

**§ 44-3-3 Property exempt.** – The following property is exempt from taxation.

*(20) Manufacturer's inventory*

(i) For the purposes of §§ 44-4-10, 44-5-3, 44-5-20, and 44-5-38, a person is deemed to be a manufacturer within a city or town within this state if that person uses any premises, room, or place in it primarily for the purpose of transforming raw materials into a finished product for trade through any or all of the following operations: adapting, altering, finishing, making, and ornamenting; provided, that public utilities, non-regulated power producers commencing commercial operation by selling electricity at retail or taking title to generating facilities on or after July 1, 1997, building and construction contractors, warehousing operations including distribution bases or outlets of out-of-state manufacturers, and fabricating processes incidental to warehousing or distribution of raw materials such as alteration of stock for the convenience of a customer, are excluded from this definition.

(ii) For the purposes of §§ 44-3-3, 44-4-10, and 44-5-38, the term "manufacturer's inventory" or any similar term means and includes the manufacturer's raw materials, the manufacturer's work in process, and finished products manufactured by the manufacturer in this state, and not sold, leased, or traded by the manufacturer or its title or right to possession divested; provided, that the term does not include any finished products held by the manufacturer in any retail store or other similar selling place operated by the manufacturer whether or not the retail establishment is located in the same building in which the manufacturer operates the manufacturing plant.

(iii) For the purpose of § 44-11-2, a "manufacturer" is a person whose principal business in this state consists of transforming raw materials into a finished product for trade through any or all of the operations described in paragraph (i) of this subdivision. A person will be deemed to be principally engaged if the gross receipts which that person derived from the

manufacturing operations in this state during the calendar year or fiscal year mentioned in § 44-11-1 amounted to more than fifty percent (50%) of the total gross receipts which that person derived from all the business activities in which that person engaged in this state during the taxable year. For the purpose of computing the percentage, gross receipts derived by a manufacturer from the sale, lease, or rental of finished products manufactured by the manufacturer in this state, even though the manufacturer's store or other selling place may be at a different location from the location of the manufacturer's manufacturing plant in this state, are deemed to have been derived from manufacturing.

(iv) Within the meaning of the preceding paragraphs of this subdivision, the term "manufacturer" also includes persons who are principally engaged in any of the general activities coded and listed as establishments engaged in manufacturing in the standard industrial classification manual prepared by the technical committee on industrial classification, office of statistical standards, executive office of the president, United States bureau of the budget, as revised from time to time, but eliminating as manufacturers those persons, who, because of their limited type of manufacturing activities, are classified in the manual as falling within the trade rather than an industrial classification of manufacturers. Among those thus eliminated, and accordingly also excluded as manufacturers within the meaning of this paragraph, are persons primarily engaged in selling, to the general public, products produced on the premises from which they are sold, such as neighborhood bakeries, candy stores, ice cream parlors, shade shops, and custom tailors, except, that a person who manufactures bakery products for sale primarily for home delivery, or through one or more non-baking retail outlets, and whether or not retail outlets are operated by person, is a manufacturer within the meaning of this paragraph.

(v) The term "Person" means and includes, as appropriate, a person, partnership, or corporation.

(vi) The department of revenue shall provide to the local assessors any assistance that is necessary in determining the proper application of the definitions in this subdivision.

(21) Real and tangible personal property acquired to provide a treatment facility used primarily to control the pollution or contamination of the waters or the air of the state, as defined in chapter 12 of title 46 and chapter 25 of title 23, respectively, the facility having been constructed, reconstructed, erected, installed, or acquired in furtherance of federal or state requirements or standards for the control of water or air pollution or contamination, and certified as approved in an order entered by the director of environmental management. The property is exempt as long as it is operated properly in compliance with the order of approval of the director of environmental management; provided, that any grant of the exemption by the director of environmental management in excess of ten (10) years is approved by the city or town in which the property is situated. This provision applies only to water and air pollution control properties and facilities installed for the treatment of waste waters and air contaminants resulting from industrial processing; furthermore, it applies only to water or air pollution control properties and facilities placed in operation for the first time after April 13, 1970;

