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Robert Baldwin - President's message: A tax formula that needs changing

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Have you taken a good look at your latest motor vehicle tax bill? If you live in R.I., you'd better sit down before you do so, especially if you're a contractor with multiple commercial vehicles. That's because the state and local tax people are after you again, this time with a formula that could have you paying taxes on your vehicle based on an amount that's thousands of dollars more than you paid for it.

While each town sets its own tax rate per $1,000 of valuation, that valuation for motor vehicles, in all but three R.I. communities, is based on 100% of the manufacturer's suggested retail price, not on what you paid for it, with no depreciation factored in. Let's say you own a 2008 Toyota pickup truck valued at the full retail price of $15,375, and you are taxed in Providence, which levies a whopping $76.78 per $1,000. Your annual tax rate for 2011 would be $1,081.45.

The three exceptions to the 100% valuation formula are Portsmouth (70%), Richmond (80%) and Scituate (90%).

Maximum valuations are set by an obscure, seven-member panel known as the R.I. Vehicle Value Commission (RIVVC). This panel was established in 2005, and its rules for setting the valuations are unrealistic and vague: "The average retail price of similar vehicles of the same make, model, type and year of manufacture as reported by motor vehicle dealers or by official used car guides..." (Title 44, R.I. Tax Code).

Vehicle owners may appeal RIVVC valuations, but only through their municipal tax assessor's office. One RIBA member who did so, providing extension documentation about his vehicle's age, the actual purchase price, and accepted depreciation standards, received the simple reply that his vehicle's valuation by the state was "correct." His only other option was to appeal the RIVVC decision in Superior Court.

This member's truck is now three years old, but it is still valued for tax purposes at a higher price than it can be purchased for brand new (according to a newspaper advertisement).

Compare the R.I. vehicle taxation system with that of Mass. There, state law sets a scale at which valuations can be made. Valuation for a brand new vehicle (in the year of manufacture) is 90%, dropping to 60% the second year, 40% the third year, 25% the fourth year, and 10% in the fifth and subsequent years.

So if our 2008 Toyota pickup truck owner lived in, say, Norwood, Mass., less than 30 miles from Providence, his vehicle would now be valued at $3,900 and his tax bill for 2011 would be $97.50, nearly 11 times less than in R.I.'s capital city.

This situation is an outrage, and it's the last thing our members - or any R.I. business owner â€” should have to put up with in the midst of the worst economic downturn in most of our lifetimes.

The only solution is legislative. Some of our members report that they have already approached their state lawmakers and have received promises that the situation will be looked into before the 2012 General Assembly session.

Let's make sure that this issue, which hits all of us directly in the wallet, stays before the eyes of our state lawmakers. Tell them that we need a consistent statewide formula for vehicle taxation, and that this over-valuation must end before it does further harm to our already fragile economy.

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