

Senators promise tax relief

A Senate leadership plan advocates reducing the property-tax burden by reining in state and local government spending.

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PROVIDENCE -- Seeking their own ground in the Smith Hill tax-cutting debate, Senate leaders yesterday offered what they hailed as a "property-tax reduction plan."

Conspicuously absent from their proposal were key pieces in House Democrats' own tax package: a two-day sales tax holiday and a new 5.5-percent flat tax aimed at cutting income taxes for the wealthiest Rhode Islanders at an estimated annual cost to the state of \$14.4 million the first year; \$73.1 million when fully implemented.

With money tight this year and beyond, the Senate Democrats -- led by Senate President Joseph A. Montalbano and Senate Majority Leader M. Teresa Paiva Weed -- suggested the legislature instead take steps to rein in future growth in state and local spending.

The state has the eighth-highest property-tax burden in the nation. Paiva Weed, D-Newport, said: "The average Rhode Island family pays more than twice as much in property tax as they do in income tax." The average property-tax bill in Rhode Island was \$4,048 last year; the average income-tax bill, \$1,849.

Of the package unveiled yesterday, Montalbano, D-North Providence, promised: "Rhode Islanders will feel the difference in their pocketbooks."

Joining them yesterday in a show of bipartisan support was Senate Minority Leader Dennis Algieri, R-Westerly.

The senators are proposing to lower, over six years, the current ceiling on annual city and town spending increases from 5.5 percent to 4 percent of the tax levy, starting in fiscal year 2008.

Exceeding the cap now requires an act of the General Assembly. Exceeding the new cap would require the approval by a majority of those voting in a special election in the community.

Similarly, the senators are seeking to lower, by 2012, the cap on state spending increases from 5.5 percent of total appropriations, including federal funds, to 4.5 percent of all state taxes and fees.

After years of nudging from school superintendents across the state, they also pledged their support to a bill, introduced by Sen. Maryellen Goodwin on March 9, that would prohibit the state from imposing any new mandates on local school districts "without the provision of adequate and commensurate funding by and from the state to insure that the city or town is able to pay for such mandate."

Their plans offer little in the way of direct and immediate tax relief for most taxpayers. But they placed on the table one more variation on a popular election-year theme.

They are proposing to raise from \$250 to \$300 the maximum credit an estimated 40,000 low-income elderly and disabled people can take against their income taxes if their property taxes or rents exceed 6 percent of their incomes. The maximum household income to qualify would remain at \$30,000, under a bill championed by the Senate leaders yesterday that was introduced by Sen. Walter Felag, D-Warren, on Jan. 31.

In comparison to the multimillion-dollar House package, expanding this one tax credit is expected to add only \$1.2 million in lost revenues to the current \$10-million pricetag for the tax-credit program.

House Democrats and Republican Governor Carcieri have proposed their own versions. The House version would raise the credit to only \$275, but it would set the stage for a graduated increase to \$500 in \$5 increments.

Beyond that, the senators pledged "to continue to work on reducing the property-tax burden of Rhode Islanders" by launching a new study of school financing, and accumulating information on all current tax treaties, exemptions and freezes granted across the state.

"We recognize that this legislative package is the beginning, not the end," Paiva Weed said.

When asked directly if the spending restraints announced yesterday meant the House tax-cutting package was dead, a vehement Paiva Weed said it is "very much alive," but open to a debate over what the state can afford.

In response, House Majority leader Gordon D. Fox, D-Providence, said: "Property-tax reduction is a high priority in the House of Representatives" and "the House leadership looks forward to discussing both packages with Senate leadership and finding common ground to bring relief to our state's taxpayers."

The governor had no immediate comment, but his Democratic challenger, Lt. Gov. Charles Fogarty, gave the package his thumbs up. With property taxes in Rhode Island running "well above the national average," he said, "property taxes must be the top priority when we talk about tax reform."

As one of the leaders in the so-called Affordable Rhode Island Coalition promoting constitutional restraints on spending, Gary S. Sasse, executive director of the Rhode Island Public Expenditure Council, said the group still "believes a constitutional amendment is the best approach for permanent property-tax relief."

But he said "the Senate's plans to limit property-tax levy increases to 4 percent, tighten up the definition of the existing property-tax cap, address the issue of unfunded mandates, enhance local control over the growth in property taxes, and impose a limit on the growth in state spending are all important elements in drafting a proposal to provide relief for Rhode Island taxpayers."

The only caution was sounded by Ellen Frank, senior economist for Rhode Island College's Poverty Institute, who said that attaching the property-tax cap to the tax levy "makes no allowance for new growth in the cities and towns, for new residential and commercial development."

"It certainly will create an anti-growth, anti-development and anti-multifamily housing bias in the cities and towns and that's something I think that we need to look at and be concerned about," she said.