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S T A T E O F R H O D E I S L A N D

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2025

A N A C T

RELATING TO TAXATION -- LEVY AND ASSESSMENT OF LOCAL TAXES

Introduced By: Senators Sosnowski, DiPalma, Britto, Lawson, and McKenney

Date Introduced: February 26, 2025

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

SECTION 1. Sections 44-5-3 and 44-5-12 of the General Laws in Chapter 44-5 entitled "Levy and Assessment of Local Taxes" are hereby amended to read as follows:

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)(1) 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(a)(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(a)(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(a)(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.

(c) Notwithstanding any exemption provided by this section, and except for the exemptions created by §§ 44-3-3(a)(22), 44-3-3(a)(48) and 44-3-3(a)(49), which exemptions shall remain intact, cities and towns ~~may, by ordinance or resolution,~~ shall only tax ~~any~~ renewable energy resources, as defined in § 39-26-5, and associated equipment at five dollars ($5.00) per kilowatt of alternating current nameplate capacity for the tangible property ~~only pursuant to rules and regulations that will be established by the office of energy resources in consultation with the division of taxation after the rules are adopted, no later than November 30, 2016. The rules will provide consistent and foreseeable tax treatment of renewable energy to facilitate and promote installation of grid-connected generation of renewable energy and shall consider the following criteria in adopting appropriate and reasonable, tangible property tax rates for commercial renewable energy systems:~~

~~(1) State policy objectives to promote renewable energy development;~~

~~(2) Tax agreements between municipalities and renewable energy developers executed and effective after 2011, including net metering or lease agreements that address tax treatment;~~

~~(3) The valuation of local property tax in the ceiling prices set for the distributed generation standard contract or renewable energy growth programs by the distributed generation board;~~

~~(4) Assessment practices used by Rhode Island municipal property tax assessors;~~

~~(5) Five dollars ($5.00) per kilowatt of nameplate capacity and the average kilowatt value of the tax agreements and associated payments executed between municipalities and renewable energy developers between 2011 and 2016 shall be the benchmarks for consideration of reasonable revenue generated by a city or town from renewable energy facilities provided that evidence to the contrary may be incorporated in final rules and regulations; and~~

~~(6) Cities and towns may only assess a tax on the real property upon which a renewable energy resource is located pursuant to § 44-5-12(a)(5) and § 44-27-10.1(b), as applicable.~~

~~(d) The dollar amount adopted through the rules and regulations that municipalities will be required to use for commercial renewable energy systems shall be based on the alternating current (AC) nameplate capacity of the renewable energy resource.~~

~~(e) Any renewable energy resource projects that have executed interconnection service agreements with the electric distribution company as of December 31, 2016, shall not be subject to the rules developed under subsection (c) and shall maintain the tax status applicable before the rules are adopted, unless otherwise agreed pursuant to § 44-3-9(a)~~.

44-5-12. Assessment at full and fair cash value.

(a) All real property subject to taxation shall be assessed at its full and fair cash value, as of December 31 in the year of the last update or revaluation, or at a uniform percentage thereof, not to exceed one hundred percent (100%), to be determined by the assessors in each town or city; provided, that:

(1) Any residential property encumbered by a covenant recorded in the land records in favor of a governmental unit or the Rhode Island housing and mortgage finance corporation restricting either or both the rents that may be charged or the incomes of the occupants shall be assessed and taxed in accordance with § 44-5-13.11;

(2) In assessing real estate that is classified as farmland, forest, or open space land in accordance with chapter 27 of this title, the assessors shall consider no factors in determining the full and fair cash value of the real estate other than those that relate to that use without regard to neighborhood land use of a more intensive nature;

(3) Warwick. The city council of the city of Warwick is authorized to provide, by

ordinance, that the owner of any dwelling of one to three (3) family units in the city of Warwick who makes any improvements or additions on his or her principal place of residence in the amount up to fifteen thousand dollars ($15,000), as may be determined by the tax assessor of the city of Warwick, is exempt from reassessment of property taxes on the improvement or addition until the next general citywide reevaluation of property values by the tax assessor. For the purposes of this section, "residence" is defined as voting address. This exemption does not apply to any commercial structure. The property owner shall supply all necessary plans to the building official for the improvements or addition and shall pay all requisite building and other permitting fees as now are required by law; and

(4) Central Falls. The city council of the city of Central Falls is authorized to provide, by ordinance, that the owner of any dwelling of one to eight (8) units who makes any improvements or additions to his or her residential or rental property in an amount not to exceed twenty-five thousand dollars ($25,000), as determined by the tax assessor of the city of Central Falls, is exempt from reassessment of property taxes on the improvement or addition until the next general citywide reevaluation of property values by the tax assessor. The property owner shall supply all necessary plans to the building official for the improvements or additions and shall pay all requisite building and other permitting fees as are now required by law.