(22) New manufacturing machinery and equipment acquired or used by a manufacturer and purchased after December 31, 1974. Manufacturing machinery and equipment is defined as:

(i) Machinery and equipment used exclusively in the actual manufacture or conversion of raw materials or goods in the process of manufacture by a manufacturer as defined in subdivision (20) of this section, and machinery, fixtures, and equipment used exclusively by a manufacturer for research and development or for quality assurance of its manufactured products;

(ii) Machinery and equipment which is partially used in the actual manufacture or conversion of raw materials or goods in process of manufacture by a manufacturer as defined in subdivision (20) of this section, and machinery, fixtures, and equipment used by a manufacturer for research and development or for quality assurance of its manufactured products, to the extent to which the machinery and equipment is used for the manufacturing processes, research and development or quality assurance. In the instances where machinery and equipment is used in both manufacturing and/or research, and development, and/or quality

assurance activities and non-manufacturing activities, the assessment on machinery and equipment is prorated by applying the percentage of usage of the equipment for the manufacturing, research, and development and quality assurance activity to the value of the machinery and equipment for purposes of taxation, and the portion of the value used for manufacturing, research, and development, and quality assurance is exempt from taxation. The burden of demonstrating this percentage usage of machinery and equipment for manufacturing and for research, and development and/or quality assurance of its manufactured products rests with the manufacturer; and

(iii) Machinery and equipment described in § 44-18-30(7) and (22) that was purchased after July 1, 1997; provided that the city or town council of the city or town in which the machinery and equipment is located adopts an ordinance exempting the machinery and equipment from taxation. For purposes of this subsection, city councils and town councils of any municipality may by ordinance wholly or partially exempt from taxation the machinery and equipment discussed in this subsection for the period of time established in the ordinance and may by ordinance establish the procedures for taxpayers to avail themselves of the benefit of any exemption permitted under this section; provided, that the ordinance does not apply to any machinery or equipment of a business, subsidiary or any affiliated business which locates or relocates from a city or town in this state to another city or town in the state.

**§ 44-3-3.1 Exemption of office equipment used for manufacturing or commercial purposes.** – (a) The city or town council of any municipality may by ordinance wholly or partially exempt from taxation for a period of up to twenty-five (25) years any items of office equipment, which include, but are not limited to, computers, telephone equipment, and any other items of personal property used in an office and/or any leasehold improvements which are not exempt and are used for manufacturing or commercial purposes and may by ordinance establish the procedures for taxpayers to avail themselves of the benefit of any exemption permitted under this section.

(b) Nothing in this section shall be deemed to permit the exemption provided in this section to be available to any manufacturing or commercial business relocating from one city or town within the state to another.

**§ 44-3-6 General exemptions inapplicable to property used for manufacturing.** – Notwithstanding any other provision of this chapter, real and personal property devoted to manufacturing purposes shall not be exempt from taxation except as provided by §§ 44-3-3(21) [now see § 44-3-3(20)], 44-3-3(23) [now see § 44-3-3(22)], 44-3-3.1, 44-3-9, and 44-5-38.

**§ 44-5-3 Ratable property of a city or town – Definitions.** – (a) The ratable property of the city or town consists of the ratable real estate and the ratable tangible personal property (which do not include manufacturer's manufacturing machinery and equipment of a manufacturer) and the ratable tangible personal property of manufacturers consisting of manufacturer's manufacturing machinery and equipment of a manufacturer.

(b) For the purposes of this section and §§ 44-5-20, 44-5-22, 44-5-38, and § 9 of chapter 245, public laws of Rhode Island, 1966, "manufacturing" includes the handling and storage of manufacturer's inventories as defined in § 44-3-3(20)(ii).

