefore, irrelevant to whether it should qualify for an exemption. An author should not be penalized merely for relying on a third party to handle the non-creative aspect of having their art presented to the public. The use of a third party to publish a book simply does not turn it into a non-exempt "commercial" production, and nothing about the two specific examples cited in the regulations to explain the term suggests otherwise. *See* §11.5(K)(3)(a-b). Indeed, it would be impossible to apply such a standard to various other creative works exempt under the statute, such as films or plays, and there is no reason to do so for books.

Since the proposed rule separately disqualifies a book if sold through a third-party vendor, this provision denies an author use of the sales tax exemption for a "non-self-published" book even when it is sold directly by the author. In failing to define the term, the regulation thus appears to allow authors to qualify for the tax exemption only if they use a printing press in their basement to reproduce the book. There is no basis in the statute for such a cramped reading of the law.

² It also seems unduly harsh since the DOR's accompanying documentation appears to suggest that these proposed restrictions would garner the State less than \$100,000 in tax revenue.

³ For example, we strongly question DOR's basis for requiring a work to be "solitary." The statute specifically refers to creative works written "either solely or jointly." R.I.G.L. §44-18-30B(c)(2)(ii). We have related concerns about the regulation's definition of "one of a kind," but that term is not being amended in this proposal, and we have limited our comments to addressing only revisions being proposed in this rule-making proceeding.

We also cannot conceive of a compelling rationale for limiting the sale of a book to 300 copies in order to qualify for the exemption. Leaving aside the completely arbitrary nature of this number,⁴ a person will have no idea when applying for the exemption whether a book they have written will sell more than 300 copies, and it seems absurd to require as a condition of obtaining the exemption that the author agree in advance not to sell more than 300 copies of their work.⁵

Further, such an arbitrary limitation serves only to penalize an author for being successful in their artistic endeavor. That hardly seems to be in keeping with the statute's stated goal of "foster[ing] creativity, innovation, and entrepreneurship."

In short, while the statute refers to "limited production" works of art, that term, whatever it means, certainly should not be interpreted as being restricted to such a relatively small number of copies of a book or other writing. In that regard, we note that there is no comparable limitation on the number of produced "painting[s], print[s], photograph[s] or other like picture[s]" to qualify for an exemption, nor should there be.

For the same reasons that we object to the proposal's requirement that books be "self-published," we oppose the prohibition on their being sold "through an online marketplace or third-party vendor." As the proposal recognizes by excluding art galleries from this limitation, there are legitimate bases for relying on third parties to sell a work of art. Especially in this day and age, disqualifying a book (or other artwork) from the sales tax exemption merely because copies are sold through a website inappropriately and unnecessarily hampers the statute's goals. In any event, even if such a restriction were legitimate, it should not serve as a basis for denying the availability of the tax exemption to those books when they are separately sold directly by the author.

⁴ The documentation accompanying this rule indicates that the number was taken from another statute addressing the completely separate issue of an artist's right of authorship. R.I.G.L. § 5-62-1 et seq.

⁵ If the regulation's intent is to limit the exemption to the *first* 300 copies of the work sold, it does not make that clear.

We therefore urge the Department to reject these provisions narrowing the exemption's scope. Instead, we encourage the agency to make use of the Administrative Procedures Act's advance rule-making provisions, R.I.G.L. §42-35-2.5, to bring interested stakeholders together to discuss the regulatory implementation of the artist sales tax exemption statute and to consider fairer and more suitable definitions of what qualifies for the exemption. Such a meeting could also be helpful in addressing complaints we have received that the exemption process is sometimes unduly lengthy and burdensome and has led to what some see as arbitrary decision-making.

We appreciate your attention to our views, and trust that you will give them your careful consideration. If the suggestions we have made are not adopted, we request, pursuant to R.I.G.L. §42-35-2.6(1), a statement of the reasons for not accepting the arguments we have made.

