Rhode Island Department of Revenue
Division of Taxation

Declaratory Order 2026-01

Request for Ruling Regarding the Application of Rhode Island's Sales and Use Tax

Request for Ruling

Taxpayer requested a ruling about whether the reports it sells are subject to the Rhode Island sales and use tax. Taxpayer specifically seeks responses to the following questions:

1. Are Taxpayer's reports subject to Rhode Island sales and use tax?

2. If they are, under which category are they taxable (e.g., vendor-hosted prewritten computer software, specified digital product, etc.)?

3. Does Taxpayer's method of delivery (downloading the PDF from the dashboard) change the answer, as opposed to delivery by direct email?

Facts

The facts set forth below are taken from the statement of facts presented in the Ruling Request received by the Tax Division on June 14, 2026.

Taxpayer is a company that produces written reports that help neurodivergent individuals and their families communicate needs, strengths, sensitivities, and supports to schools, clinicians, and relatives. The family completes an intake questionnaire about their family member. The questionnaire is an online intake form that is completed and submitted on Taxpayer's online dashboard, which gathers the family's responses but does not analyze them or produce the report. The questionnaire is a data collection form that does not analyze the customer's answers, score them, or generate any output. Taxpayer then produces a report based on the questionnaire's input and makes the final report available for download on the dashboard. Taxpayer generates the report through artificial intelligence and human review. The report is a one-time purchase.

Pertinent Statutory and Regulatory Law

Under the Rhode Island General Laws, "[a] tax is imposed upon sales at retail in this state…at the rate of [seven percent (7%)] of the gross receipts of the retailer from the sales or rental charges...." R.I. Gen. Laws § 44-18-18. A "retail sale" or "sale at retail" is defined as "any sale, lease, or rentals of tangible personal property, prewritten computer software delivered electronically or by load and leave, vendor-hosted prewritten computer software, specified digital products, or services as defined in § 44-18-7.3 for any purpose other than resale, sublease, or subrent in the regular course of business." R.I. Gen. Laws § 44-18-8. A comparable excise tax "is imposed on the storage, use, or other consumption in this state of tangible personal property; prewritten computer software delivered electronically or by load and leave; vendor-hosted prewritten computer software; specified digital products…purchased from any retailer at the rate of [seven percent (7%)] of the sale price of the property." R.I. Gen. Laws § 44-18-20(a). "Use" is defined by R.I. Gen. Laws § 44-18-10 as "the exercise of any right or power over tangible personal property incident to the ownership of that property…" The use tax is a complement to the sales tax, the purpose of which is to prevent tax avoidance and prevent an unfair burden being placed upon local retailers who must compete with retailers in other states who are exempt from the sales tax. *Great Lakes Dredge & Dock Co. v. Norberg*, 369 A.2d 1101, 1106 (R.I. 1977). Collectively, the two taxes are referred to as the Sales and Use Tax.

R.I. Gen. Laws § 44-18-7 specifically defines the term "sales." In section (1) of the statute, "sales" means "[a]ny transfer of title or possession, exchange, barter, lease, or rental, conditional or otherwise, in any manner or by any means of tangible personal property for a consideration. 'Transfer of possession,' 'lease,' or 'rental' includes transactions found by the tax administrator to be in lieu of a transfer of title, exchange, or barter." Other transactions also defined as sales include "(15) The sale, storage, use, or other consumption of vendor-hosted prewritten computer software as defined in § 44-18-7.1(g)(vii)…." R.I. Gen. Laws § 44-18-7(15). "For the purposes of subsections (14) through (16) above, 'sale' includes, but is not limited to, any license, lease, or rental of the products enumerated in those subsections." R.I. Gen. Laws § 44-18-7(17).

R.I. Gen. Laws § 44-18-7.1(g)(ii) defines the term "computer software" as "a set of coded instructions designed to cause a 'computer' or automatic data processing equipment to perform a task." R.I. Gen. Laws § 44-18-7.1(g)(vi) defines "prewritten computer software" as any '"computer software,' including prewritten upgrades, that is not designed and developed by the author or other creator to the specifications of a specific purchaser." R.I. Gen. Laws § 44-18-7.1(g)(vii) defines "vendor-hosted prewritten computer software" as "prewritten computer software that is accessed through the internet and/or a vendor-hosted server regardless of whether the access is permanent or temporary and regardless of whether any downloading occurs."