(2) "Manufacturer's machinery and equipment" or "manufacturing machinery and equipment" is defined as:

(i) Machinery and equipment which is used exclusively in the actual manufacture or conversion of materials or goods in the process of manufacture by a manufacturer as defined in § 44-3-3(20) and machinery, fixtures, and equipment used exclusively by a manufacturer for research and development or for quality assurance of its manufactured products; and

(ii) Machinery and equipment which is partially used in the actual manufacture or conversion of raw materials or goods in the process of manufacture by a manufacturer as defined in § 44-3-3(20) and machinery, fixtures, and equipment used by a manufacturer for research and development or for quality assurance of its manufactured products, to the

extent to which the machinery and equipment is used for the manufacturing processes, research, and development or quality assurance. In the instances where machinery and equipment is used in both manufacturing activities, the assessment on machinery and equipment is prorated by applying the percentage of usage of the equipment for manufacturing, research, and development and quality assurance activity to the value of the machinery and equipment for purposes of taxation, and the portion of the value used for manufacturing, research, and development and quality assurance is exempt from taxation. The burden of demonstrating this percentage usage of machinery and equipment for manufacturing and for research and development and/or quality assurance of its manufactured products rests with the manufacturer.

(3) This definition of "manufacturing" or "manufacturer's machinery and equipment" does not include:

(i) Motor vehicles required by law to be registered with the division of motor vehicles;

(ii) Store fixtures and other equipment situated in or upon a retail store or other similar selling place operated by a manufacturer, whether or not the retail establishment store or other similar selling place is located in the same building in which the manufacturer operates his or her manufacturing plant; and

(iii) Fixtures or other equipment situated in or upon premises used to conduct a business which is unrelated to the manufacture of finished products for trade and their sale by the manufacturer of the products, whether or not the premises where the unrelated business is conducted is in the same building in which the manufacturer has his or her manufacturing plant. The levy on tangible personal property of manufacturers consisting of manufacturer's manufacturing machinery and equipment of a manufacturer is at the rate provided in § 44-5-38.

History of Section.

(G.L. 1938, ch. 31, § 1; P.L. 1949, ch. 2330, § 2; G.L. 1956, § 44-6-3; P.L. 1960, ch. 52, § 28 (unconstit.); P.L. 1961, ch. 3, § 1; P.L. 1966, ch. 245, § 3; P.L. 1967, ch. 191, § 2; P.L. 1969, ch. 197, art. 7, § 12; P.L. 1982, ch. 199, § 2.)

**§ 44-5-20 List of ratable property.** – The assessors shall make a list containing the true, full, and fair cash value or a uniform percentage of its value as defined in §§ 44-5-12 and 44-5-38, as appropriate, of the ratable estate in the city or town, placing the real estate, tangible personal property except manufacturers' machinery and equipment, and manufacturers' machinery and equipment in separate columns, distinguishing real estate which is assessed specially as farm, forest, or open space land in accordance with the provision in § 44-5-12, and also distinguishing those who give in an account and those who do not and shall apportion the tax in accordance with the provisions of this chapter.

History of Section.

(G.L. 1896, ch. 46, § 8; G.L. 1909, ch. 58, § 8; P.L. 1912, ch. 769, § 43; G.L. 1923, ch. 60, § 8; G.L. 1938, ch. 31, § 8; G.L. 1956, § 44-5-20; P.L. 1960, ch. 52, § 31 (unconstit.); P.L. 1961, ch. 3, § 1; P.L. 1965, ch. 115, § 3; P.L. 1966, ch. 245, § 5; P.L. 1967, ch. 191, § 4; P.L. 1968, ch. 288, § 3; P.L. 1969, ch. 197, art. 7, § 14.)

