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LC002285

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2023

A N A C T

RELATING TO TAXATION -- LEVY AND ASSESSMENT OF LOCAL TAXES

Introduced By: Senator Samuel D. Zurier

Date Introduced: March 30, 2023

Referred To: Senate Finance

(Dept. of Revenue)

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-5-2 of the General Laws in Chapter 44-5 entitled "Levy and
2 Assessment of Local Taxes" is hereby amended to read as follows:

3 **44-5-2. Maximum levy.**

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

19 (b)(1) In its fiscal year 2008, a city or town may levy a tax in an amount not more than five

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

21 (2) Notwithstanding any provisions of the general or public laws to the contrary, in its fiscal
22 year applicable to the assessment date of December 31, 2024 (the "initial fiscal year of inclusion"),
23 and in each fiscal year thereafter, a city or town shall also include in its levy calculation all amounts
24 received for any property pursuant to a payment in lieu of tax agreement, a tax treaty agreement, a
25 tax stabilization agreement, a memorandum of understanding, or any other similar agreement,
26 whether such agreements are required to be entered into pursuant to law or are entered into
27 voluntarily. For the initial fiscal year of inclusion and each fiscal year thereafter, a city or town
28 shall provide to the division of municipal finance the total levy amount received pursuant to such
29 agreements prior to the approval of its budget. For the initial fiscal year of inclusion, in the event
30 that a city or town, solely as a result of the inclusion of such amounts in the new levy calculation,
31 exceeds the property tax cap when compared to its fiscal year preceding the initial fiscal year of
32 inclusion, said city or town shall be permitted to exceed the percentage increase as specified in
33 subsection (a) or (b)(1) of this section for the initial fiscal year of inclusion; provided, however,
34 nothing herein shall prohibit a city or town from exceeding the property tax cap if otherwise

1 [permitted pursuant to subsection \(d\) of this section](#)

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

9 (d) The amount levied by a city or town may exceed the percentage increase as specified
10 in subsection (a) or (b)[\(1\)](#) of this section if the city or town qualifies under one or more of the
11 following provisions:

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

14 (2) The city or town experiences or anticipates an emergency situation, which causes or
15 will cause the levy to exceed the percentage increase as specified in subsection (a) or (b)[\(1\)](#) of this
16 section. In the event of an emergency or an anticipated emergency, the city or town shall notify the
17 auditor general who shall certify the existence or anticipated existence of the emergency. Without
18 limiting the generality of the foregoing, an emergency shall be deemed to exist when the city or
19 town experiences or anticipates health insurance costs, retirement contributions, or utility
20 expenditures that exceed the prior fiscal year's health insurance costs, retirement contributions, or
21 utility expenditures by a percentage greater than three (3) times the percentage increase as specified
22 in subsection (a) or (b)[\(1\)](#) of this section.

23 (3) A city or town forecasts or experiences debt services expenditures that exceed the prior
24 year's debt service expenditures by an amount greater than the percentage increase as specified in
25 subsection (a) or (b)[\(1\)](#) of this section and that are the result of bonded debt issued in a manner
26 consistent with general law or a special act. In the event of the debt service increase, the city or
27 town shall notify the department of revenue which shall certify the debt service increase above the
28 percentage increase as specified in subsection (a) or (b)[\(1\)](#) of this section the prior year's debt
29 service. No action approving or disapproving exceeding a levy cap under the provisions of this
30 section affects the requirement to pay obligations as described in subsection ~~(e)~~[\(f\)](#) of this section.

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

1 (e) Any levy pursuant to subsection (d) of this section in excess of the percentage increase
2 specified in subsection (a) or (b)(1) of this section shall be approved by the affirmative vote of at
3 least four-fifths ($\frac{4}{5}$) of the full membership of the governing body of the city or town, or in the case
4 of a city or town having a financial town meeting, the majority of the electors present and voting
5 at the town financial meeting shall also approve the excess levy.

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

10 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 amend the general law relative to levy and assessment of local taxes to
2 require that, starting on the assessment date directly following the passage of the bill, all existing
3 and future tax treaties, tax stabilization agreements, and/or payments in lieu of taxes be included in
4 a municipality's property tax levy. A one-year exemption from the four percent (4%) property tax
5 levy cap shall be provided to all municipalities where the inclusion of such agreements would result
6 in a property tax levy increase greater than four percent (4%), but no exemption shall be granted
7 on future agreements.

8 This act would take effect upon passage.

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