

What Happened this Year at the General Assembly

The 2010 legislative session ended in June. The main challenges for the General Assembly were to adopt a school funding formula, adopt a balanced budget without charging new taxes, and encourage more businesses and individuals to remain in or relocate to Rhode Island.

In the final days of the legislative session, Governor Carcieri, the House and Senate all agreed to amend legislation to overhaul and simplify Rhode Island's income tax system to make our state more competitive with our neighboring states. The new system has pluses and minuses, which are described in greater detail under "Taxation" below.

Once again, RIAR helped to defeat many bills that would have been detrimental for homeowners, landlords, and/or the REALTOR profession and supported a number of others that will help Rhode Island homeowners. For example, for the second year in a row, RIAR defeated legislation that would have required nearly all REALTORS to pay \$100 per year for the "privilege" of working as an independent contractor. The following are the bills pertaining to real estate that were up for vote this year:

Positive Outcomes

Disclosure

H 7037 *Sponsored by:* Representative Pollard and others

This bill would require purchase and sales agreements for properties with 1 – 4 dwelling units to state whether the sewer is publicly serviced, and by what agency, whether water is publicly supplied and by what agency, and whether there is a fire tax. RIAR had concerns about the burden that this could place on listing brokers and sellers – especially if the seller has not lived in the property or purchased a foreclosure property.

RIAR Position: Oppose

Status: Did not pass

Economic Development

Governor Carcieri's Office, the Governor's Regulatory Review Task Force, the House Committee on Small Business, the Senate's Small Business Growth and Development Task Force, RI Economic Development Corporation, and others worked together to file legislative to make it easier to do business in Rhode Island and make our state more attractive to businesses of all sizes.

S 2844 SUB A *Sponsored by:* Senator Miller and others

This bill would shorten the processing time for business and professional licenses, including real estate licenses.

RIAR Position: Support

Status: Passed

S 2845 SUB B *Sponsored by:* Senator Lynch and others

(Would delete the provisions of the general laws which would require that plans for the erection and alteration of a building must be approved by the state fire marshal if prepared by a professional engineer or architect)

RIAR Position: Support

Status: Passed

S 2849 SUB A *Sponsored by:* Senator Sheehan and others

This bill would allow state regulatory, licensing and permitting processes to be done at the same time, which will benefit businesses seeking to start, relocate, or expand in Rhode Island.

RIAR Position: Support

Status: Passed

S [2850](#) SUB A *Sponsored by:* Senate Majority Leader Connors and others

This bill would require the governor to appoint small business owners to fill four of the twelve seats on the board of directors for the economic development corporation)

RIAR Position: Support

Status: Passed

S [2851](#) SUB A *Sponsored by:* Senator Lynch and others

This bill would require the Economic Development Corporation to create an office of regulatory reform to act as an ombudsman for businesses by overseeing regulations and the permitting process for businesses and helping them to cut through red tape.

RIAR Position: Support

Status: Passed

Senate Resolution [2843](#) *Sponsored by:* Senator Crowley and others

This non-binding resolution would urge the RI Secretary of State to create a master business application to make it easier for small businesses to obtain all permits.

RIAR Position: Support

Status: Passed

Independent Contractor Requirements

Independent Contractor Registration

S [2334](#) SUB A *Sponsored by:* Senator Maselli

The original version of this legislation would have required all independent contractors and the companies that use them to register every year with the RI Dept. of Labor and Training or risk a mandatory minimum sentence of 10 days in prison and/or a mandatory minimum fine of \$500 per offense. RIAR negotiated an exemption for real estate licensees and withdrew our opposition to the amended version of the bill.

RIAR Position: Opposed the original legislation then withdrew our opposition once the Senate agreed to exempt real estate licensees.

Status: Did not pass

H [7092](#) *Sponsored by:* Representative. Corvese and others

This bill is a stricter version of S 2334 and would require all independent contractors and the companies that use them pay \$100 per year to register with the RI Dept. of Labor and Training or risk a mandatory minimum sentence of 10 days in prison and/or a mandatory minimum fine of \$500 per offense.