**§ 44-5-38 Rate of levy against tangible personal property consisting of manufacturing machinery and equipment acquired or used by a manufacturer.** – Tangible personal property consisting of manufacturing machinery and equipment acquired, owned, or used by a manufacturer is subject to taxation at a uniform rate of assessment not to exceed fifty percent (50%) of the full and fair cash value of the property. The levy and assessment of the tax upon the manufacturer's manufacturing machinery and equipment is subject to, and limited to, the following:

(1) Assessment and levy on manufacturer's machinery and equipment. In assessing the valuation of the property and apportioning the levy of the tax on December 31, 1968, the assessors in the several cities and towns shall not exceed seventy-five percent (75%) of the total adjusted levy on the machinery, equipment, and inventories of all manufacturers of the city or town as established by the division of local and metropolitan government

using the levy based on the assessment of the city or town as of December 31, 1966. In apportioning the levy as established in this subdivision, the assessor may add to the total adjusted levy, the increase in levy on manufacturer's machinery, equipment, and inventory occasioned by manufacturers found to be operating but not taxed in the city or town as of December 31, 1966, or who have located in the city or town since that date.

(ii) In apportioning the levy of the tax on manufacturers' machinery and equipment within a city or town for fiscal years ending after December 31, 1969, the assessors of any city or town shall apportion the levy of the tax in an amount not to exceed one hundred three and one-half percent (103.5%) of the total adjusted levy on manufacturer's machinery and equipment for the next prior fiscal year. In apportioning the levy of the tax, as provided in this subdivision, the assessors of any city or town may add to the total adjusted levy for the next prior fiscal year, the increase in levy on manufacturer's machinery and equipment occasioned by manufacturers who have located or who have increased investment within the meaning of subdivision (3) in the city or town since the date of the next prior assessment.

(2) Assessment and levy on individual manufacturers. In assessing the valuation of the property and apportioning the levy of the tax on December 31, 1968, the assessors of the several cities and towns shall not exceed seventy-three and one-half percent (73.5%) of the adjusted levy of the tax on the machinery, equipment, and inventory of any manufacturer of the city or town for the next prior year. If the application of the preceding provision results in the total tax levy thus obtained on manufacturers' machinery and equipment of a city or town for the year for which the date of assessment of valuations was December 31, 1968, as the assessment of valuations is established under the provisions of the first paragraph of this section, being less in amount than the amount of the total adjusted levy as computed in accordance with the seventy-five percent (75%) limitation prescribed under the provisions of paragraph (1)(i) of this section, the assessor of the city or town, for the purpose of bringing the total levy on the machinery and equipment to an amount not exceeding the amount of the total adjusted levy as computed by the seventy-five percent (75%)

limitation, may apply the amount of the total adjusted tax levy, as was thus limited and computed under the provisions of paragraph (1)(i) of this section, to the total assessed valuation as of December 31, 1968, as the valuation is established under the provisions of the first paragraph of this section, on the machinery and equipment of all manufacturers of the city or town, and apply the resulting classified tax rate to the assessed valuations as of December 31, 1968, on the machinery and equipment of each manufacturer of the city or town.

(ii) In assessing the valuation of the property and apportioning the levy of the tax for fiscal years ending after December 31, 1969, the assessors of the several cities and towns shall not exceed one hundred five percent (105%) of the adjusted levy of the tax on the machinery and equipment of any manufacturer for the next prior fiscal year.

(3) As to the property constituting an increase in investment, the limitations fixed in subdivisions (1) and (2) of this section do not apply to that portion of the tax levy on a manufacturer derived from a substantial increase in investment in additional machinery and equipment or that portion of the tax levy applicable to the property not previously taxed in the city or town. For the purposes of this section, "substantial" means an investment in any one year equal to at least fifteen percent (15%) of the sum of net book value plus accumulated reserves for depreciation of other machinery and equipment of the manufacturer within the city or town.

(4) When a city or town has completed a revaluation of all ratable property by independent professional appraisers since December 31, 1966, the assessor of the city or town shall, in applying the preceding limitations, employ the levy and assessment made for the fiscal year immediately following the completion of the revaluation in lieu of the base established as previously established by the division of local and metropolitan government; provided, that a base year later than a fiscal year commencing in 1969 is not employed.

