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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2012

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A N A C T

TAXATION - PROPERTY SUBJECT TO TAXATION

Introduced By: Representatives Carnevale, Williams, Hull, Palumbo, and Winfield

Date Introduced: March 07, 2012

Referred To: House Finance

It is enacted by the General Assembly as follows:

1           SECTION 1. Section 44-3-3 of the General Laws in Chapter 44-3 entitled "Property  
2 Subject to Taxation" is hereby amended to read as follows:

3           **44-3-3. Property exempt.** -- The following property is exempt from taxation.

4           (1) Property belonging to the state except as provided in section 44-4-4.1;

5           (2) Lands ceded or belonging to the United States;

6           (3) Bonds and other securities issued and exempted from taxation by the government of  
7 the United States, or of this state;

8           (4) Real estate, used exclusively for military purposes, owned by chartered or  
9 incorporated organizations approved by the adjutant general, and composed of members of the  
10 national guard, the naval militia, or the independent chartered military organizations;

11           (5) Buildings for free public schools, buildings for religious worship, and the land upon  
12 which they stand and immediately surrounding them, to an extent not exceeding five (5) acres so  
13 far as the buildings and land are occupied and used exclusively for religious or educational  
14 purposes;

15           (6) Dwellings houses and the land on which they stand, not exceeding one acre in size,  
16 or the minimum lot size for zone in which the dwelling house is located, whichever is the greater,  
17 owned by or held in trust for any religious organization and actually used by its officiating clergy;  
18 provided, further that in the town of Charlestown, where the property previously described in this  
19 paragraph is exempt in total, along with dwelling houses and the land on which they stand in

1 Charlestown, not exceeding one acre in size, or the minimum lot size for zone in which the  
2 dwelling house is located, whichever is the greater, owned by or held in trust for any religious  
3 organization and actually used by its officiating clergy, or used as a convent, nunnery, or retreat  
4 center by its religious order.

5 (7) Intangible personal property owned by, or held in trust for, any religious or charitable  
6 organization, if the principal or income is used or appropriated for religious or charitable  
7 purposes;

8 (8) Buildings and personal estate owned by any corporation used for a school, academy,  
9 or seminary of learning, and of any incorporated public charitable institution, and the land upon  
10 which the buildings stand and immediately surrounding them to an extent not exceeding one acre,  
11 so far as they are used exclusively for educational purposes, but no property or estate whatever is  
12 hereafter exempt from taxation in any case where any of its income or profits are derived from  
13 any activity not involving education or any part of its income or profits or of the business carried  
14 on there is divided among its owners or stockholders, even if the non-educational activity in  
15 question, or the income or profits derived therefrom, are related or deemed necessary for the  
16 accomplishment of the purposes of the exempt educational institution or university;

17 ~~(9) Estates, persons, and families of the president and professors for the time being of~~  
18 ~~Brown University for not more than ten thousand dollars (\$ 10,000) for each officer, the officer's~~  
19 ~~estate, person, and family included, but only to the extent that any person had claimed and~~  
20 ~~utilized the exemption prior to, and for a period ending either on or after December 31, 1996;~~

21 ~~(10)~~(9) Property especially exempt by charter unless the exemption has been waived in  
22 whole or in part, provided, however, that no property or estate owned by any educational  
23 institution or university is hereafter exempt from taxation in any case where any of the property's  
24 income or profits are derived from any activity not involving education, or any part of the  
25 property's income or profits or of the business carried on there is divided among its owners or  
26 stockholders, even if the non-educational activity in question, or the income or profits derived  
27 therefrom, are related or deemed necessary for the accomplishment of the purposes of the exempt  
28 educational institution or university.

29 ~~(11)~~(10) Lots of land exclusively for burial grounds;

30 ~~(12)~~(11) Property, real and personal, held for or by an incorporated library, society, or  
31 any free public library, or any free public library society, so far as the property is held exclusively  
32 for library purposes, or for the aid or support of the aged poor, or poor friendless children, or the  
33 poor generally, or for a hospital for the sick or disabled, but no property or estate whatever is  
34 hereafter exempt from taxation in any case where any of its income or profits are derived from

1 any activity not involving said activities, or any part of the property's income or profits or of the  
2 business carried on there is divided among its owners or stockholders, even if the activity in  
3 question, or the income or profits derived therefrom, are related or deemed necessary for the  
4 accomplishment of the purposes of the exempt entity.