RIAR Position: Oppose

Status: Did not pass

Rental Issues:

H [7675](#) *Sponsored by:* Representative Kilmartin and others

This bill would allow a tenant to cancel a lease without notice and owe no back or future rent to a landlord if the tenant is a victim of domestic violence caused by another tenant, such as the tenant's spouse or significant other, or another occupant of the building commits domestic abuse. This would place an unfair burden on landlords and

RIAR Position: Oppose

Status: Did not pass

Mandatory interest on security deposits

S [2680](#) *Sponsored by:* Senate Perry and others

H [7623](#) *Sponsored by:* Representative Segal

This bill would require landlords to place security deposits in an interest bearing escrow account and would require the landlord to pay all accrued interest upon the termination of the tenancy. RIAR believes that the Landlord Tenant Act should not be amended piecemeal to place more burdens on landlords unless the Act is also revised to ease burdens on landlords, such as allowing them to collect legally last month's rent in advance.

RIAR Position: Oppose
Status: Did not pass.

Illegal Immigration

H 7488 *Sponsored by:* Representative Slater and others

This bill would prohibit a landlord from asking a prospective tenant whether he or she is a citizen or legal resident of the United States.

RIAR Position: Oppose
Status: Did not pass.

Environmental

Climate Reduction Legislation

S 2439 SUB A as amended *Sponsored by:* Senator Miller

H 7719 SUB A as amended *Sponsored by:* Representative Segal and other

The original versions of these bills would have forced commercial property owners and landlords to make costly additions and retrofits to building in response to anticipated climate changes. The amended versions of these bills eliminated the mandates and would create a study commission to recommend "green" incentives and changes to building codes.

RIAR Position: Opposed the mandates in the original version of this legislation.
Status: Effective without the Governor's signature.

Taxation:

At the start of the legislative session, Governor Carcieri considered filing legislation to make Rhode Island the first state in the country replace or change much of the state's existing tax system with a net receipts tax based on the work of the Governor's Tax Policy Strategy Workgroup. RIAR and other business organizations opposed this proposal because each time money transferred, a business or individual would owe a new tax. A seller paying a commission to a listing company; the listing company paying the cooperating company; and the cooperating company paying a salesperson's corporation or LLC would all be taxed separately. Governor Carcieri decided not to file this legislation.

S 2921 SUB A *Sponsored by:* Senator DaPonte and others

H 8196 SUB A *Sponsored by:* Representative Melo and others

Legislation Passed, Not Supported by RIAR

Elimination of Mortgage Interest Deduction

In the final days of the legislative session, Governor Carcieri, the House and Senate all agreed to amend legislation to overhaul and simplify Rhode Island's income tax system to make our state more competitive with our neighboring states. This new law is intended to reduce taxes for most Rhode Islanders, simplify the existing tax system, and encourage more individuals and businesses to remain in or move to Rhode Island. The law also replaces individual deductions, such as the mortgage interest deduction, with a standard deduction.

While RIAR is disappointed that the mortgage interest deduction eliminated, we hope that the overall changes will encourage more home buyers to move to rather than move away from Rhode Island.

Here are more details from the Governor:

"Under the new law, the state will reduce the number of tax brackets from five to three, with the highest marginal rate at 5.99 percent, down from 9.9 percent. The law also increases the standard deduction for all taxpayers. The new system is effective for tax years beginning January 1, 2011.

The new system consists of three taxable income brackets/marginal tax rates as follows: over \$0 to \$55,000, 3.75 percent; over \$55,000 to \$125,000, 4.75 percent; over \$125,000, 5.99 percent. The new system allows a standard deduction of between \$7,500 and \$15,000 and a personal and dependent exemption amount of \$3,500 as deductions from modified federal Adjusted Gross Income (AGI).

While the marginal tax rates are comparable to marginal rates in neighboring Massachusetts and Connecticut, the effective tax rates in Rhode Island will be much lower. According to the Department of Revenue, for a single person making \$45,415 annually, the effective tax rate under the new system will be 2.84 percent, as compared to 4.10 percent in Massachusetts and 4.56 percent in Connecticut. The effective tax rate for a couple making \$75,000 will be 2.31 percent under the new tax system, as compared to effective tax rates of 4.02 percent in Massachusetts and 3.62 percent in Connecticut."

