

2025 -- S 1116 SUBSTITUTE A

LC002980/SUB A

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2025

A N A C T

RELATING TO TAXATION -- LEVY AND ASSESSMENT OF LOCAL TAXES

Introduced By: Senator Jacob Bissaillon

Date Introduced: May 23, 2025

Referred To: Senate Housing & Municipal Government

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 44-5-2, 44-5-11.8, 44-5-11.18 and 44-5-12 of the General Laws in
2 Chapter 44-5 entitled "Levy and Assessment of Local Taxes" are hereby amended to read as
3 follows:

4 **44-5-2. Maximum levy.**

5 (a) Through and including its fiscal year 2007, a city or town may levy a tax in an amount
6 not more than five and one-half percent (5.5%) in excess of the amount levied and certified by that
7 city or town for the prior year. Through and including its fiscal year 2007, but in no fiscal year
8 thereafter, the amount levied by a city or town is deemed to be consistent with the five and one-
9 half percent (5.5%) levy growth cap if the tax rate is not more than one hundred and five and one-
10 half percent (105.5%) of the prior year's tax rate and the budget resolution or ordinance, as
11 applicable, specifies that the tax rate is not increasing by more than five and one-half percent (5.5%)
12 except as specified in subsection (c) of this section. In all years when a revaluation or update is not
13 being implemented, a tax rate is deemed to be one hundred five and one-half percent (105.5%) or
14 less of the prior year's tax rate if the tax on a parcel of real property, the value of which is unchanged
15 for purpose of taxation, is no more than one hundred five and one-half percent (105.5%) of the
16 prior year's tax on the same parcel of real property. In any year through and including fiscal year
17 2007 when a revaluation or update is being implemented, the tax rate is deemed to be one hundred
18 five and one-half percent (105.5%) of the prior year's tax rate as certified by the division of property
19 valuation and municipal finance in the department of revenue.

1 (b) In its fiscal year 2008, a city or town may levy a tax in an amount not more than five
2 and one-quarter percent (5.25%) in excess of the total amount levied and certified by that city or
3 town for its fiscal year 2007. In its fiscal year 2009, a city or town may levy a tax in an amount not
4 more than five percent (5%) in excess of the total amount levied and certified by that city or town
5 for its fiscal year 2008. In its fiscal year 2010, a city or town may levy a tax in an amount not more
6 than four and three-quarters percent (4.75%) in excess of the total amount levied and certified by
7 that city or town in its fiscal year 2009. In its fiscal year 2011, a city or town may levy a tax in an
8 amount not more than four and one-half percent (4.5%) in excess of the total amount levied and
9 certified by that city or town in its fiscal year 2010. In its fiscal year 2012, a city or town may levy
10 a tax in an amount not more than four and one-quarter percent (4.25%) in excess of the total amount
11 levied and certified by that city or town in its fiscal year 2011. In its fiscal year 2013 and in each
12 fiscal year thereafter, a city or town may levy a tax in an amount not more than four percent (4%)
13 in excess of the total amount levied and certified by that city or town for its previous fiscal year.
14 For purposes of this levy calculation, taxes levied pursuant to chapters 34 and 34.1 of this title shall
15 not be included. For FY 2018, in the event that a city or town, solely as a result of the exclusion of
16 the motor vehicle tax in the new levy calculation, exceeds the property tax cap when compared to
17 FY 2017 after taking into account that there was a motor vehicle tax in FY 2017, said city or town
18 shall be permitted to exceed the property tax cap for the FY 2018 transition year, but in no event
19 shall it exceed the four percent (4%) levy cap growth with the car tax portion included; provided,
20 however, nothing herein shall prohibit a city or town from exceeding the property tax cap if
21 otherwise permitted pursuant to subsection (d) of this section.

22 (c) The division of property valuation in the department of revenue shall monitor city and
23 town compliance with this levy cap, issue periodic reports to the general assembly on compliance,
24 and make recommendations on the continuation or modification of the levy cap on or before
25 December 31, 1987, December 31, 1990, and December 31, every third year thereafter. The chief
26 elected official in each city and town shall provide to the division of property and municipal finance
27 within thirty (30) days of final action, in the form required, the adopted tax levy and rate and other
28 pertinent information.

29 (d) The amount levied by a city or town may exceed the percentage increase as specified
30 in subsection (a) or (b) of this section if the city or town qualifies under one or more of the following
31 provisions:

32 (1) The city or town forecasts or experiences a loss in total non-property tax revenues and
33 the loss is certified by the department of revenue.

