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Fleet Credit Corp. v. Frazier

726 A.2d 452 (R.I. 1999).

NEIT, an accredited college, financed computer equipment through Fleet Credit Corp. In accordance with the lease agreement, Fleet paid the vendor for the equipment and acquired title to it. Subsequently, Fleet was assessed \$50,000 in property taxes by the city. Fleet paid the taxes and was reimbursed by NEIT.

Thereafter, Fleet conveyed its interest in the computer equipment to NEIT. Fleet and NEIT sued the city tax assessor claiming that the equipment was not subject to taxation because of the state tax exemption for property "owned by a corporation used for a school, academy, or seminary of learning." The defendant argued that the property was taxed during Fleet's ownership and Fleet is not a corporation used for educational purposes, and therefore, the equipment was properly taxed.

The court stated that tax exemptions are strictly construed in favor of the taxing authority and held that the equipment was properly taxed. The plaintiffs argued, based on its interpretation of the statute, that if a for-profit corporation, like Fleet, owns property which is used for educational purposes, then that property is not taxable as long as the stockholders do not divide the income generated by that property among themselves. The court rejected this argument because the plaintiffs failed to prove that Fleet did not divide



among its stockholders a portion of the profits it derived from the leasing of the computer equipment.

The court also rejected plaintiffs' argument that NEIT should be considered the equitable owner of the equipment because Fleet merely had a security interest in the property. Although other sections of the taxation statute recognized equitable ownership as a form of property ownership for tax purposes, there were only a few tax exemptions that were based on equitable ownership and this argued against judicial creation of additional exemptions.

Marks & Weinberg, PC is a law firm with significant experience in dealing with virtually every type of equipment and facility lease financing. The lawyers of the firm have participated in leasing financings for more than a billion dollars of equipment and are recognized throughout the industry. If you would like more cases or articles on leasing, or have any questions or comments about this Article or other leasing issues, please visit leaselawyer.com or contact Barry Marks at 205.251.8303 or Ken Weinberg at 205.251.8307.

