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

Lincoln D. Chafee
Governor

June 21, 2012

TO THE HONORABLE, THE PRESIDENT OF 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, 2012–S 2641, Substitute A, As Amended, "An Act Relating to Taxation – Levy and Assessment of Local Taxes."

This act would prevent a municipality from assessing taxes on a newly constructed dwelling unit, after December 31, 2012, that is not occupied, has never been occupied, is available for sale, and has not been issued a certificate of occupancy.

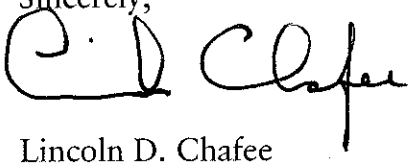
There is no question that the construction industry is suffering greatly. Here in Rhode Island, the general unemployment rate is hovering around 11%; certain estimates indicate that unemployment in the construction sector could be twice that. This legislation seeks to address that unfortunate trend by providing relief to home builders in the form of tax exemptions. Ultimately, however, this bill undermines the collection and certainty of municipal revenues, and on balance I believe that its disadvantages outweigh its benefits.

First, in order to maintain consistency and fairness, I am wary of creating a new class of non-taxable property—particularly when it will delay, if not eliminate, the ability of our cash-strapped cities and towns to collect taxes. Second, by requiring that a certificate of occupancy be issued on a dwelling before taxes are assessed, the bill appears to prohibit municipalities from assessing prorated taxes on construction that has been completed by the end of each calendar year. Finally, this legislation could have the perverse result of incentivizing builders to refrain from selling units until prices are more favorable, which in turn could have direct (deferred realization of tax revenues) and indirect (destabilization effect of unoccupied units in residential neighborhoods, making them less attractive) financial consequences on municipalities.

I have strived to make 2012 "the year of cities and towns," and I cannot support legislation that will drain revenues from our municipalities by changing the certain and consistent rules of the game and denying them assessments for an indeterminate period of time. I look forward to working with all interested stakeholders, including representatives from municipalities and the construction industry, to fashion a better solution that does not unduly burden municipalities and their taxpayers.

For the foregoing reasons, I disapprove of this legislation and respectfully urge your support of this veto.

Sincerely,



Lincoln D. Chafee