



OFFICE OF MANAGEMENT & BUDGET


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MEMORANDUM

To: The Honorable Marvin L. Abney, Chairman, House Finance Committee
The Honorable Louis P. DiPalma, Chairman, Senate Finance Committee

From: Joseph Codega Jr., Budget Officer 

Date: February 3, 2025

Subject: Amendments to the FY 2026 Appropriations Act (25-H-5076)

Governor's Budget Amendment #2

The Governor requests amendments to the FY 2026 Appropriations Act within Article 5, Relating to Taxes and Fees. The provisions and policy goals underlying these amendments are set forth below, with associated legislative changes and/or additions detailed in the subsequent technical section.

- **Digital Advertising Gross Revenue Tax Media Exemption.** This amendment offers clarifying language which is aligned with the Governor's intent to exempt news media and broadcast outlets from the digital advertising gross revenue tax included in Article 5 of the Governor's Recommended Budget. The amendment adds language to specifically exempt news media and broadcast entities from the tax.
 - The digital advertising tax modernizes our state's tax structure to account for the fact that, in this digital era, more and more large companies are profiting off Rhode Islanders' online activity. The proposed tax would impose a 10% flat tax on gross revenue from digital advertising for persons that have revenue sourced in Rhode Island, for tax years on or after January 1, 2026. The tax will only apply to persons with worldwide revenue exceeding \$1.0 billion.
 - There is no revenue impact from this exemption because the revenue estimation methodology is based on a scaled comparison to Maryland, and the Maryland proposal similarly exempts news media and broadcast entities. The imposition of a digital advertising tax is estimated to raise \$9.5 million in FY 2026, a partial year impact. The tax is estimated to raise \$19.6 million in FY 2027, a full year impact.

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If you have any questions regarding these amendments, please feel free to call me or my staff at 222-6300.

cc: Sharon Reynolds Ferland, House Fiscal Advisor
Stephen Whitney, Senate Fiscal Advisor
Brian Daniels, Director, Office of Management and Budget
Jonathan Womer, Director of Administration

25-H-5076: RELATING TO MAKING APPROPRIATIONS IN SUPPORT OF FY 2026

Article 5 – Relating to Taxes and Fees

SECTION 17: Strike all language from Page 159, Line 20, through Page 160, Line 1, and replace with the following:

44-72-1. Definitions.

As used in this chapter, the following words shall, unless the context clearly requires otherwise, have the following meanings:

(a) “Annual gross revenues” means income or revenue, before any expenses or taxes, computed according to generally accepted accounting principles.

(b) “Assessable base” means the annual gross revenues derived from digital advertising services in Rhode Island.

(c) “Broadcast entity” means an entity that is primarily engaged in the business of operating a broadcast television or radio station.

(d) “Digital advertising services” includes advertisement services on a digital interface, including advertisements in the form of banner advertising, search engine advertising, interstitial advertising, and other comparable advertising services. “Digital advertising services” does not include advertisement services on digital interfaces owned or operated by or operated on behalf of a broadcast entity or news media entity.

(e) “Digital interface” means any type of software, including a website, part of a website, or application, that a user is able to access.

(f) “News media entity” means an entity engaged primarily in the business of newsgathering, reporting, or publishing articles or commentary about news, current events, culture, or other matters of public interest. “News media entity” does not include an entity that is

primarily an aggregator or republisher of third-party content.

(g) “Person” includes any individual, partnership, association, corporation, estate, trust, fiduciary, limited liability company, limited liability partnership, or any other legal entity.

(h) “User” means an individual or any other person who accesses a digital interface with a device.