5 ~~(13)~~(12) Real or personal estate belonging to or held in trust for the benefit of  
6 incorporated organizations of veterans of any war in which the United States has been engaged,  
7 the parent body of which has been incorporated by act of congress, to the extent of four hundred  
8 thousand dollars (\$ 400,000) if actually used and occupied by the association; provided, that the  
9 city council of the city of Cranston may by ordinance exempt the real or personal estate as  
10 previously described in this subdivision located within the city of Cranston to the extent of five  
11 hundred thousand dollars (\$500,000);

12 ~~(14)~~(13) Property, real and personal, held for or by the fraternal corporation, association,  
13 or body created to build and maintain a building or buildings for its meetings or the meetings of  
14 the general assembly of its members, or subordinate bodies of the fraternity, and for the  
15 accommodation of other fraternal bodies or associations, the entire net income of which real and  
16 personal property is exclusively applied or to be used to build, furnish, and maintain an asylum or  
17 asylums, a home or homes, a school or schools, for the free education or relief of the members of  
18 the fraternity, or the relief, support, and care of worthy and indigent members of the fraternity,  
19 their wives, widows, or orphans, and any fund given or held for the purpose of public education,  
20 almshouses, and the land and buildings used in connection therewith;

21 ~~(15)~~(14) Real estate and personal property of any incorporated volunteer fire engine  
22 company or incorporated volunteer ambulance or rescue corps in active service;

23 ~~(16)~~(15) The estate of any person who in the judgment of the assessors is unable from  
24 infirmity or poverty to pay the tax; providing, that in the town of Burrillville the tax shall  
25 constitute a lien for five (5) years on the property where the owner is entitled to the exemption. At  
26 the expiration of five (5) years, the lien shall be abated in full. Provided, if the property is sold or  
27 conveyed or if debt secured by the property is refinanced during the five (5) year period, the lien  
28 immediately becomes due and payable; any person claiming the exemption aggrieved by an  
29 adverse decision of an assessor shall appeal the decision to the local board of tax review, and  
30 thereafter according to the provisions of section 44-5-26;

31 ~~(17)~~(16) Household furniture and family stores of a housekeeper in the whole, including  
32 clothing, bedding, and other white goods, books, and all other tangible personal property items  
33 which are common to the normal household;

34 ~~(18)~~(17) Improvements made to any real property to provide a shelter and fallout

1 protection from nuclear radiation, to the amount of one thousand five hundred dollars (\$ 1,500);  
2 provided, that the improvements meet applicable standards for shelter construction established  
3 from time to time by the Rhode Island emergency management agency. The improvements are  
4 deemed to comply with the provisions of any building code or ordinance with respect to the  
5 materials or the methods of construction used and any shelter or its establishment is deemed to  
6 comply with the provisions of any zoning code or ordinance;

7 ~~(19)~~(18) Aircraft for which the fee required by section 1-4-6 has been paid to the tax  
8 administrator;

9 ~~(20)~~(19) Manufacturer's inventory

10 (i) For the purposes of sections 44-4-10, 44-5-3, 44-5-20, and 44-5-38, a person is  
11 deemed to be a manufacturer within a city or town within this state if that person uses any  
12 premises, room, or place in it primarily for the purpose of transforming raw materials into a  
13 finished product for trade through any or all of the following operations: adapting, altering,  
14 finishing, making, and ornamenting; provided, that public utilities, non-regulated power  
15 producers commencing commercial operation by selling electricity at retail or taking title to  
16 generating facilities on or after July 1, 1997, building and construction contractors, warehousing  
17 operations including distribution bases or outlets of out-of-state manufacturers, and fabricating  
18 processes incidental to warehousing or distribution of raw materials such as alteration of stock for  
19 the convenience of a customer, are excluded from this definition.

20 (ii) For the purposes of sections 44-3-3, 44-4-10, and 44-5-38, the term “manufacturer's  
21 inventory” or any similar term means and includes the manufacturer's raw materials, the  
22 manufacturer's work in process, and finished products manufactured by the manufacturer in this  
23 state, and not sold, leased, or traded by the manufacturer or its title or right to possession  
24 divested; provided, that the term does not include any finished products held by the manufacturer  
25 in any retail store or other similar selling place operated by the manufacturer whether or not the  
26 retail establishment is located in the same building in which the manufacturer operates the  
27 manufacturing plant.

28 (iii) For the purpose of section 44-11-2, a “manufacturer” is a person whose principal  
29 business in this state consists of transforming raw materials into a finished product for trade  
30 through any or all of the operations described in paragraph (i) of this subdivision. A person will  
31 be deemed to be principally engaged if the gross receipts which that person derived from the  
32 manufacturing operations in this state during the calendar year or fiscal year mentioned in section  
33 44-11-1 amounted to more than fifty percent (50%) of the total gross receipts which that person  
34 derived from all the business activities in which that person engaged in this state during the

1 taxable year. For the purpose of computing the percentage, gross receipts derived by a  
2 manufacturer from the sale, lease, or rental of finished products manufactured by the  
3 manufacturer in this state, even though the manufacturer's store or other selling place may be at a  
4 different location from the location of the manufacturer's manufacturing plant in this state, are  
5 deemed to have been derived from manufacturing.