(5) Nothing in this section affects any agreement for the stabilization or exemption of local taxes entered into under the provisions of § 44-3-9; provided, that any agreement may be modified to take into account the effect of § 44-11-2 by the city or town council and the manufacturer without

the necessity of meeting the criteria and complying with the procedures established in § 44-3-9. Upon the expiration of any existing agreement, the tax on the property consisting of manufacturers' machinery, equipment, and inventory formerly stabilized or exempted under the agreement shall be based upon a new assessment complying with all the terms of this section.

(6) Each city or town has the option of using its general property tax rate in computing its levy on machinery and equipment of manufacturers or any separate rate, which it deems appropriate subject to the restrictions established in this section.

(7) In order to assess accurately the impact of the provisions of this section upon the several cities and towns and to provide necessary information for that purpose, each manufacturer subject to taxation in any city or town shall submit to the division of local and metropolitan government on or before October 1, 1966, a declaration report on the value of machinery and equipment for each city or town in which the manufacturer is located; the declaration reports shall be submitted on a form designed and furnished by the division and shall provide for inclusion of the net book value and the accumulated reserve for depreciation of machinery and equipment subject to local taxation, all as reported in the manufacturers' most recent Rhode Island corporate tax return. The declaration report shall cover the most recent fiscal year of the taxpayer for which the due date for the filing of a corporate tax return with the tax administrator is prior to the date prescribed in this section for filing the report; provided, that where a manufacturer files a corporate tax return with the tax administrator on or prior to the date of October 1 for the fiscal year, the manufacturer shall file the declaration report on or before October 1.

(ii) On or before October 1, 1968, and annually thereafter, each manufacturer shall file with the office of the assessor of the city or town in which the property is situated, a declaration report, as described in paragraph (1)(i) of this section, on a form prescribed by the department of revenue and furnished to the local assessors. All reports shall be treated

confidentially by the assessor and employed by him or her for assessment purposes only.

(iii) Failure to submit a declaration report to either the department of revenue or the tax assessor of any city or town as required in subdivision (1)(i) subjects the manufacturer to a penalty not to exceed ten percent (10%) of the tax on machinery and equipment payable at the time when the taxes are due and payable as an addition to the tax due in the next succeeding year and the penalty shall be so identified and listed on the tax roll. Should a manufacturing establishment fail to submit a declaration report for a second successive year, it is subject to a penalty not to exceed twenty-five percent (25%) of its tax on machinery and equipment, payable as prescribed; should a manufacturing establishment fail for a third successive year to file the declaration report it is subject to a penalty not to exceed fifty percent (50%) of the tax on its machinery and equipment, payable as prescribed; for subsequent successive years, failure to file the declaration report subjects the manufacturing establishment to a penalty not to exceed fifty percent (50%) of its tax on machinery and equipment, payable as prescribed. As to any manufacturer failing to file a declaration report with the local assessor as required in this section, the limitation of paragraph (2)(ii) of this section shall not take effect until the assessment date next following the date upon which the manufacturer first files a report with the assessor. In lieu of the declaration report, any manufacturer subject to taxation for the first time in any city or town of this state shall submit the information that is necessary to establish its initial tax base and, in subsequent years, shall file the declaration report.

(8) In any case where the assessor of any city or town has reason to doubt the veracity of the contents of any declaration report so filed, the report may be submitted to the department of revenue, which shall compare the information contained in the report with information on file with the division of taxation and advise the assessor as to the veracity of the report.

