SUPREME COURT OF RHODE ISLAND

Delta Airlines, Inc. v. Neary

785 A.2d 1123 (R.I. 2001) · No. No. 2000-194-Appeal · Decided December 7, 2001

SUMMARY

The Supreme Court of Rhode Island held that leasehold improvements installed by Delta Airlines and US Airways at T.F. Green Airport were exempt from municipal taxation because the property was owned by, or ultimately transferred to, statutorily tax-exempt entities. The court further held that the tax-exempt status followed the property despite possession by nonexempt airline lessees. The court sustained the appeal, vacated the Superior Court judgment, and remanded with instructions to enter judgment for the airlines.

CASE DETAILS

COURT	Supreme Court of Rhode Island
WRITING FOR THE COURT	Lederberg, Justice; Lederberg; Bourcier; Flanders; Goldberg
JURISDICTION	Rhode Island
DECIDED	December 7, 2001
DOCKET	No. 2000-194-Appeal
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	The airlines appealed from a Superior Court judgment granting the tax assessor's motion for summary judgment and denying the airlines' motion for summary judgment in consolidated petitions challenging municipal taxes assessed on leasehold improvements at T.F. Green Airport.
STANDARD OF REVIEW	Summary judgment is reviewed de novo under the same standards applied by the trial court. Summary judgment is proper when, viewing the facts and reasonable inferences in the light most favorable to the nonmoving party, no genuine issue of material fact exists and the moving party is entitled to judgment as a matter of law.
PRECEDENTIAL VALUE	Published Rhode Island Supreme Court opinion; precedential.
PARTIES	Delta Airlines, Inc., US Airways, Inc. v. James T. Neary, Jr., in his capacity as tax assessor for the City of Warwick

TOPICS

property tax | state and local tax | municipal law | statutory interpretation | appellate procedure

PRACTICE AREAS

property tax | municipal law | state and local taxation | appellate procedure

QUESTIONS PRESENTED

1. Whether leasehold improvements at T.F. Green Airport were exempt from municipal taxation because they were owned by RIAC or the State of Rhode Island.
2. Whether the statutory tax exemption applicable to RIAC or the State extended to the airlines as lessees of the exempt airport property.
3. Whether the airlines could be taxed on the leasehold improvements under statutes or common-law rules allocating property-tax obligations to long-term lessees.

HOLDINGS

1. The leasehold improvements were exempt from municipal taxation. Whether title was deemed held by RIAC or by the State, the applicable Rhode Island statutes exempted the property from municipal taxes.
2. The tax-exempt status of leased property is governed by the status of its owner; property owned by a tax-exempt entity remains exempt even when possessed by a nonexempt lessee. The airlines therefore were not liable for municipal taxes from which RIAC or the State, as owner, was exempt.
3. G.L. 1956 § 44-4-6 and the cited common-law rules allocating tax burdens between tenants and remaindermen did not authorize taxation of the airlines' leasehold improvements because the property remained exempt and the lease did not produce a taxable event.

KEY QUOTATIONS

> *"Therefore, property owned by a tax-exempt entity is exempt even when the property is in the possession of a nonexempt lessee."* (1128)

> *"Accordingly, we hold that the airlines are not liable for municipal taxes from which the lessor that owns the property is exempt, regardless of whether the owner is RIAC or the state."* (1128)

> *"The statutory and common law rules regarding the allocation of the tax burden between a life tenant and a remainderman do not constitute a source of taxing authority, and, in fact, are not relevant if the property is exempt from taxation in the first instance."* (1129)

FACTUAL BACKGROUND

The Rhode Island Airport Corporation leased T.F. Green Airport from the State of Rhode Island, and Delta and US Airways each leased terminal space from RIAC. The airlines installed carpets, baggage carriers, counters, partitions, and other leasehold improvements that became RIAC's property when completed; title would ultimately pass to the State when RIAC's airport lease ended. The Warwick assessor nevertheless taxed the improvements as the airlines' tangible personal property for 1997 and 1998 at a rate of $55 per square foot.

PROCEDURAL HISTORY

The City of Warwick assessor included the airlines' leasehold improvements in their 1997 and 1998 tangible personal property assessments. The Warwick Board of Assessment Review denied the airlines' appeals, after which the airlines filed four petitions for relief in the Superior Court. The Superior Court consolidated the cases, granted the assessor's cross-motion for summary judgment, and denied the airlines' motion. The Supreme Court sustained the appeal, vacated the judgment, and remanded with instructions to enter judgment for the airlines.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The judgment of the Superior Court was vacated, and the case was remanded with instructions to enter judgment in favor of the airlines.

CASES CITED

- In re Advisory Opinion to Governor, 627 A.2d 1246 (R.I. 1993)
- Woodland Manor III Associates v. Keeney, 713 A.2d 806 (R.I. 1998)
- Marr Scaffolding Co. v. Fairground Forms, Inc., 682 A.2d 455 (R.I. 1996)
- Rotelli v. Catanzaro, 686 A.2d 91 (R.I. 1996)
- Petrone v. Town of Foster, 769 A.2d 591 (R.I. 2001) (per curiam)
- Preservation Society of Newport County v. Assessor of Taxes of Newport, 104 R.I. 559, 247 A.2d 430 (1968)
- Fleet Credit Corp. v. Frazier, 726 A.2d 452 (R.I. 1999)
- Kent County Water Authority v. State Department of Health, 723 A.2d 1132 (R.I. 1999)
- Woonsocket Hospital v. Quinn, 54 R.I. 424, 173 A. 550 (1934)
- St. Clare Home v. Donnelly, 117 R.I. 464, 368 A.2d 1214 (1977)
- Roger Williams General Hospital v. Littler, 566 A.2d 948 (R.I. 1989)
- Woonsocket Hospital v. Lagace, 113 R.I. 95, 318 A.2d 472 (1974)
- Rhode Island Hospital v. City of Providence, 693 A.2d 1040 (R.I. 1997) (mem.)
- Koszela v. Wilcox, 538 A.2d 150 (R.I. 1988)
- Sheffield v. Cooke, 39 R.I. 217, 98 A. 161 (1916)