6 (iv) Within the meaning of the preceding paragraphs of this subdivision, the term  
7 "manufacturer" also includes persons who are principally engaged in any of the general activities  
8 coded and listed as establishments engaged in manufacturing in the standard industrial  
9 classification manual prepared by the technical committee on industrial classification, office of  
10 statistical standards, executive office of the president, United States bureau of the budget, as  
11 revised from time to time, but eliminating as manufacturers those persons, who, because of their  
12 limited type of manufacturing activities, are classified in the manual as falling within the trade  
13 rather than an industrial classification of manufacturers. Among those thus eliminated, and  
14 accordingly also excluded as manufacturers within the meaning of this paragraph, are persons  
15 primarily engaged in selling, to the general public, products produced on the premises from which  
16 they are sold, such as neighborhood bakeries, candy stores, ice cream parlors, shade shops, and  
17 custom tailors, except, that a person who manufactures bakery products for sale primarily for  
18 home delivery, or through one or more non-baking retail outlets, and whether or not retail outlets  
19 are operated by person, is a manufacturer within the meaning of this paragraph.

20 (v) The term "Person" means and includes, as appropriate, a person, partnership, or  
21 corporation.

22 (vi) The department of revenue shall provide to the local assessors any assistance that is  
23 necessary in determining the proper application of the definitions in this subdivision.

24 ~~(21)~~(20) Real and tangible personal property acquired to provide a treatment facility used  
25 primarily to control the pollution or contamination of the waters or the air of the state, as defined  
26 in chapter 12 of title 46 and chapter 25 of title 23, respectively, the facility having been  
27 constructed, reconstructed, erected, installed, or acquired in furtherance of federal or state  
28 requirements or standards for the control of water or air pollution or contamination, and certified  
29 as approved in an order entered by the director of environmental management. The property is  
30 exempt as long as it is operated properly in compliance with the order of approval of the director  
31 of environmental management; provided, that any grant of the exemption by the director of  
32 environmental management in excess of ten (10) years is approved by the city or town in which  
33 the property is situated. This provision applies only to water and air pollution control properties  
34 and facilities installed for the treatment of waste waters and air contaminants resulting from

1 industrial processing; furthermore, it applies only to water or air pollution control properties and  
2 facilities placed in operation for the first time after April 13, 1970;

3 ~~(22)~~(21) New manufacturing machinery and equipment acquired or used by a  
4 manufacturer and purchased after December 31, 1974. Manufacturing machinery and equipment  
5 is defined as:

6 (i) Machinery and equipment used exclusively in the actual manufacture or conversion  
7 of raw materials or goods in the process of manufacture by a manufacturer as defined in  
8 subdivision ~~(20)~~(19) of this section, and machinery, fixtures, and equipment used exclusively by a  
9 manufacturer for research and development or for quality assurance of its manufactured products;

10 (ii) Machinery and equipment which is partially used in the actual manufacture or  
11 conversion of raw materials or goods in process of manufacture by a manufacturer as defined in  
12 subdivision ~~(20)~~(19) of this section, and machinery, fixtures, and equipment used by a  
13 manufacturer for research and development or for quality assurance of its manufactured products,  
14 to the extent to which the machinery and equipment is used for the manufacturing processes,  
15 research and development or quality assurance. In the instances where machinery and equipment  
16 is used in both manufacturing and/or research, and development, and/or quality assurance  
17 activities and non-manufacturing activities, the assessment on machinery and equipment is  
18 prorated by applying the percentage of usage of the equipment for the manufacturing, research,  
19 and development and quality assurance activity to the value of the machinery and equipment for  
20 purposes of taxation, and the portion of the value used for manufacturing, research, and  
21 development, and quality assurance is exempt from taxation. The burden of demonstrating this  
22 percentage usage of machinery and equipment for manufacturing and for research, and  
23 development and/or quality assurance of its manufactured products rests with the manufacturer;  
24 and

25 (iii) Machinery and equipment described in section 44-18-30(7) and (22) that was  
26 purchased after July 1, 1997; provided that the city or town council of the city or town in which  
27 the machinery and equipment is located adopts an ordinance exempting the machinery and  
28 equipment from taxation. For purposes of this subsection, city councils and town councils of any  
29 municipality may by ordinance wholly or partially exempt from taxation the machinery and  
30 equipment discussed in this subsection for the period of time established in the ordinance and  
31 may by ordinance establish the procedures for taxpayers to avail themselves of the benefit of any  
32 exemption permitted under this section; provided, that the ordinance does not apply to any  
33 machinery or equipment of a business, subsidiary or any affiliated business which locates or  
34 relocates from a city or town in this state to another city or town in the state.