(5) Tangible property shall be assessed according to the asset classification table as defined in § 44-5-12.1. Subject to the exemption for reclassification of farmland as addressed in § 44-27-10.1, renewable ~~Renewable~~ energy resources shall only be taxed as tangible property under § 44-5-3(c) and the real property on which they are located ~~shall not be reclassified, revalued, or reassessed due to the presence of renewable energy resources, excepting only reclassification of farmland as addressed in § 44-27-10.1. Subject to the aforementioned exception for farmland, all assessments of real property with renewable energy resources thereon shall revert to the last assessed value immediately prior to the renewable developer's purchasing, leasing, securing an option to purchase or lease, or otherwise acquiring any interest in the real property~~ shall only be taxed at three dollars and fifty cents ($3.50) per kilowatt of alternating current nameplate capacity. However, notwithstanding the above, but without any limitation on taxpayer rights under § 44-5-26, no municipality shall be liable or otherwise responsible for any rebates, refunds, or any other reimbursements for taxes previously collected for real property with renewable energy resources thereupon.

(6) Provided, however, that, for taxes levied after December 31, 2015, new construction on development property is exempt from the assessment of taxes under this chapter at the full and fair cash value of the improvements, as long as:

(i) An owner of development property files an affidavit claiming the exemption with the local tax assessor by December 31 each year; and

(ii) The assessor shall then determine if the real property on which new construction is located is development property. If the real property is development property, the assessor shall exempt the new construction located on that development property from the collection of taxes on improvements, until such time as the real property no longer qualifies as development property, as defined herein.

For the purposes of this section, "development property" means: (A) Real property on which a single-family residential dwelling or residential condominium is situated and said single-family residential dwelling or residential condominium unit is not occupied, has never been occupied, is not under contract, and is on the market for sale; or (B) Improvements and/or rehabilitation of single-family residential dwellings or residential condominiums that the owner of such development property purchased out of a foreclosure sale, auction, or from a bank, and which property is not occupied. Such property described in subsection (a)(6)(ii) of this section shall continue to be taxed at the assessed value at the time of purchase until such time as such property is sold or occupied and no longer qualifies as development property. As to residential condominiums, this exemption shall not affect taxes on the common areas and facilities as set forth in § 34-36-27. In no circumstance shall such designation as development property extend beyond two (2) tax years and a qualification as a development property shall only apply to property that applies for, or receives, construction permits after July 1, 2015. Further, the exemptions set forth in this section shall not apply to land.

(b) Municipalities shall make available to every land owner whose property is taxed under the provisions of this section a document that may be signed before a notary public containing language to the effect that they are aware of the additional taxes imposed by the provisions of § 44-5-39 in the event that they use land classified as farm, forest, or open space land for another purpose.

(c) Pursuant to the provisions of § 44-3-29.1, all wholesale and retail inventory subject to taxation is assessed at its full and fair cash value, or at a uniform percentage of its value, not to exceed one hundred percent (100%), for fiscal year 1999, by the assessors in each town and city. Once the fiscal year 1999 value of the inventory has been assessed, this value shall not increase. The phase-out rate schedule established in § 44-3-29.1(d) applies to this fixed value in each year of the phase out.

SECTION 2. Chapter 42-140.5 of the General Laws entitled "Renewable Ready Program" is hereby amended by adding thereto the following section:

42-140.5-9. Permitting of renewable energy resources.

(a) A renewable energy resource, as defined in § 39-26-5, proposed to be located on a previously contaminated property shall be a by-right, permitted use under the zoning code for the municipality in which the renewable energy resource is proposed to be located. A renewable energy resource proposed to be located on a previously contaminated property shall be deemed consistent with the municipality's comprehensive plan pursuant to § 45-23-60 and shall be deemed to have no significant negative environmental impacts pursuant to § 45-23-60. The applicant shall bear the burden of establishing that the proposed site is a previously contaminated property.

(b) A site shall be presumed to be a previously contaminated property if:

(1) Any agency of the state or federal government has designated the property as such;

(2) The applicant presents a phase I or phase II environmental site assessment evidencing the presence of one or more "hazardous substances" (as defined in 42 U.S.C. §9601(14)) and/or "pollutant or contaminant" (as defined in 42 U.S.C. § 9601(33)) on the property; or

(3) The property meets the definition of a "brownfield site" as defined in 42 U.S.C. §9601(39)(A)).

(c) Subject to the provisions of this section, the proposed renewable energy resource shall proceed through the municipality's planning and zoning procedures generally applicable to a by-right use and the proposed renewable energy resource shall comply with the ordinance requirements set forth in the municipality's industrial and/or manufacturing zone; provided, however, that the maximum structural lot coverage shall be seventy-five percent (75%).

(d) Nothing in this section alters the eligibility requirements for the renewable ready fund as provided in § 42-140.5-6.

SECTION 3. This act shall take effect upon passage.

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EXPLANATION

BY THE LEGISLATIVE COUNCIL

OF

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This act would establish that a renewable energy resource shall pay five dollars ($5.00) per kilowatt of alternating current nameplate capacity for tangible property and three dollars and fifty cents ($3.50) per kilowatt of alternating nameplate capacity for real property. This act would also amend the Renewable Ready Program to establish a renewable energy resource proposed on a previously contaminated property as a by-right, permitted use under the zoning code for the municipality in which the renewable energy resource is located, would be considered consistent with the municipality's comprehensive plan as well as to have no significant negative environmental impacts pursuant to § 45-23-60.

This act would take effect upon passage.

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