34 (2) The city or town experiences or anticipates an emergency situation, which causes or

1 will cause the levy to exceed the percentage increase as specified in subsection (a) or (b) of this
2 section. In the event of an emergency or an anticipated emergency, the city or town shall notify the
3 auditor general who shall certify the existence or anticipated existence of the emergency. Without
4 limiting the generality of the foregoing, an emergency shall be deemed to exist when the city or
5 town experiences or anticipates health insurance costs, retirement contributions, or utility
6 expenditures that exceed the prior fiscal year's health insurance costs, retirement contributions, or
7 utility expenditures by a percentage greater than three (3) times the percentage increase as specified
8 in subsection (a) or (b) of this section.

9 (3) A city or town forecasts or experiences debt services expenditures that exceed the prior
10 year's debt service expenditures by an amount greater than the percentage increase as specified in
11 subsection (a) or (b) of this section and that are the result of bonded debt issued in a manner
12 consistent with general law or a special act. In the event of the debt service increase, the city or
13 town shall notify the department of revenue which shall certify the debt service increase above the
14 percentage increase as specified in subsection (a) or (b) of this section the prior year's debt service.
15 No action approving or disapproving exceeding a levy cap under the provisions of this section
16 affects the requirement to pay obligations as described in subsection (d) of this section.

17 (4) The city or town experiences substantial growth in its tax base as the result of major
18 new construction that necessitates either significant infrastructure or school housing expenditures
19 by the city or town or a significant increase in the need for essential municipal services and such
20 increase in expenditures or demand for services is certified by the department of revenue.

21 (5) In the city of Providence, for fiscal year 2026, any additional revenue generated from
22 the Class 2B rate exceeding the base Class 2A rate may exceed the maximum levy. For the purposes
23 of this subsection, "Class 2A" and "Class 2B" shall have the same meaning as in § 44-5-11.18(1)(ii).

24 (e) Any levy pursuant to subsection (d) of this section in excess of the percentage increase
25 specified in subsection (a) or (b) of this section shall be approved by the affirmative vote of at least
26 four-fifths ($\frac{4}{5}$) of the full membership of the governing body of the city or town, or in the case of a
27 city or town having a financial town meeting, the majority of the electors present and voting at the
28 town financial meeting shall also approve the excess levy.

29 (f) Nothing contained in this section constrains the payment of present or future obligations
30 as prescribed by § 45-12-1, and all taxable property in each city or town is subject to taxation
31 without limitation as to rate or amount to pay general obligation bonds or notes of the city or town
32 except as otherwise specifically provided by law or charter.

33 **44-5-11.8. Tax classification.**

34 (a) Upon the completion of any comprehensive revaluation or any update, in accordance

with § 44-5-11.6, any city or town may adopt a tax classification plan, by ordinance, with the following limitations:

(1) The designated classes of property shall be limited to the classes as defined in subsection (b) of this section.

(2) The effective tax rate applicable to any class, excluding class 4, shall not exceed by fifty percent (50%) the rate applicable to any other class, except in the city of Providence and the town of Glocester and the town of East Greenwich; however, in the year following a revaluation or statistical revaluation or update, the city or town council of any municipality may, by ordinance, adopt tax rates for the property class for all ratable tangible personal property no greater than twice the rate applicable to any other class, provided that the municipality documents to, and receives written approval from, the office of municipal affairs that the rate difference is necessary to ensure that the estimated tax levy on the property class for all ratable tangible personal property is not reduced from the prior year as a result of the revaluation or statistical revaluation.

(3) Any tax rate changes from one year to the next shall be applied such that the same percentage rate change is applicable to all classes, excluding class 4, except in the city of Providence and the town of Glocester and the town of East Greenwich.

(4) Notwithstanding subsections (a)(2) and (a)(3) of this section, the tax rates applicable to wholesale and retail inventory within Class 3 as defined in subsection (b) of this section are governed by § 44-3-29.1.

(5) The tax rates applicable to motor vehicles within Class 4, as defined in subsection (b) of this section, are governed by § 44-34.1-1 [repealed].

(6) The provisions of chapter 35 of this title relating to property tax and fiscal disclosure apply to the reporting of, and compliance with, these classification restrictions.

(b) Classes of property.

(1) Class 1: Residential real estate consisting of no more than five (5) dwelling units; land classified as open space; and dwellings on leased land including mobile homes. In the city of Providence, this class may also include residential properties containing partial commercial or business uses and residential real estate of more than five (5) dwelling units.

(i) A homestead exemption provision is also authorized within this class; provided however, that the actual, effective rate applicable to property qualifying for this exemption shall be construed as the standard rate for this class against which the maximum rate applicable to another class shall be determined, except in the town of Glocester and the city of Providence.

(ii) In lieu of a homestead exemption, any city or town may divide this class into non-owner and owner-occupied property and adopt separate tax rates in compliance with the within tax

1 rate restrictions; provided, however, that the owner-occupied rate shall be construed as the standard
2 rate for this class against which the maximum rate applicable to another class shall be determined,
3 except in the town of Glocester and the city of Providence.