1           ~~(23)~~(22) Precious metal bullion, meaning any elementary metal which has been put  
2 through a process of melting or refining, and which is in a state or condition that its value  
3 depends upon its content and not its form. The term does not include fabricated precious metal  
4 which has been processed or manufactured for some one or more specific and customary  
5 industrial, professional, or artistic uses;

6           ~~(24)~~(23) Hydroelectric power generation equipment, which includes, but is not limited to,  
7 turbines, generators, switchgear, controls, monitoring equipment, circuit breakers, transformers,  
8 protective relaying, bus bars, cables, connections, trash racks, headgates, and conduits. The  
9 hydroelectric power generation equipment must have been purchased after July 1, 1979, and  
10 acquired or used by a person or corporation who owns or leases a dam and utilizes the equipment  
11 to generate hydroelectric power;

12           ~~(25)~~(24) Subject to authorization by formal action of the council of any city or town, any  
13 real or personal property owned by, held in trust for, or leased to an organization incorporated  
14 under chapter 6 of title 7, as amended, or an organization meeting the definition of “charitable  
15 trust” set out in section 18-9-4, as amended, or an organization incorporated under the not for  
16 profits statutes of another state or the District of Columbia, the purpose of which is the  
17 conserving of open space, as that term is defined in chapter 36 of title 45, as amended, provided  
18 the property is used exclusively for the purposes of the organization;

19           ~~(26)~~(25) Tangible personal property, the primary function of which is the recycling,  
20 reuse, or recovery of materials (other than precious metals, as defined in section 44-18-30(24)(ii)  
21 and (iii)), from or the treatment of “hazardous wastes”, as defined in section 23-19.1-4, where the  
22 “hazardous wastes” are generated primarily by the same taxpayer and where the personal  
23 property is located at, in, or adjacent to a generating facility of the taxpayer. The taxpayer may,  
24 but need not, procure an order from the director of the department of environmental management  
25 certifying that the tangible personal property has this function, which order effects a conclusive  
26 presumption that the tangible personal property qualifies for the exemption under this  
27 subdivision. If any information relating to secret processes or methods of manufacture,  
28 production, or treatment is disclosed to the department of environmental management only to  
29 procure an order, and is a “trade secret” as defined in section 28-21-10(b), it shall not be open to  
30 public inspection or publicly disclosed unless disclosure is otherwise required under chapter 21 of  
31 title 28 or chapter 24.4 of title 23;

32           ~~(27)~~(26) Motorboats as defined in section 46-22-2 for which the annual fee required in  
33 section 46-22-4 has been paid;

34           ~~(28)~~(27) Real and personal property of the Providence performing arts center, a non-

1 business corporation as of December 31, 1986;

2 ~~(29)~~(28) Tangible personal property owned by, and used exclusively for the purposes of,  
3 any religious organization located in the city of Cranston;

4 ~~(30)~~(29) Real and personal property of the Travelers Aid Society of Rhode Island, a  
5 nonprofit corporation, the Union Mall Real Estate Corporation, and any limited partnership or  
6 limited liability company which is formed in connection with, or to facilitate the acquisition of,  
7 the Providence YMCA Building; and

8 ~~(31)~~(30) Real and personal property of Meeting Street Center or MSC Realty, Inc., both  
9 not-for-profit Rhode Island corporations, and any other corporation, limited partnership, or  
10 limited liability company which is formed in connection with, or to facilitate the acquisition of,  
11 the properties designated as the Meeting Street National Center of Excellence on Eddy Street in  
12 Providence, Rhode Island.

13 ~~(32)~~(31) The buildings, personal property and land upon which the buildings stand,  
14 located on Pomham Island, East Providence, currently identified as Assessor's Map 211, Block  
15 01, Parcel 001.00, which consists of approximately twenty-one thousand three hundred (21,300)  
16 square feet and is located approximately eight hundred sixty feet (860'), more or less, from the  
17 shore, and limited exclusively to these said buildings personal estate and land, provided that said  
18 property is owned by a qualified 501(c)(3) organization, such as the American Lighthouse  
19 Foundation, and is used exclusively for a lighthouse.

20 SECTION 2. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
A N A C T  
TAXATION - PROPERTY SUBJECT TO TAXATION

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1           This act would exclude from tax exemption any property, income or profits owned by  
2 any educational institution or library, where any of the property, income or profits are derived  
3 from any activity not involving education.

4           This act would take effect upon passage.

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