



## **Department of Business Regulation**

*Insurance Division*

1511 Pontiac Avenue, Bldg. 69-2  
Cranston, Rhode Island 02920

# **Insurance Bulletin Number 2011-4**

## **Total Loss Vehicles – Gross Receipt Tax**

Included in the Rhode Island State Budget, (2011 P.L. ch.151), is an amendment to R.I. Gen. Laws § 44-18-30(23). The amendment is effective on October 1, 2011. The change to R.I. Gen. Laws § 44-18-30(23), which is included in [Article 19, section 24](#), will remove the current exemption from sales tax of proceeds applicable to total loss motor vehicles received as a result of an insurance claim.

As a result, consumers who suffer a total loss will have to pay sales tax on the full value of replacement vehicles. Therefore, in order to fully compensate for the loss to the consumer, the insurer must include sales tax in its calculation of settlement value in any total loss claim. Insurers that do not currently include sales tax in total loss settlements should alter its position to comply with the October 1, 2011 amendment to R.I. Gen. Laws § 44-18-30(23).

Attached you will find a Notice issued by the Rhode Island Department of Revenue, Division of Taxation regarding the recent amendment to R.I. Gen. Laws § 44-18-30(23). As indicated, the Department of Revenue has announced that the actual purchase must be made before October 1, 2011 for the exemption from sales and use tax to be effective. Therefore, insurers are strongly encouraged to immediately include the 7% sales tax in total loss settlement claim payments to minimize the number of consumers whose settlements result in less than the full value of their claim. With regard to any consumer that is required to pay sales tax on a replacement vehicle, the sales taxes is part of that claim and failure to honor a request for reimbursement would mean that the insurer has not effectuated a fair and equitable settlement of the claim. This is true regardless of the date of settlement, the date of purchase of the new vehicle or the execution of release. To minimize the number of claims that insurers must revisit in order to fully compensate the claimant, the Department suggests that all insurers immediately alter any policy that does not provide for the inclusion of sales tax in the settlement of all total loss claims.

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SUPERCEDED**

**INCORPORATED INTO INSURANCE REGULATION 73 2/18/2014**

Please direct any questions you have about the change in statute as it relates to claim settlements to [paula\\_palozzi@dbr.ri.gov](mailto:paula_palozzi@dbr.ri.gov).

Joseph Torti III  
Superintendent of Insurance  
August 4, 2011

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Amendment: August 4, 2011

**SUPERCEDED**