

Crackdown on 'Florida' license plates yields \$6 million

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When he presented his first budget last May, Mayor Taveras announced a theme of shared sacrifice to address Providence's financial challenges. This message was not universally popular, as many questioned the particular sacrifice they were asked to make. On the other hand, his candid assessment unleashed a powerful force for the good, because when everybody is asked to share in the sacrifice, nobody can fairly ask for special treatment.

For many years, Providence's property-tax program contained a loophole you could drive a Lexus through. Taxpayers with a second residence had the option of registering their automobiles elsewhere to avoid paying Providence's automobile tax. In addition to eroding the city's tax base, this practice was unfair to the huge majority of Providence homeowners who register their cars in the city. When I spoke with voters two years ago during my City Council campaign, it became clear how seriously the Florida license plate issue undermined taxpayer confidence.

When I researched the issue, I learned that the state has two laws addressing it. The first requires most motor-vehicle owners with an out-of-state registration to obtain a (second) Rhode Island registration if their car spends 30 days or more per year in the Ocean State. The other requires Rhode Island residents with out-of-state motor-vehicle registrations to provide a list of those cars to their local tax

authorities each year. Unfortunately, the state does not enforce either of these laws, leaving some dual homeowners with the mistaken impression that their practice of tax arbitrage was completely permitted.

Fortunately, Providence's tax program provided a local solution. Our real-estate tax code offers homeowners a 50 percent "homestead" tax exemption if they declare their Providence residence as their principal address. Last year, I introduced an ordinance linking eligibility for the homestead tax exemption to a requirement to register one or more motor vehicles in the city. The City Council passed the ordinance and the mayor signed it into law last year.

We then needed to find the best method to enforce the new requirement. The tax assessor undertook a campaign requiring all Providence homeowners to re-apply for the exemption and to demonstrate that they had registered their cars in Providence. This massive process triggered the review of more than 30,000 accounts. Many constituents shared with me their unhappiness with the new paperwork requirements. During this time, I asked them to be patient, as the effort would produce a fairer tax program, regardless of how much (or how little) additional revenue it generated for the city.

I am pleased to report that the results are in, and the new ordinance and re-application program yielded a total of \$6 million more revenues without the need to raise tax rates. In future years, the program will increase property-tax revenues by \$4.4 million annu-

ally, plus still more because of the recent surge in vehicle registrations with Providence addresses. So the city was able to increase the fairness of its tax code and the revenue it generated at the same time.

While the new tax program is a step forward, we can do more. There are seven other Rhode Island cities and towns with homestead exemptions that could close this loophole. Also, the State of Rhode Island can collect more registration fees by linking its database with those of other states. By identifying Rhode Island residents with out-of-state registrations, the state can notify local tax authorities of those cars, and require owners to obtain Rhode Island registrations when appropriate. The state also can review a loophole in the current law that excuses college students from the registration requirement.

Our state and local governments spend millions each year to maintain the roads for all cars, regardless of where they are registered. It is only fair to ask college students with foreign registrations who use our roads regularly to contribute their fair share to these costs.

Taken together, these measures will increase tax fairness by ensuring that all of our residents pay their car taxes, and provide Rhode Island's cities and towns with additional tax revenues without raising rates. Let's apply what we have learned in Providence to benefit all of our cities and towns.

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