

2012 -- S 2786

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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

RELATING TO TOWNS AND CITIES - TAXATION

Introduced By: Senators Ruggerio, Goodwin, Jabour, Metts, and Pichardo

Date Introduced: March 15, 2012

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Chapter 45-13 of the General Laws entitled "State Aid" is hereby amended
2 by adding thereto the following section:

3 **45-13-5.3. Municipal services pro rata reimbursement.** – Notwithstanding any general
4 or public law to the contrary, municipalities shall be authorized to charge institutions included in
5 subsection 45-13-5.1(b), as well as institutions which were tax exempt prior to the enactment of
6 said subsection, for essential services on a pro rata basis according to the assessed value of the
7 property serviced. The municipality in which the property lies is hereby authorized to charge a
8 sum equal to not more than twenty-five percent (25%) of all taxes that would have been collected
9 had the property been taxable. For the purposes of this section, "essential services" shall include,
10 but, not be limited to, police, fire and rescue. Nothing contained in this section shall be construed
11 to limit or decrease appropriations to municipalities as provided under section 45-13-5.1 or in any
12 other source of law.

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

15 **44-3-3. Property exempt.** -- The following property is exempt from taxation.

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

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

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

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

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

8 (6) Dwellings houses and the land on which they stand, not exceeding one acre in size,
9 or the minimum lot size for zone in which the dwelling house is located, whichever is the greater,
10 owned by or held in trust for any religious organization and actually used by its officiating clergy;
11 provided, further that in the town of Charlestown, where the property previously described in this
12 paragraph is exempt in total, along with dwelling houses and the land on which they stand in
13 Charlestown, not exceeding one acre in size, or the minimum lot size for zone in which the
14 dwelling house is located, whichever is the greater, owned by or held in trust for any religious
15 organization and actually used by its officiating clergy, or used as a convent, nunnery, or retreat
16 center by its religious order.

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

20 (8) Buildings and personal estate owned by any corporation used for a school, academy,
21 or seminary of learning, and of any incorporated public charitable institution, and the land upon
22 which the buildings stand and immediately surrounding them to an extent not exceeding one acre,
23 so far as they are used exclusively for educational purposes, but no property or estate whatever is
24 hereafter exempt from taxation in any case where any part of its income or profits or of the
25 business carried on there is divided among its owners or stockholders;

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

30 ~~(10)~~ (9) Property especially exempt by charter unless the exemption has been waived in
31 whole or in part; provided, however, that no property or estate owned by any educational
32 institution or university is hereafter exempt from taxation in any case where any of the property's
33 income or profits are derived from any activity not involving education, or any part of the
34 property's income or profits or of the business carried on there is divided among its owners or

1 stockholders, even if the non-educational activity in question, or the income or profits derived
2 therefrom, are related or deemed necessary for the accomplishment of the purposes of the exempt
3 educational institution or university; and, provided further, that no property or estate owned by
4 any non-profit hospital facility is hereafter exempt from taxation in any case where any of the
5 property's income or profits are derived from any activity not involving healthcare or any part of
6 the property's income or profits or of the business carried on there is divided among its owners or
7 stockholders, even if the non-healthcare activity in question, or the income or profit derived
8 therefrom, are related or deemed necessary for the accomplishments of the purposes of the
9 exempt healthcare institution.

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

11 ~~(12)~~ (11) Property, real and personal, held for or by an incorporated library, society, or
12 any free public library, or any free public library society, so far as the property is held exclusively
13 for library purposes, or for the aid or support of the aged poor, or poor friendless children, or the
14 poor generally, or for a hospital for the sick or disabled;

15 ~~(13)~~ (12) Real or personal estate belonging to or held in trust for the benefit of
16 incorporated organizations of veterans of any war in which the United States has been engaged,
17 the parent body of which has been incorporated by act of congress, to the extent of four hundred
18 thousand dollars (\$ 400,000) if actually used and occupied by the association; provided, that the
19 city council of the city of Cranston may by ordinance exempt the real or personal estate as
20 previously described in this subdivision located within the city of Cranston to the extent of five
21 hundred thousand dollars (\$500,000);

22 ~~(14)~~ (13) Property, real and personal, held for or by the fraternal corporation, association,
23 or body created to build and maintain a building or buildings for its meetings or the meetings of
24 the general assembly of its members, or subordinate bodies of the fraternity, and for the
25 accommodation of other fraternal bodies or associations, the entire net income of which real and
26 personal property is exclusively applied or to be used to build, furnish, and maintain an asylum or
27 asylums, a home or homes, a school or schools, for the free education or relief of the members of
28 the fraternity, or the relief, support, and care of worthy and indigent members of the fraternity,
29 their wives, widows, or orphans, and any fund given or held for the purpose of public education,
30 almshouses, and the land and buildings used in connection therewith;