Rental Issues

Exemption for short-term rentals from agency disclosure requirements

S [2342](#) *Sponsored by:* Senator Picard

H [7631](#) *Sponsored by:* Representative Marcello

These bills would exempt short-term rentals of 100 days or less from the agency disclosure law to ease the burden on REALTORS who rent vacation property. The Real Estate Commission opposed this legislation.

RIAR Position: Support

Status: Did not pass

Other Bills Monitored by RIAR

A number of foreclosure bills were introduced last session, only one of which was implemented (House Bill 7712). They were:

Foreclosures:

Senate Bill No. [2218](#)

BY Metts, Jabour, Goodwin, Miller, Pichardo

ENTITLED, AN ACT RELATING TO PROPERTY -- MORTGAGE AND FORECLOSURE SALE

(would require mortgagees, upon filing a notice of intent to foreclose against a mortgagor, to file a copy of that notice with the city or town municipal clerk and appoint an agent for service of process within the state of Rhode Island)

{LC703/1}

02/09/2010 Introduced, referred to Senate Judiciary

03/02/2010 Scheduled for hearing and/or consideration

03/02/2010 Committee recommended measure be held for further study

Senate Bill No. [2585](#)

BY Pichardo, Goodwin

ENTITLED, AN ACT RELATING TO PROPERTY - MORTGAGE FORECLOSURE AND SALE

(would require any mortgagee who is commencing foreclosure proceedings on owner-occupied residential property, to advise the mortgagor of the availability of counseling through HUD-approved mortgage counseling agencies)

{LC1505/1}

02/11/2010 Introduced, referred to Senate Judiciary

House Bill No. [7058](#)

BY Pollard, Mattiello

ENTITLED, AN ACT RELATING TO STATE AFFAIRS AND GOVERNMENT -- HOUSING AND MORTGAGE FINANCE CORPORATION

(would make the RIHMFC a lender of last resort and prohibit them from competing directly or indirectly in the marketplace. It would also impose a civil penalty against the corporation)

{LC121/1}

01/12/2010 Introduced, referred to House Corporations

02/04/2010 Scheduled for hearing and/or consideration

02/04/2010 Committee postponed at request of sponsor

House Bill No. [7191](#)

BY Almeida, Carnevale, Diaz, Williams, Slater

ENTITLED, AN ACT RELATING TO PROPERTY -- MORTGAGE FORECLOSURE AND SALE

(require a mortgagee to notify tenants of the date, time and place of a foreclosure sale along with contact information for RILS and HUD approved counseling agencies in RI)

{LC375/1}

01/21/2010 Introduced, referred to House Judiciary

03/17/2010 Scheduled for hearing and/or consideration

03/17/2010 Withdrawn at sponsor's request

House Bill No. [7712](#) SUB A

Chapter 64

BY Marcello

ENTITLED, AN ACT RELATING TO FINANCIAL INSTITUTIONS - LICENSED ACTIVITIES

(would make technical corrections to reporting requirements of the licensed activities of mortgage loan originators)

{LC1795/2/A}

02/25/2010 Introduced, referred to House Corporations

03/16/2010 Scheduled for hearing and/or consideration

03/16/2010 Committee recommended measure be held for further study

04/27/2010 Scheduled for hearing and/or consideration

04/27/2010 Committee recommends passage of Sub A

04/28/2010 Placed on House Calendar

05/06/2010 House passed Sub A

05/12/2010 Referred to Senate Corporations

05/25/2010 Scheduled for hearing and/or consideration

05/25/2010 Committee recommends passage of Sub A in concurrence

05/25/2010 Placed on Senate Calendar

06/01/2010 Senate passed Sub A in concurrence

06/04/2010 Transmitted to Governor

06/12/2010 Effective without Governor's signature

Overall, there were many positive outcomes for Rhode Island homeowners and REALTORS throughout this legislative session. Many thanks to the RIAR Government Affairs Committee, led by Chair Mike Behm and Vice Chair Peter Izzi, who reviewed and approved positions on all legislative and regulatory issues, and to all those who attended REALTOR Day on the Hill on April 6th to help ensure that our voices were heard.