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President's message: Sales tax on construction services?

January 09, 2008 - Rhode Island

As I write this, the 2008 session of the Rhode Island General Assembly is about to begin. As I pointed out last month, and as most of us are all too aware, this session will be all about the state budget and the huge deficits we face over the next few years: estimates range from \$210 million to \$500 million annually until at least 2012. The estimates get worse every time I hear one!

Everyone in the legislature knows that all state spending and income will be "on the table" this year. There will be no sacred cows, at least so they say. The easy cuts have been made already; the money from the tobacco settlement, which bailed us out in the 2007-2008 fiscal year, is gone.

I suspect that, in addition to budget cuts, lawmakers will be sorely tempted to seek new sources of tax revenue. That's understandable. But every member of the Rhode Island Builders Association needs to be especially concerned about one possible new source – a proposal to expand the state sales tax to services, including construction services.

RIBA worked hard against that proposal in the last session, but it is bound to reappear in 2008.

With consumers already balking at high prices in every area of life lately, to add a sales tax to the work we do, which often includes vital maintenance services, would be shooting ourselves in the economic foot. We would be harming many small businesses in Rhode Island at the very time we need them to be strong to help get our state back on the right economic track!

Massachusetts, whose sales tax is 2% less than ours, doesn't tax professional services. Their one experiment with doing so, which took place in 1990, caused such an uproar that the measure was repealed forthwith. Wouldn't Massachusetts business owners love it if we send our people over the line because they can't afford to do business here?

Even tax-happy Connecticut, where you have to pay an extra tax if there is a nice view from your house, exempts from the sales tax most contractor services performed on owner-occupied housing.

Florida's attempt to tax professional services was another economic fiasco.

If Rhode Island tries such an expansion of the sales tax, every RIBA member, and certainly every Rhode Islander, is going to feel it. We must mobilize now, as we did last year, to stop any such attempt while it is still being discussed.

We appreciate the severity of the state's financial woes. But to lay the burden on the back of Rhode Island's struggling construction industry at this point would be counterproductive. We urge the legislature to exercise prudence, foresight and good sense when considering the economic impact of this issue.

Members - talk with your legislators now! It should not be difficult to explain how this will harm your business and our state.

For more information on what you can do to help call executive director Roger Warren at (401) 438-7400.

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