31 ~~(15)~~ (14) Real estate and personal property of any incorporated volunteer fire engine
32 company or incorporated volunteer ambulance or rescue corps in active service;

33 ~~(16)~~ (15) The estate of any person who in the judgment of the assessors is unable from
34 infirmity or poverty to pay the tax; providing, that in the town of Burrillville the tax shall

1 constitute a lien for five (5) years on the property where the owner is entitled to the exemption. At
2 the expiration of five (5) years, the lien shall be abated in full. Provided, if the property is sold or
3 conveyed or if debt secured by the property is refinanced during the five (5) year period, the lien
4 immediately becomes due and payable; any person claiming the exemption aggrieved by an
5 adverse decision of an assessor shall appeal the decision to the local board of tax review, and
6 thereafter according to the provisions of section 44-5-26;

7 ~~(17)~~ (16) Household furniture and family stores of a housekeeper in the whole, including
8 clothing, bedding, and other white goods, books, and all other tangible personal property items
9 which are common to the normal household;

10 ~~(18)~~ (17) Improvements made to any real property to provide a shelter and fallout
11 protection from nuclear radiation, to the amount of one thousand five hundred dollars (\$ 1,500);
12 provided, that the improvements meet applicable standards for shelter construction established
13 from time to time by the Rhode Island emergency management agency. The improvements are
14 deemed to comply with the provisions of any building code or ordinance with respect to the
15 materials or the methods of construction used and any shelter or its establishment is deemed to
16 comply with the provisions of any zoning code or ordinance;

17 ~~(19)~~ (18) Aircraft for which the fee required by section 1-4-6 has been paid to the tax
18 administrator;

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

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

30 (ii) For the purposes of sections 44-3-3, 44-4-10, and 44-5-38, the term "manufacturer's
31 inventory" or any similar term means and includes the manufacturer's raw materials, the
32 manufacturer's work in process, and finished products manufactured by the manufacturer in this
33 state, and not sold, leased, or traded by the manufacturer or its title or right to possession
34 divested; provided, that the term does not include any finished products held by the manufacturer

1 in any retail store or other similar selling place operated by the manufacturer whether or not the
2 retail establishment is located in the same building in which the manufacturer operates the
3 manufacturing plant.

4 (iii) For the purpose of section 44-11-2, a "manufacturer" is a person whose principal
5 business in this state consists of transforming raw materials into a finished product for trade
6 through any or all of the operations described in paragraph (i) of this subdivision. A person will
7 be deemed to be principally engaged if the gross receipts which that person derived from the
8 manufacturing operations in this state during the calendar year or fiscal year mentioned in section
9 44-11-1 amounted to more than fifty percent (50%) of the total gross receipts which that person
10 derived from all the business activities in which that person engaged in this state during the
11 taxable year. For the purpose of computing the percentage, gross receipts derived by a
12 manufacturer from the sale, lease, or rental of finished products manufactured by the
13 manufacturer in this state, even though the manufacturer's store or other selling place may be at a
14 different location from the location of the manufacturer's manufacturing plant in this state, are
15 deemed to have been derived from manufacturing.

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

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

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

34 ~~(21)~~ (20) Real and tangible personal property acquired to provide a treatment facility

1 used primarily to control the pollution or contamination of the waters or the air of the state, as
2 defined in chapter 12 of title 46 and chapter 25 of title 23, respectively, the facility having been
3 constructed, reconstructed, erected, installed, or acquired in furtherance of federal or state
4 requirements or standards for the control of water or air pollution or contamination, and certified
5 as approved in an order entered by the director of environmental management. The property is
6 exempt as long as it is operated properly in compliance with the order of approval of the director
7 of environmental management; provided, that any grant of the exemption by the director of
8 environmental management in excess of ten (10) years is approved by the city or town in which
9 the property is situated. This provision applies only to water and air pollution control properties
10 and facilities installed for the treatment of waste waters and air contaminants resulting from
11 industrial processing; furthermore, it applies only to water or air pollution control properties and
12 facilities placed in operation for the first time after April 13, 1970;