Submitted by: Steven Brown, Executive Director
American Civil Liberties Union of Rhode Island

February 16, 2025

Dear Members of the Rules Committee,

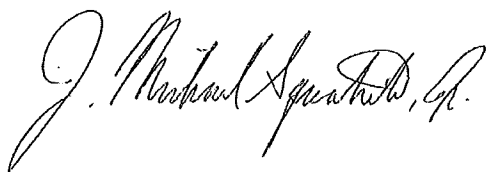
My name is J. Michael Squatrito, Jr. I am the President of the Association of Rhode Island Authors (ARIA) as well as the author of The Overlords Fantasy Book Series, a fictional epic fantasy tale. Several years ago, the Rules Committee passed a tax exemption law for artists, including writers. As stated at the time, those authors who obtained a tax exemption certificate were not required to collect sales tax. This was a benefit to our authors not because sales tax did not need to be collected and reported, but that people would come to Rhode Island to purchase our literary works and hopefully buy other things while in the state. Today, this law is being amended to the point where nearly all authors cannot qualify for a tax exemption.

The current writing of the tax exemption states that "limited edition" artwork include fiction and non-fiction works. Furthermore, "limited edition" has been defined as works that are numbered and limited to 300 copies. Nowhere has it been stated where the number 300 came from, which seems to be picked arbitrarily without any consideration for actual number of sales per author on average.

Books are a form of artwork, just like sculpture, paintings, jewelry, and photography. However, our works of art differ greatly from the others. Where a fine painting or sculpture might fetch, for example, \$500, \$1000, or even \$5000, individual book sales range from \$10 to \$25. An artist could then create a limited run of prints, say 299, and charge an additional \$100 per print. All of these sales would be tax exempt, whereas author's books are to collect tax on their works, which on average is well below those of other artists. It simply does not make sense and seems as if authors are being singled out.

We ask that writers receive equal treatment under RI General Law 44-18-30B. We also ask that legislators make tax exemption for all authors regardless how the work is published or how many are created, and our hope is that this is done in a timely manner. And finally, we ask that any rule or regulation that would exclude written works from the act be rejected.

Sincerely,

A handwritten signature in black ink, reading "J. Michael Squatrito, Jr." in a cursive script.

J. Michael Squatrito, Jr., President of ARIA

CC: Steven Brown, Executive Director, ACLU

Mosca, Carrie (DOR)

From: Whitmarsh, Bethany (DOR)
Sent: Tuesday, February 4, 2025 12:10 PM
To: Mark Binder
Cc: Mosca, Carrie (DOR)
Subject: RE: Commentary on Exemption of Sales by Writers, Composers and Artists (280-RICR-20-70-11)

Good afternoon Mr. Binder,

I am writing to acknowledge receipt of your comments.

Thank you,
Bethany

Bethany M. Whitmarsh, Esq.
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Rhode Island Department of Revenue
Division of Taxation
One Capitol Hill, 1st Floor
Providence, RI 02908
(401) 574-8908 Phone
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From: Mark Binder <mark@markbinder.com>
Sent: Tuesday, February 4, 2025 11:20 AM
To: Whitmarsh, Bethany (DOR) <Bethany.Whitmarsh@tax.ri.gov>
Subject: Commentary on Exemption of Sales by Writers, Composers and Artists (280- RICR-20-70-11)

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Report Suspicious

Dear Ms. Whitmarsh,

I oppose the promulgation of the new/revised regulation, Exemption of Sales by Writers, Composers and Artists (280-RICR-20-70-11).

The vagueness of the original regulation is not a bug, it's a feature.

The objective of the exemption was to promote the creation and sale of arts. Limiting and regulating the details is a

mistake.


- 1) From a First Amendment point of view, the idea that the Department of Revenue and RISCA will be arts arbiters is chilling. Government should not be able to declare what is "art" and what is not.
- 2) The idea that online sales would not be covered is inane in an era where most shopping is done online. Although it is true that most of my direct sales happen in person, the idea that a sale through my website or another local website would be taxable just doesn't make sense.
- 3) The idea that a piece of art must not be commercially reproducible is nonsense. All photographs, prints, musical compositions, audio recordings, films and books are commercially reproducible.
- 4) The idea that art expires after a certain number of reproductions is fatuous. Rodin has been dead since 1917, and copies of "The Thinker" are still being cast and sold. While the Wikipedia number of these copies is still under 300, would the 301st copy no longer be art?

Thank you.

- Mark Binder

Mark Binder

author, storyteller, nice guy

 Books, audio and live

Amazon and Audible • Spotify • AppleBooks • GooglePlay • Kobo

Audie Award Finalist for Original Work

Parents' Choice Gold Award for Audio Storytelling

National Jewish Book Award for Family Literature Finalist

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