

THE CITY OF PROVIDENCE
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

RESOLUTION OF THE CITY COUNCIL

No. 296

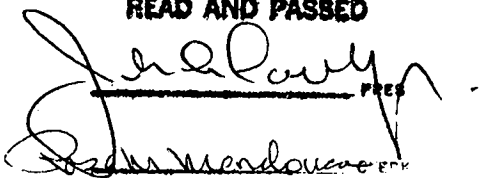
Effective: ~~Approved~~ April 11, 1983

WHEREAS, House Bill 83-H - 5656, presently pending before the House Corporations Committee, would abolish the mandatory exemptions for colleges, hospitals and Brown Professors, and

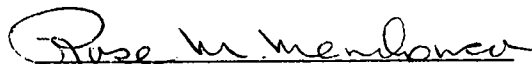
WHEREAS, Said Bill would allow cities and towns to tax colleges and hospitals like any other property, or impose a service fee on the facilities, or exempt them from taxation for periods of ten years following City Council and referenda approval,

NOW, THEREFORE, BE IT RESOLVED, That the Members of the City Council of Providence, Rhode Island hereby endorse House Bill 83-H - 5656 which would benefit all cities and towns within the State.

IN CITY COUNCIL
MAR 31 1983
READ AND PASSED


John J. Lawrence, Mayor

Effective without the Mayor's
signature April 11, 1983.


Rose M. Mendonca

Council President Savino (By Request)

State of Rhode Island and Providence Plantations

REPRESENTATIVE
KEVEN A. McKENNA
248 Mt. Pleasant Avenue
Providence, Rhode Island 02908

Committee on Health,
Education and Welfare



Room 326 State House
Providence, Rhode Island 02903

House of Representatives

March 9, 1983

Dear Town Council President:

On March 8, 1983 I introduced 83H-5656, which would abolish the mandatory exemption for the taxation of colleges and hospitals and allow cities and towns the option of either exempting those facilities or taxing them as other property is, or imposing a service fee on those facilities.

Enclosed is a copy of my press release explaining the provisions of the bill. If you support this bill I would be appreciative if you would address your comments to me in writing or by resolution with a copy to the Chairman of the House Corporations Committee, Rep. Aldo Freda, Room 203 State House, Providence, R.I. 02903. Also send a carbon copy of that letter to the League of Cities and Towns and the Department of Community Affairs.

Very sincerely,

Keven A. McKenna
Representative-District 10

KAMc:ja
Enclosure

State of Rhode Island and Providence Plantations

REPRESENTATIVE
KEVEN A. McKENNA
249 Mt. Pleasant Avenue
Providence, Rhode Island 02902

273-8200
Room 375 State House
Providence, Rhode Island 02902



Committee on Health,
Education and Welfare

For Immediate Release

Tuesday A.M. March 8, 1983
For further information,
contact Keven A. McKenna,
273-8200
272-0522

House of Representatives

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PRESS RELEASE

PRESS RELEASE

PRESS RELEASE

MCKENNA INTRODUCES BILL WITH 33 CO-SPONSORS
TO ALLOW CITIES AND TOWNS TO TAX COLLEGES AND HOSPITALS

"Colleges and hospitals are modern day big businesses funded not by charity, but by extensive third party grants and insurance payments. They should pay their fair share of real estate taxes just like everyone else" stated Representative Keven A. McKenna of District 10, Mount Pleasant in Providence, Fruit Hill and Lymanville in North Providence when introducing legislation on Tuesday, March 8, 1983, to abolish the mandatory state exemptions from real and personal property taxation by cities and towns.

McKenna's proposed law would abolish the mandatory exemptions for colleges, hospitals and Brown Professors, and allow cities and towns to take one of three options: (1) tax colleges and hospitals like any other property, (2) impose a service fee on those facilities, or (3) exempt them from taxation for periods of ten years after City Council and referenda approval.

McKenna cited a number of reasons for elimination of the blanket state exemptions and the creation of a local tax option.

"First, colleges and hospitals are no longer local facilities. They are regional facilities, and in some cases, like Brown University, world wide facilities. When those facilities are exempted from taxation, the effect is to create a subsidy of those facilities by local taxpayers--many of whom are poor and elderly and already strapped by high property taxes. For example, why should a Mount Pleasant senior citizen living on Social Security in her highly taxed home have to pay additional taxes for some student from a foreign country to attend Brown University at a lower tuition? Or, why should a poor person from South Providence have to pay higher property taxes in order that some person from Massachusetts will pay less on room rates at Rhode Island Hospital? The fact that those facilities may create jobs make them no different from other businesses which are taxable. The taxes derived from the income taxes paid by their employees do not go to the cities and towns, but to the state coffers."

"Second, colleges and hospitals hold a much greater proportion of taxable property now in the end of the twentieth century than they did in the nineteenth century when the exemptions were created. And, some of the exempted property involves income producing properties, like dormitories, bookstores, leased apartments and doctors' offices. In Providence, which has R.I. Hospital, Roger Williams Hospital, Miriam Hospital, St. Joseph's Hospital and Johnson & Wales College, Providence College, and Brown University, it has been estimated that nearly twenty

percent of the City is tax exempt due to colleges and hospitals. Similar problems exist in Newport, Bristol, Cranston, and Smithfield. It is unfair to the residents of these towns that must pay higher property taxes because of mandatory state exemptions of colleges and hospitals. Do not colleges and hospitals use the same fire and police services and public roads? Do not the children of their employees use the same local schools as those of the taxpayers?

"Third, property tax exemptions are an irrational method of subsidizing colleges and hospitals. Subsidies should have some relationship to benefit and use. Hospitals are funded essentially from third party payments by Medicare, Medicaid and private health insurance. It is only proper that those payments include the costs of city services just as they now include the cost of water, electricity, gas and sewerage fees. Education is funded by federal grants, endowments and tuition. Colleges benefit the users, the national and sometimes the world economies. College graduates, who rarely stay in Rhode Island, but move back to their areas and earn high incomes and pay higher federal taxes which then provides revenues to the federal budget from whence the grants come but do not necessarily return a benefit to the cities and towns in Rhode Island who subsist on local property taxes.

"Fourth, while property tax payments from colleges and hospitals would be of immense benefit to the cities and towns which are hard pressed for revenue, the taxes would impose a minute burden on the multi-million dollar budgets of the hospitals and colleges. Health and education are, in terms of dollars, the biggest businesses in the State. It is only fair that they carry their fair share of tax burden. It is being done in other areas, such as Boston."

"Fifth, property tax exemptions have been traditionally a local option. It is not right that cities and towns cannot choose whether or not they wish to tax, or impose a fee, or exempt colleges and hospitals. The state does not impose the property tax. It is not fair for the State to determine the tax base of a city or town. If a city or town wishes to exempt a college or hospital, it should be their choice."

"Sixth, it is a change long overdue. For example, the Governor's Blue Ribbon Commission, chaired by Brown University President Howard Swearer, and included the President of Salve Regina College, recently recommended the imposition of user fees on the colleges. Last year, the Providence City Council recommended elimination of the option."

As of Monday, March 7, 1983, McKenna's bill had thirty-three (33) co-sponsors. McKenna said he hoped that hearings would be held on the bill in March or early April in the House.