13 ~~(22)~~ (21) New manufacturing machinery and equipment acquired or used by a
14 manufacturer and purchased after December 31, 1974. Manufacturing machinery and equipment
15 is defined as:

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

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

1 and

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

12 ~~(23)~~ (22) Precious metal bullion, meaning any elementary metal which has been put
13 through a process of melting or refining, and which is in a state or condition that its value
14 depends upon its content and not its form. The term does not include fabricated precious metal
15 which has been processed or manufactured for some one or more specific and customary
16 industrial, professional, or artistic uses;

17 ~~(24)~~ (23) Hydroelectric power generation equipment, which includes, but is not limited
18 to, turbines, generators, switchgear, controls, monitoring equipment, circuit breakers,
19 transformers, protective relaying, bus bars, cables, connections, trash racks, headgates, and
20 conduits. The hydroelectric power generation equipment must have been purchased after July 1,
21 1979, and acquired or used by a person or corporation who owns or leases a dam and utilizes the
22 equipment to generate hydroelectric power;

23 ~~(25)~~ (24) Subject to authorization by formal action of the council of any city or town,
24 any real or personal property owned by, held in trust for, or leased to an organization incorporated
25 under chapter 6 of title 7, as amended, or an organization meeting the definition of "charitable
26 trust" set out in section 18-9-4, as amended, or an organization incorporated under the not for
27 profits statutes of another state or the District of Columbia, the purpose of which is the
28 conserving of open space, as that term is defined in chapter 36 of title 45, as amended, provided
29 the property is used exclusively for the purposes of the organization;

30 ~~(26)~~ (25) Tangible personal property, the primary function of which is the recycling,
31 reuse, or recovery of materials (other than precious metals, as defined in section 44-18-30(24)(ii)
32 and (iii)), from or the treatment of "hazardous wastes", as defined in section 23-19.1-4, where the
33 "hazardous wastes" are generated primarily by the same taxpayer and where the personal property
34 is located at, in, or adjacent to a generating facility of the taxpayer. The taxpayer may, but need

1 not, procure an order from the director of the department of environmental management
2 certifying that the tangible personal property has this function, which order effects a conclusive
3 presumption that the tangible personal property qualifies for the exemption under this
4 subdivision. If any information relating to secret processes or methods of manufacture,
5 production, or treatment is disclosed to the department of environmental management only to
6 procure an order, and is a "trade secret" as defined in section 28-21-10(b), it shall not be open to
7 public inspection or publicly disclosed unless disclosure is otherwise required under chapter 21 of
8 title 28 or chapter 24.4 of title 23;

9 ~~(27)~~ (26) Motorboats as defined in section 46-22-2 for which the annual fee required in
10 section 46-22-4 has been paid;

11 ~~(28)~~ (27) Real and personal property of the Providence performing arts center, a non-
12 business corporation as of December 31, 1986;

13 ~~(29)~~ (28) Tangible personal property owned by, and used exclusively for the purposes of,
14 any religious organization located in the city of Cranston;

15 ~~(30)~~ (29) Real and personal property of the Travelers Aid Society of Rhode Island, a
16 nonprofit corporation, the Union Mall Real Estate Corporation, and any limited partnership or
17 limited liability company which is formed in connection with, or to facilitate the acquisition of,
18 the Providence YMCA Building; and

19 ~~(31)~~ (30) Real and personal property of Meeting Street Center or MSC Realty, Inc., both
20 not-for-profit Rhode Island corporations, and any other corporation, limited partnership, or
21 limited liability company which is formed in connection with, or to facilitate the acquisition of,
22 the properties designated as the Meeting Street National Center of Excellence on Eddy Street in
23 Providence, Rhode Island.

24 ~~(32)~~ (31) The buildings, personal property and land upon which the buildings stand,
25 located on Pomham Island, East Providence, currently identified as Assessor's Map 211, Block
26 01, Parcel 001.00, which consists of approximately twenty-one thousand three hundred (21,300)
27 square feet and is located approximately eight hundred sixty feet (860'), more or less, from the
28 shore, and limited exclusively to these said buildings personal estate and land, provided that said
29 property is owned by a qualified 501(c)(3) organization, such as the American Lighthouse
30 Foundation, and is used exclusively for a lighthouse.

31 SECTION 3. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO TOWNS AND CITIES - TAXATION

1 This act would provide that no property owned by any private non-profit institution of
2 higher education or non-profit hospital facility would be exempt from taxation if the property's
3 income were derived from activity not involving education or healthcare, respectively.

4 This act would take effect upon passage.

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