4 (2) Class 2: Commercial and industrial real estate; residential properties containing partial
5 commercial or business uses; and residential real estate of more than five (5) dwelling units. In the
6 city of Providence, properties containing partial commercial or business uses and residential real
7 estate of more than five (5) dwelling units may be included in Class 1.

8 (3) Class 3: All ratable, tangible personal property.

9 (4) Class 4: Motor vehicles and trailers subject to the excise tax created by chapter 34 of
10 this title.

11 (c) The town council of the town of Glocester and the town council of the town of East
12 Greenwich may, by ordinance, provide for, and adopt, a tax rate on various classes as they shall
13 deem appropriate. Provided, that the tax rate for Class 2 shall not be more than two (2) times the
14 tax rate of Class 1 and the tax rate applicable to Class 3 shall not exceed the tax rate of Class 1 by
15 more than two hundred percent (200%). Glocester shall be able to establish homestead exemptions
16 up to fifty percent (50%) of value and the calculation provided in subsection (b)(1)(i) shall not be
17 used in setting the differential tax rates.

18 (d) Notwithstanding the provisions of subsection (a) of this section, the town council of the
19 town of Middletown may hereafter, by ordinance, adopt a tax classification plan in accordance with
20 the provisions of subsections (a) and (b) of this section, to be applicable to taxes assessed on or
21 after the assessment date of December 31, 2002.

22 (e) Notwithstanding the provisions of subsection (a) of this section, the town council of the
23 town of Little Compton may hereafter, by ordinance, adopt a tax classification plan in accordance
24 with the provisions of subsections (a) and (b) of this section and the provisions of § 44-5-79, to be
25 applicable to taxes assessed on or after the assessment date of December 31, 2004.

26 (f) Notwithstanding the provisions of subsection (a) of this section, the town council of the
27 town of Scituate may hereafter, by ordinance, change its tax assessment from fifty percent (50%)
28 of value to one hundred percent (100%) of value on residential and commercial/industrial/mixed-
29 use property, while tangible property is assessed at one hundred percent (100%) of cost, less
30 depreciation; provided, however, the tax rate for Class 3 (tangible) property shall not exceed the
31 tax rate for Class 1 (residential) property by more than two hundred thirteen percent (213%). This
32 provision shall apply whether or not the fiscal year is also a revaluation year.

33 (g) Notwithstanding the provisions of subsections (a) and (b) of this section, the town
34 council of the town of Coventry may hereafter, by ordinance, adopt a tax classification plan

1 providing that Class 1, as set forth in subsection (b) “Classes of Property” of this section, may also
2 include residential properties containing commercial or business uses, such ordinance to be
3 applicable to taxes assessed on or after the assessment date of December 31, 2014.

4 (h) Notwithstanding the provisions of subsection (a) of this section, the town council of the
5 town of East Greenwich may hereafter, by ordinance, adopt a tax classification plan in accordance
6 with the provisions of subsections (a) and (b) of this section, to be applicable to taxes assessed on
7 or after the assessment date of December 31, 2018. Further, the East Greenwich town council may
8 adopt, repeal, or modify that tax classification plan for any tax year thereafter, notwithstanding the
9 provisions of subsection (a) of this section.

10 (i) Notwithstanding the provisions of subsection (a) of this section, the town council of the
11 town of Middletown may hereafter, by ordinance, adopt a tax classification plan in accordance with
12 the provisions of subsections (a) and (b) of this section, to be applicable to taxes assessed on or
13 after the assessment date of December 31, 2022.

14 (j) Notwithstanding the provisions of subsection (a) of this section, the town council of the
15 town of New Shoreham may hereafter, by ordinance, adopt a tax classification plan in accordance
16 with the provisions of subsections (a) and (b) of this section, to be applicable to taxes assessed on
17 or after the assessment date of December 31, 2023.

18 (k) Notwithstanding the provisions of subsection (a) of this section, the town council of the
19 town of Bristol may hereafter, by ordinance, adopt a tax classification plan in accordance with the
20 provisions of subsections (a) and (b) of this section, to be applicable to taxes assessed on or after
21 the assessment date of December 31, 2023. Further, the Bristol town council may adopt, repeal, or
22 modify that tax classification plan for any tax year thereafter, notwithstanding the provisions of
23 subsection (a) of this section.

24 (l) The city council of the city of Providence may, by ordinance, provide for, and adopt, a
25 tax rate on various classes as they shall deem appropriate. Provided, that the ~~tax rate for Class 2~~
26 ~~shall not be more than two (2) times the tax rate of Class 1; that the tax rate for Class 3 shall not be~~
27 ~~more than three (3) times the tax rate of Class 1; and that the tax rate for Class 2 shall not be more~~
28 ~~than three and one half (3½) times the effective owner-occupied tax rate of Class 1, whether by~~
29 ~~homestead exemption or separate rates~~ provisions of § 44-5-11.18(4) shall apply.

