



State of Rhode Island and Providence Plantations

State House, Room 224
Providence, Rhode Island 02903
401-222-2080

Lincoln D. Chafee
Governor

July 16, 2013

TO THE HONORABLE, THE SENATE:

In accordance with the provisions of Section 14, Article IX of the Constitution of the State of Rhode Island and Section 43-1-4 of the Rhode Island General Laws, I transmit, with my disapproval, 2013 S 322 Substitute A, "An Act Relating to Taxation – Levy and Assessment of Local Taxes."

This bill would mandate a local property tax exemption for new construction on development property that is commonly referred to as "speculative housing development." A developer would have to file an affidavit to claim the exemption and the exemption would only apply for a maximum of two (2) years from the date the project was permitted or when the house is sold, whichever is earlier.

The building and construction industry was hit hard by the recession and, like many industries in Rhode Island, is starting to recover. This legislation provides a significant tax incentive to builders of speculative housing, which seeks to increase construction statewide.

Unfortunately, the tax exemption in this bill would burden cities and towns that have also been hit hard by the recession and by cuts to municipal aid. Many cities and towns adopted Resolutions strongly opposing the property tax exemption that this bill provides. In order for municipalities to offset the revenue loss resulting from this tax exemption, all other existing property tax payers would have to make up the difference of the lost property tax revenues.

The bill would force cities and towns to forego revenue that would normally be collected as part of the development process. While I support the economic recovery of the building industry, I cannot allow that support to come at a cost to cities and towns.

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For this reason, I disapprove of this legislation and respectfully urge your support of this veto.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Chafee". The signature is written in a cursive style with a large initial "L" and a distinct "Chafee" following.

Lincoln Chafee