(9) A manufacturer who stores or keeps on hand raw materials, work in process, and his or her finished products in a storage place (as distinguished from finished products which he or she holds for retail sale in any retail establishment operated by him or her) in a city or town other

than that in which his or her manufacturing plant is located shall file on or before March 15, 1969, and annually thereafter on or before each succeeding March 15, an inventory report on a form prescribed and furnished by the department of revenue through the assessor, with the assessor of the city or town where the raw materials and finished products are stored. The assessor of each city or town shall notify all manufacturers of the city or town of the requirement for filing the reports by publication in a newspaper of general circulation in the city or town during the month of January, 1969, and during the same month in each year thereafter. The report shall contain a true account of the raw materials, work in process, and finished products that were manufactured by him or her in this state as well as any other merchandise owned or possessed by him or her in the city or town on December 31 next preceding the date specified for the filing of the inventory report. The report must describe and specify the value of the raw materials, work in process, and finished products that were manufactured as already stated and also the value of all other merchandise stored in the city or town. Any manufacturer who fails or refuses to file any inventory report at the time and in the manner prescribed in this section is deemed to have waived the tax exemption provided for on the raw materials, work in process, and finished products thus stored, whereupon, and notwithstanding the provisions of § 44-3-3(20), the property is subject to taxation like all other taxable property. The provisions of this subdivision shall not be construed to repeal § 44-5-15 or to limit the application of its provisions.

(10) A manufacturer who operates storage facilities for the storage of his raw materials, work in process, and finished products in a city or town other than that in which his or her manufacturing plant is located shall set forth in the declaration report, as and in the manner prescribed in subdivision (7) of this section to be filed with the assessor of the city or town where the storage facilities are located, any machinery and equipment owned or possessed by him or her which is situated in or upon the storage facilities for use in the operation of the storage facilities, or held there for use in the operation of the manufacturing plant.

(11) The restrictions contained in this chapter shall not apply to the portion of the tax, if any, assessed by the city or town for the purpose of paying the indebtedness of the city or town and the indebtedness of the state or any political subdivision of the state to the extent assessed upon or apportioned to the city or town, and the interest thereon; and for appropriation to any sinking fund of the city or town (which portion of the tax is paid in full).

(12) Any person who hires a person from public supported programs for persons with disabilities and rehabilitated, shall receive a five hundred dollar (\$500) credit per person hired; provided, that the number of the persons increases the number of full-time employees by three percent (3%) of the total numbers of persons employed the previous year.

(13) For purposes of this subdivision, in determining the total amount of the tax levy on manufacturing machinery and equipment owned or used by a manufacturer on December 31, 1973, the assessors in the several cities and towns shall not exceed ninety percent (90%) of the levy on the class of property made as of December 31, 1972; thereafter annually commencing in 1974 on December 31, the assessors shall reduce the levy on the class of property whether or not acquired subsequent to December 31, 1972, except as provided in this section, as follows: to eighty percent (80%) of the December 31, 1972, levy on December 31, 1974; to seventy percent (70%) of the December 31, 1972, levy on December 31, 1975; to sixty percent (60%) of the December 31, 1972, levy on December 31, 1976; to fifty percent (50%) of the December 31, 1972, levy on December 31, 1977; to forty percent (40%) of the December 31, 1972, levy on December 31, 1978; to thirty percent (30%) of the December 31, 1972, levy on December 31, 1979; to twenty percent (20%) of the December 31, 1972, levy on December 31, 1980; to ten percent (10%) of the December 31, 1972, levy on December 31, 1981 and to continue at ten percent (10%) of the December 31, 1972, levy on December 31, 1982; and to five percent (5%) of the December 31, 1972, levy on December 31, 1983; and thereafter the property is exempt from taxation.

History of Section.

(P.L. 1966, ch. 245, § 4; P.L. 1966, ch. 287, §§ 2, 4; P.L. 1967, ch. 191, § 5; P.L.

1974, ch. 127, § 1; P.L. 1974, ch. 200, art. 1, § 1; P.L. 1976, ch. 131, § 2; P.L. 1982, ch. 199, § 2; P.L. 1983, ch. 167, art. 9, § 1; P.L. 1984, ch. 150, § 5; P.L. 1988, ch. 84, § 95; P.L. 1999, ch. 83, § 124; P.L. 1999, ch. 130, § 124; P.L. 2008, ch. 98, § 37; P.L. 2008, ch. 145, § 37.)