

280-RICR-20-70-48

## TITLE 280 – DEPARTMENT OF REVENUE

### CHAPTER 20 – DIVISION OF TAXATION

#### SUBCHAPTER 70 – SALES AND USE TAX

PART 48 - Taxicab, Limousine, Charter Bus, and Other Ground Passenger Transportation Services

#### 48.1 Purpose

This regulation implements R.I. Gen. Laws Chapters 44-18 and 44-19. These Chapters provide for sales and use taxes liability and computation, and sales and use taxes enforcement and collection in regard to taxicab, limousine, charter bus, and other ground passenger transportation services.

#### 48.2 Authority

This regulation is promulgated pursuant to R.I. Gen. Laws Chapters 44-18 and 44-19. These rules have been prepared in accordance with the requirements of R.I. Gen. Laws §§ 44-1-1 *et. seq.* and 44-19-33.

#### 48.3 Application

The terms and provisions of these rules and regulations shall be liberally construed to permit the Department of Revenue to effectuate the purposes of R.I. Gen. Laws Chapters 44-18 and 44-19 and other applicable state laws and regulations.

#### 48.4 Severability

If any provision of these rules and regulations or the application thereof to any person or circumstances is held invalid by a court of competent jurisdiction, the validity of the remainder of the rules and regulations shall not be affected thereby.

#### 48.5 Definitions

- A. “Charter bus services” (NAICS 485510) means establishments engaged in providing buses for charter. These establishments provide bus services to meet customers’ road transportation needs and generally do not operate over fixed

routes and on regular schedules. Scenic and sightseeing transportation is not included in this definition.

- B. “Gross receipts” means the total amount of the sale price, as defined in R.I. Gen. Laws § 44-18-12 or the measure subject to tax as defined in R.I. Gen. Laws § 44-18-12.1, of the retail sales of retailers.
- C. “Interstate transportation” means transportation:
  - 1. between a place in Rhode Island and a place outside of Rhode Island including a place outside the United States; or
  - 2. between two places in Rhode Island through another state or a place outside of the United States; or
  - 3. between two places in Rhode Island as part of transportation originating or terminating outside of Rhode Island or the United States.
- D. “Limousine services” (NAICS 485320) means establishments engaged in providing an array of specialty and luxury passenger transportation services via limousine or luxury sedans generally on a reserved basis. These establishments do not operate over regular routes and on regular schedules.
- E. “Other ground passenger transportation services” (NAICS 485999) means establishments engaged in providing ground passenger transportation, except:
  - 1. urban transit systems; interurban and rural bus transportation – i.e., Rhode Island Public Transit Authority,
  - 2. courtesy shuttle services for which no consideration is paid;
  - 3. providing buses and other motor vehicles to transport pupils to and from school or employees to and from work:
  - 4. special needs transportation to the infirmed, elderly or handicapped. Establishments engaged in operating shuttle services and vanpools are included in this industry. Shuttle service establishments generally provide travel on regular routes and on regular schedules between hotels, airports, or other destination points.
- F. “Person” means and includes any individual, partnership, association, corporation, estate, trust, fiduciary, limited liability company, limited liability partnership or any other legal entity.
- G. “Services” means 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. In determining what a service is, the intended use, principal objective or ultimate objective of the contracting parties shall not be controlling. For the purposes of this rule, services rendered by an employee for his employer are not taxable.

- H. "Taxicab services including taxi dispatchers" (NAICS 485310) means establishments engaged in providing passenger transportation by automobile or van, not operated over regular routes and on regular schedules. Establishments of taxicab owner/operators, taxicab fleet operators, or taxicab organizations are included in this industry.

#### **48.6 Taxicab, Limousine, Charter Bus, and Other Ground Passenger Transportation Services**

- A. For the period commencing October 1, 2012 sales and use tax at the rate as provided in R.I. Gen. Laws §§ 44-18-18 and 44-18-20 is imposed on gross receipts from the sale of taxicab, limousine, charter bus, and other ground passenger transportation services provided in this state.
1. Services that begin or end at a destination outside of Rhode Island (interstate service) are not subject to tax. If a round trip service starts in Rhode Island and proceeds to a destination in another state, and later returns to Rhode Island, a single charge for this round trip service would not be taxable since the trip was interstate in nature. Also, if a transportation service is between two places in Rhode Island but passes through another state, this is an interstate service and therefore would not be taxable.
  2. Receipts in the form of a mandatory gratuity are subject to sales and use tax only to the extent they are part of the amount billed to the customer and included in gross receipts. Voluntary payment of a gratuity by the passenger is not included in gross receipts and therefore not subject to sales and use tax.
  3. Transportation services provided in connection with funerals, or services provided in connection with ambulance or emergency service transportation are not subject to sales and use tax.
- B. Purchases by exempt organizations: Sales and use tax does not apply to purchases of taxicab, limousine, charter bus, and other ground passenger transportation services by the United States Government or the State of Rhode Island or its agencies, any city or town within the State of Rhode Island, or any entity or institution otherwise exempt from sales and use tax. The exemption

applies only when the cost is paid by the organization itself for its own purposes; and not to purchases by any of its members individually.

