

Business Group Urges Lawmakers To Not Raise Taxes

By Neil Downing
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PROVIDENCE — The Rhode Island Public Expenditure Council on Tuesday urged Rhode Island government leaders not to raise taxes.

“The state has to hold the line on taxes,” said John C. Simmons, executive director of RIPEC, a business-backed group that monitors the state’s finances.

In a report issued Tuesday, RIPEC said that Rhode Island’s tax burden is already too high when it comes to business taxes, local property taxes and other levies. “We are a very highly taxed state,” Simmons said.

The report is based on data gathered long before last week’s floodwaters overtook the state and added to the murkiness of state revenue projections. (Related story, Page 1.) It comes as General Assembly leaders work to put the final touches on a supplemental budget for the year that ends June 30. The House Finance Committee is scheduled to consider the proposed budget on Thursday.

State Rep. Steven M. Costantino, D-Providence, chairman of the House Finance Committee, declined to comment on the RIPEC report on Tuesday, saying he had not had a chance to read it. He also said that no decisions have been made regarding the supplemental budget. “It’s a work in progress,” he said on his way to a closed-door caucus at the State House with House Democrats.

Amy Kempe, spokeswoman for Governor Carcieri, said Tuesday that the RIPEC report “reinforces the governor’s policy and what the governor has been stating: We’ve made modest progress in our tax competitiveness by primarily holding the line while other states have been increasing taxes.”

Carcieri hopes that the General Assembly will consider the report’s findings as it crafts a supplemental budget, Kempe said.

“We need to improve our tax competitiveness” to put Rhode Island in a better position when the state emerges from the recession, she said.

If taxes go up, the state will “go to the back of the pack again” in national rankings that compare states from a tax standpoint, she said.

Kate Brewster, executive director of the Poverty Institute in Providence, which analyzes tax and budget policies on behalf of low-income people, said, “State leaders need to take a balanced approach to solving our financial problems, which includes carefully reviewing our tax policies. We agree with RIPEC that the state should avoid a piecemeal approach to tax policy. However, there are several reasonable policies that could be enacted that would generate much-needed revenue in a fair and responsible manner, such as ending corporate giveaways, modernizing our sales tax and considering the hundreds of millions of dollars we forgo each year through tax expenditures.”

The RIPEC report showed that Rhode Island’s state and local tax collections totaled \$116 per \$1,000 of personal income for 2007, the most recent year for which nationally comparable data is available.

This ranks Rhode Island 15th-highest among the 50 states. While that is an improvement from 2006, when the state ranked 10th nationally, Rhode Island still has a higher burden than its neighboring states: Connecticut (21st) and Massachusetts (37th), according to the report.

The main factor behind Rhode Island's ranking is the state's high property tax burden, RIPEC said.

Local property taxes accounted for 41 percent of all Rhode Island state and local tax collections for 2007, compared with 30 percent nationally, the report said.

In New England, which relies heavily on property tax to support public services, Rhode Island's property tax collections were third-highest in the region, behind Vermont and New Hampshire.

The report's other findings include the following:

- About 63 percent of all the personal income taxes remitted to the state in tax year 2008 were from 13 percent of taxpayers. This indicates that "a very small portion [of taxpayers] are paying a high amount," Simmons said.
- Taxes paid by businesses in tax year 2008 amounted to 5.7 percent of the state's gross state product for that year, compared with 4.2 percent for Massachusetts, 3.7 percent for Connecticut, and a national average of 4.9 percent. "We have a very heavy business-tax burden," Simmons said.
- The state Department of Revenue estimates that exemptions from the state's 7 percent sales tax represent about \$625 million in lost revenue. This indicates that "We rely less on the sales tax than other states," Simmons said.
- Mainly because of changes to state taxes for the year that will end June 30, Rhode Island had the 19th-largest state tax increase in the nation.

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