



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

Lincoln D. Chafee
Governor

July 8, 2014

TO THE HONORABLE, THE SPEAKER OF THE HOUSE OF REPRESENTATIVES:

In accordance with the provisions of section 14, article IX of the Rhode Island Constitution and section 43-1-4 of the Rhode Island General Laws, I transmit, with my disapproval, 2014-H 7631, 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 or rehabilitation of certain residential property developments commonly referred to as “speculative housing developments.” A developer would have to file an affidavit to claim the exemption and the exemption would apply for a maximum of two (2) tax years from the date the project was permitted or when the house is sold, whichever is first. 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 significant tax incentives to builders of speculative housing in an effort 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. In order for municipalities to offset the revenue loss from this tax exemption, all other property tax payers would have to make up the difference. Seventeen cities and towns adopted resolutions strongly opposing the property tax exemption that this bill provides. If the bill were purely enabling in nature – allowing municipalities to choose whether or not to grant a tax exemption for speculative housing developments – I would have signed it. I cannot support a bill, however, that forces cities and towns to forego tax revenue that would normally be collected as part of the development process.

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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 cursive script, appearing to read "Lincoln Chafee". The signature is written in black ink and is positioned to the right of the word "Sincerely,".

Lincoln Chafee