Testimony concerning a Statewide Tangible Property Tax Exemption: H-5800
House Committee on Finance
April 19, 2023
Alan Krinsky, Director of Research & Fiscal Policy

The Economic Progress Institute neither supports nor opposes Representative McEntee’s bill H-5800 to establish a statewide exemption to the local tangible property tax.

On the one hand, we support the idea of easing the tax burden placed upon genuinely small businesses and micro-businesses.

On the other hand, we recognize that the implementation of any such plan will require ongoing reimbursement from the state to make local governments whole from the loss of this important revenue source, and we are concerned about the ongoing cost in state revenue.

Therefore, we think there is a need to achieve the proper balance. The Rhode Island Public Expenditure Council has estimated that an exemption amount of $100,000 would excuse close to 85% of businesses from this tax at an annual cost of $36.6 million. This level might be more reasonable than the eventual $250,000 exemption amount proposed in this bill, which would cost the state $55.6 million annually.

We certainly would oppose any proposal that would seek a full phase-out of the tangible property tax, which would cost the state over $215 million annually and provide assistance to larger and highly profitable businesses that do not need a tax break.

The state is already on the hook for reimbursing local government close to a quarter-billion dollars each year indefinitely for the lost revenue from the car tax phase-out. We have some concern that adding tangible tax reimbursement on top of this could result either in cuts to important programs or to a decision to cut reimbursement to the local governments. We look forward to discussing this matter further.