1. Example 1: A charter bus departs Providence, R.I. for its destination of Boston, Mass., and later returns back to Rhode Island. Since the charter bus goes outside of Rhode Island in providing this service, the charter bus service fee would not be subject to tax.
2. Example 2: A taxicab picks up a customer in Warwick, R.I. and transports the customer to a hotel in Providence, R.I. Since the service takes place in Rhode Island it is taxable. If the customer were transported to a hotel located in Massachusetts, the service would not be taxable as part of this service took place outside of Rhode Island.
3. Example 3: A charter bus departs Providence, R.I. for its destination of Newport, R.I. The bus travels through a portion of Massachusetts while en route to Newport. Since this charter bus leaves Rhode Island when providing this service, the charter bus service fee would not be subject to tax.
4. Example 4: A group hires and prepays a limousine service to pick them up in Providence, R.I., take them for dinner in Newport, R.I., and then bring them to a destination(s) to be determined later by the customers. Since at the time the limousine service was hired, the only known destinations were in Rhode Island and the route taken was in Rhode Island, the fees are subject to tax. Should that undetermined destination be located outside of Rhode Island, the limousine company shall refund the sales tax to the customer. The limousine company shall maintain the necessary documentation to substantiate the transaction.
5. Example 5: A non-profit hospital that has filed for and received tax-exempt status in Rhode Island enters into a contract with a taxicab company to provide transportation services to patients. The taxicab company picks up patients at their residence, transports them to the hospital for treatment, and then drives the patients back to their residence. The taxicab company invoices the hospital for this service and the invoice is paid by the hospital. Since the tax exempt hospital is the customer, this taxicab service is not subject to tax.
6. Example 6: A limousine company is hired for a wedding ceremony which includes transporting the bride from her residence in Providence to the wedding ceremony in Westport, Massachusetts and then to the wedding reception in Newport, R.I. Since the wedding ceremony was a destination

point outside Rhode Island, this entire transportation service would not be subject to tax.

7. Example 7: A school bus company charters one of its buses to transport members of a social club from Cranston, R.I. to a Pawtucket Red Sox game in Pawtucket, R.I. Since the use of this charter is not for school transportation the gross receipts of this charter bus service is subject to tax.
8. Example 8: Company A hires Company B to shuttle Company A's employees from remote parking lots to Company A's office building. The shuttle service operates daily on a regular schedule in both the morning and afternoon. The fee charged by Company B for the shuttle service is to transport Company A's employees to and from work and therefore is not subject to tax.
9. Example 9: A hotel in Warwick, R.I. hires a shuttle service to shuttle guests from the hotel to the airport and to destinations in Providence, R.I. The shuttle service operates daily on a regular schedule. The fee from the company providing the shuttle service to the hotel is subject to tax.
10. Example 10 Company A hires Company B to shuttle Company A's employees from a business meeting at a hotel in Rhode Island to another location in Rhode Island (i.e.: airport, Company A office location). Since the shuttle service is not to and from work, it is not considered employee transportation to and from work, therefore the fee charged by Company B to Company A for the shuttle service is subject to tax.
11. Example 11: A cruise ship transports passengers from other states and countries to Newport, R.I. The cruise includes a charter bus that picks up the passengers arriving in Newport and then transports the passengers in a continuous route or journey to one or more Rhode Island locations. The fee for the charter bus service is not subject to tax.

## **48.7 Sales Tax Registration**

Any person furnishing taxicab, limousine, charter bus, and other ground passenger transportation services in this state is a retailer as provided in R.I. Gen. Laws § 44-18-15 and is required to file a Business Application and Registration form with the Tax Administrator, and to charge, collect and remit Rhode Island sales and use tax.

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Type of Filing: Amendment

**Agency Signature**

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Agency Head Signature Agency Signing Date

**Department of State**

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Regulation Effective Date

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Department of State Initials Department of State Date