

To enhance the medical and economic health of Rhode Islanders dealing with the COVID-19 crisis, the RI Center for Freedom & Prosperity recommends two initiatives: one by government and one by the private sector. During these trying times, we have a patriotic responsibility to mitigate the many negative consequences of the coronavirus pandemic.

Government-Distancing: Suspend Internet Sales Taxes. To further incentivize people to follow its own government mandates and guidelines — to work, eat, and shop at home — especially the most vulnerable and while the COVID-19 virus is still among us, the Center recommends a temporary suspension of the state's Internet sales tax.

Medical Benefit: To help prevent the physical spread of the virus, social-distancing has become the accepted model for citizens who interact with each other at home, at work, or in public. Similarly, to help prevent the economic malaise that is already spreading among small businesses and individuals, the Center calls for government-distancing to also be practiced, to remove government-imposed barriers that might prevent our people from practicing healthy social-distancing.

By suspending Internet sales taxes and separating itself from the shopping habits of Rhode Islanders, our government can create economic incentive to shop at home, which will lessen the frequency of the community spread of COVID-19. We all know that people will drive over state lines just to save sales tax dollars, so there is little question that people will also NOT drive away from their homes if it means saving money.

Individual Financial Benefit: A second benefit of suspending Internet sales taxes is that Rhode Islanders will be able to keep more of their hard-earned money. These savings could be very important to the many people who at this time are suffering a loss of income — due to a loss of jobs, loss of working hours, or even the loss of their business — partly owing to the government-mandated shut-downs and restrictions and partly to the social-distancing already being practiced.

Budgetary Factors: In a 2019 brief asking lawmakers to honor their commitment to reduce the sales tax rate when Internet sales taxes began, the Center estimated annual revenue of \$57 million to be derived from online taxes.¹ At less than \$5 million per month, waiving the Internet sales tax for three months could easily be paid for by reducing \$18 million in annual corporate welfare or cutting \$14 million in unpopular legislative and community service grants gifted to political insiders yearly.

At the end of the legislative session last year, the state refused to reduce the sales tax rate to 6.5% as promised when Rhode

Island started collecting Internet sales taxes, meaning these collections have been over and above what Rhode Islanders should have been paying.

Enhancing the Right to Earn. In addition to this one potentially important legislative initiative, the government can further distance itself from being a barrier to getting Rhode Islanders back to work by implementing some of the occupational-licensing reforms the Center recommended in its major 2018 report, *The Right to Earn a Living*.²

Civic Responsibility. Small businesses are the lifeblood of our Ocean State economy, and many small business owners and employees are our neighbors or members of our families. For those who are able, it is the civic responsibility of each and every Rhode Islander to help keep our in-state businesses ... and our state ... economically healthy, while we sacrifice to keep ourselves medically healthy.

Purchase Gift Certificates and Take-Out Orders: For many small businesses, whose services have been shut down or severely curtailed by government mandates or lower demand from people voluntarily staying at home, short-term cash flow is vital to their survival: to be able to pay their employees, to pay their rent, to purchase the raw materials they need, or just to conduct necessary business operations.

Gift certificates, purchased by individuals and businesses who have the near-term financial capacity, can be a critical way to infuse much needed cash into businesses today with 100% near-term net cash flow, while delivery of their goods and services, and the associated expenses, can be delayed into the future when normal business conditions return. This simple activity by thousands of Rhode Islanders would mean cash IN now, with expenses OUT later, and extend the life of many businesses and jobs in our state. Purchasing take-out orders from food and beverage and other establishments can also keep cash flowing into businesses during this critical period.

A Call to Chambers and Other Private Institutions: While individuals can engage in the above recommended activities on their own, an even more positive impact can result if business groups and other civic organizations help promote these concepts. We encourage all public, private, and civic organizations to actively do their part in raising awareness about how their member might help small businesses in this way:

- Local Chambers of Commerce
- Statewide business associations
- Churches and other charitable organizations
- Rotary, K of C, Kiwanis, and other civic clubs

¹ <https://rifreedom.org/2019/03/the-half-percent-promise>

² <https://rifreedom.org/righttoearn/>