30 **44-5-11.18. Tax classification — Providence.**

31 Notwithstanding any provision of § 44-5-11.8 to the contrary, the city of Providence may
32 adopt a tax classification with unrestricted tax rates by ordinance as follows:

33 (1) Classes of property.

34 (i) (A) Class 1A: Residential real estate consisting of one dwelling unit.

1 ~~(A)~~(B) Class 1~~A~~B: Residential real estate consisting of ~~fewer than six (6)~~ two (2) to five
2 (5) dwelling units; land classified as open space; and dwellings on leased land including mobile
3 homes.

4 ~~(B)~~(C) Class 1~~B~~C: Residential real estate consisting of six (6) to ten (10) dwelling units.

5 ~~(C)~~(D) Class 1~~C~~D: Residential real estate of more than ten (10) dwelling units.

6 (ii)(A) Class 2A: Commercial ~~I and industrial~~ real estate, as defined by the Providence tax
7 assessor on an annual basis.

8 (B) Class 2B: Commercial II real estate, as defined by the Providence tax assessor on an
9 annual basis.

10 (iii) Class 3: Properties containing partial residential and commercial or business uses. The
11 city is authorized to adopt a tax rate for this class or to apply the appropriate residential tax rate to
12 the residential portion of the property and the commercial rate to the commercial portion of the
13 property. The city may apportion property by square footage, by number of units, or by any other
14 reasonable and consistent manner.

15 (iv) Class 4: All ratable, tangible personal property.

16 (2) A homestead exemption is also authorized within ~~Class~~ Classes 1A and 1B. In lieu of
17 a homestead exemption, the city of Providence may divide ~~Class~~ Classes 1A and 1B into non-owner
18 and owner-occupied property and adopt separate tax rates.

19 (3) In any tax year after the first in which the city of Providence adopts such a tax
20 classification, the city council of the city of Providence may by ordinance change the number of
21 dwelling units to be included in Class 1A, Class 1B, ~~and~~ Class 1C, and Class 1D.

22 (4) The tax rate for Class 2A shall not be more than two (2) times the base tax rate of Class
23 1A; and the tax rate for Class 2A shall not be more than three and one-half (3½) times the effective
24 owner-occupied tax rate of Class 1A, whether by homestead exemption or separate rates. The tax
25 rate for Class 2B shall not be more than one and one-half (1.5) times the tax rate for Class 2A.

26 There shall be no further differential tax rate limits for a tax classification adopted pursuant to this
27 section.

28 **44-5-12. Assessment at full and fair cash value.**

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

33 (1) Any residential property encumbered by a covenant recorded in the land records in
34 favor of a governmental unit or the Rhode Island housing and mortgage finance corporation

1 restricting either or both the rents that may be charged or the incomes of the occupants shall be
2 assessed and taxed in accordance with § 44-5-13.11;

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

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

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

25 (5) Tangible property shall be assessed according to the asset classification table as defined
26 in § 44-5-12.1. Renewable energy resources shall only be taxed as tangible property under § 44-5-
27 3(c) and the real property on which they are located shall not be reclassified, revalued, or reassessed
28 due to the presence of renewable energy resources, excepting only reclassification of farmland as
29 addressed in § 44-27-10.1. Subject to the aforementioned exception for farmland, all assessments
30 of real property with renewable energy resources thereon shall revert to the last assessed value
31 immediately prior to the renewable developer’s purchasing, leasing, securing an option to purchase
32 or lease, or otherwise acquiring any interest in the real property. However, notwithstanding the
33 above, but without any limitation on taxpayer rights under § 44-5-26, no municipality shall be liable
34 or otherwise responsible for any rebates, refunds, or any other reimbursements for taxes previously

1 collected for real property with renewable energy resources thereupon.

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

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

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

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

26 (7) The office of energy resources shall promulgate regulations for the determination of
27 full and fair cash value for facilities for the generation of electricity from natural gas designed or
28 capable of operating at a gross capacity of forty megawatts (40 MW) or more. Such regulations
29 shall take effect beginning in fiscal year 2027.

30 (b) Municipalities shall make available to every land owner whose property is taxed under
31 the provisions of this section a document that may be signed before a notary public containing
32 language to the effect that they are aware of the additional taxes imposed by the provisions of § 44-
33 5-39 in the event that they use land classified as farm, forest, or open space land for another purpose.

34 (c) Pursuant to the provisions of § 44-3-29.1, all wholesale and retail inventory subject to

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

6 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO TAXATION -- LEVY AND ASSESSMENT OF LOCAL TAXES

- 1 This act would adopt a new tax classification system for the city of Providence.
- 2 This act would take effect upon passage.

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