R.I. Gen. Laws § 44-18-7.1(z)(i)(G)(1) excludes from the broader category of telecommunications services "data processing and information services that allow data to be generated, acquired, stored, processed, or retrieved and delivered by an electronic transmission to a purchaser where such purchaser's primary purpose for the underlying transaction is the processed data or information…"

R.I. Gen. Laws § 44-18-7.3(a) defines "services" as "all activities engaged in for other persons for a fee, retainer, commission, or other monetary charge, which activities involve the performance of a service in this state as distinguished from selling property." The services set forth in § 44-18-7.3 are subject to sales and use taxes. The obligation to charge, collect, and remit the sales tax to the Tax Division is upon retailers, pursuant to R.I. Gen. Laws §§ 44-18-18 and 44-18-19, and the obligation to declare and pay the use tax on untaxed purchases that were taxable, is upon the consumer, pursuant to R.I. Gen. Laws § 44-18-21. A "retailer" under the Sales and Use Tax is defined as "[e]very person engaged in the business of making sales at retail, including prewritten computer software delivered electronically or by load and leave, vendor-hosted prewritten computer software…." R.I. Gen. Laws § 44-18-15(a)(1).

For purposes of computing the tax, a retailer's "gross receipts" are "the total amount of the sale price, as defined in § 44-18-12…of the retail sales of retailers." R.I. Gen. Laws § 44-18-13. "'Sales price' applies to the measure subject to sales tax and means the total amount of consideration, including cash, credit, property, and services, for which personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise…." R.I. Gen. Laws § 44-18-12(a). R.I. Gen. Laws § 44-18-16 defines "tangible personal property" as "personal property which may be seen, weighed, measured, felt, or touched, or which is in any other manner perceptible to the senses" and "includes…prewritten computer software." Under R.I. Gen. Laws § 44-18-25, all gross receipts are presumed to be subject to sales tax "until the contrary is established to the satisfaction of the tax administrator."

Taxpayers claiming statutory tax benefits must demonstrate not only that a tax exemption or deduction exists but that they clearly and unequivocally come within the ambit of its provisions. *Cookson v. Clark*, 610 A.2d 1095, 1098 (R.I. 1992); *Rhode Island Lithograph Corp. v. Clark*, 519 A.2d 589, 591 (R.I. 1987). Furthermore, statutes conferring such tax benefits must be strictly and narrowly construed, *Fleet Credit Corp. v. Frazier*, 726 A.2d 452, 454 (R.I. 1999); *Rice Mach. Co. v. Norberg*, 391 A.2d 66, 70 (R.I. 1978); *Red Fox Gingerale Co. v. Langton*, 217 A.2d 466, 467 (R.I. 1966), with all doubts and ambiguities resolved against the taxpayer and in favor of the taxing authorities. *Roger Williams Gen. Hosp. v. Littler*, 566 A.2d 948, 950 (R.I. 1989); *American Hoescht Corp. v. Norberg*, 462 A.2d 369, 371 (R.I. 1983).

Discussion

1. Taxpayer sells access to a report that provides detailed information about a family member. A customer provides information about the family member through a questionnaire on Taxpayer's online dashboard. Based on the factual allegations in the Ruling Request, Taxpayer sells access to software that allows customers to provide information for, and obtain, the report. Like the taxpayers in Ruling Request No. 2025-01 and Final Decision and Order 2026-01, Taxpayer sells access to "a set of coded instructions designed to cause a 'computer' or automatic data processing equipment to perform a task." R.I. Gen. Laws § 44-18-7.1(g)(ii). Taxpayer could not receive the questionnaire responses or share the report with its clients without the online dashboard. Such software meets the definition of prewritten computer software since it "is not designed and developed by the author or other creator to the specifications of a specific purchaser." R.I. Gen. Laws § 44-18-7.1(g)(vi). There are no facts indicating that such software is customizable. Although the information in a report may be unique to each customer's family member, the content of the report is not the same as the software that powers the dashboard that provides access to the questionnaire data and the final report.

The software at issue is vendor-hosted as it "is accessed through the internet and/or a vendor-hosted server regardless of whether the access is permanent or temporary and regardless of whether any downloading occurs." R.I. Gen. Laws § 44-18-7.1(g)(vii). It is access to and use of Taxpayer's dashboard that allows Taxpayer's customers to upload questionnaire data and download the report. For this reason, the product sold is vendor-hosted prewritten computer software. Sales made to customers in Rhode Island are sales at retail in Rhode Island and are taxable in this state. R.I. Gen. Laws § 44-18-18.

2. As discussed above, Taxpayer's product is taxable as vendor-hosted prewritten computer software.

3. Pursuant to 280-RICR-20-00-5.3(D)(2), "[a] Declaratory Order will not be issued…in response to inquiries…concerning hypothetical situations." Therefore, the Tax Division declines to answer Taxpayer's third question.

Ruling

Based on the facts provided, Taxpayer's product is taxable in Rhode Island as the sale of vendor-hosted prewritten computer software.

This ruling is limited to the facts stated herein and may be relied upon by the Taxpayer and shall be valid unless (1) expressly revoked, (2) the applicable statutory provisions of law are amended in a manner that requires a different result, (3) the underlying facts described herein materially change, or (4) a decision on point has been issued by the Rhode Island or Federal courts.

Neena S. Savage
Tax Administrator
August 31, 2026