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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2017

A N A C T

RELATING TO TAXATION -- EXCISE ON MOTOR VEHICLES AND TRAILERS

Introduced By: Senators Ruggerio, McCaffrey, Goodwin, Conley, and Lynch Prata

Date Introduced: August 01, 2017

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-34.1-2 of the General Laws in Chapter 44-34.1 entitled "Motor
2 Vehicle and Trailer Excise Tax Elimination Act of 1998" is hereby amended to read as follows:

3 **44-34.1-2. City and town and fire district reimbursement.**

4 (a) In fiscal years 2000 and thereafter, cities and towns and fire districts shall receive
5 reimbursements, as set forth in this section, from state general revenues equal to the amount of
6 lost tax revenue due to the phase out or reduction of the excise tax. Cities and towns and fire
7 districts shall receive advance reimbursements through state fiscal year 2002. In the event the tax
8 is phased out, cities and towns and fire districts shall receive a permanent distribution of sales tax
9 revenue pursuant to § 44-18-18 in an amount equal to any lost revenue resulting from the excise
10 tax elimination. Lost revenues must be determined using a base tax rate fixed at fiscal year 1998
11 levels for each city, town, and fire district, except that the Town of Johnston's base tax rate must
12 be fixed at a fiscal year 1999 level. Provided, however, for fiscal year 2011 and thereafter, the
13 base tax rate may be less than but not more than the rates described in this subsection (a).

14 (b) (1) The director of administration shall determine the amount of general revenues to
15 be distributed to each city and town and fire district for the fiscal years 1999 and thereafter so that
16 every city and town and fire district is held harmless from tax loss resulting from this chapter,
17 assuming that tax rates are indexed to inflation through fiscal year 2003.

18 (2) The director of administration shall index the tax rates for inflation by applying the
19 annual change in the December Consumer Price Index -- All Urban Consumers (CPI-U),

1 published by the Bureau of Labor Statistics of the United States Department of Labor, to the
2 indexed tax rate used for the prior fiscal year calculation; provided, that for state reimbursements
3 in fiscal years 2004 and thereafter, the indexed tax rate shall not be subject to further CPI-U
4 adjustments. The director shall apply the following principles in determining reimbursements:

5 (i) Exemptions granted by cities and towns and fire districts in the fiscal year 1998 must
6 be applied to assessed values prior to applying the exemptions in § 44-34.1-1(c)(1). Cities and
7 towns and fire districts will not be reimbursed for these exemptions.

8 (ii) City, town, and fire districts shall be reimbursed by the state for revenue losses
9 attributable to the exemptions provided for in § 44-34.1-1 and the inflation indexing of tax rates
10 through fiscal 2003. Reimbursement for revenue losses shall be calculated based upon the
11 difference between the maximum taxable value less personal exemptions and the net assessed
12 value.

13 (iii) Inflation reimbursements shall be the difference between:

14 (A) The levy calculated at the tax rate used by each city and town and fire district for
15 fiscal year 1998 after adjustments for personal exemptions but prior to adjustments for
16 exemptions contained in § 44-34.1-1(c)(1); provided, that for the town of Johnston the tax rate
17 used for fiscal year 1999 must be used for the calculation; and

18 (B) The levy calculated by applying the appropriate cumulative inflation adjustment
19 through state fiscal 2003 to the tax rate used by each city and town and fire district for fiscal year
20 1998; provided, that for the town of Johnston the tax rate used for fiscal year 1999 shall be used
21 for the calculation after adjustments for personal exemptions but prior to adjustments for
22 exemptions contained in § 44-34.1-1.

23 (3) For fiscal year 2018 and thereafter, each city, town and fire district shall tax motor
24 vehicles and trailers pursuant to chapter 34 of title 44 using the same motor vehicle and trailer
25 excise tax calculation methodology that was employed for fiscal year 2017, where motor vehicle
26 and trailer excise tax calculation methodology refers to the application of specific tax practices
27 and the order of operations in the determination of the tax levied on any given motor vehicle
28 and/or trailer.

29 (4) Each city, town and fire district shall report to the department of revenue, as part of
30 the submission of the certified tax levy pursuant to §44-5-22, the motor vehicle and trailer excise
31 tax calculation methodology that was employed for fiscal year 2017. For fiscal year 2018 and
32 thereafter, the department of revenue is authorized to confirm that each city, town or fire district
33 has used the same motor vehicle and trailer excise tax methodology as was used in fiscal year
34 2017 and the department of revenue shall have the final determination as to whether each city,

1 town or fire district has in fact complied with this requirement. Should the department of revenue
2 determine that a city, town or fire district has failed to cooperate or comply with the requirement
3 in this section, the city, town or fire district's reimbursement for the items noted in §§44-34.1-
4 2(c)(13)(i) through (c)(13)(iv) shall be withheld until such time as the department of revenue
5 deems the city, town or fire district to be in compliance.

6 (5) For purposes of reimbursement for the items noted in §§44-34.1-2(c)(13)(i) through
7 (c)(13)(iv), the FY 2018 baseline from which the reimbursement amount shall be calculated is
8 defined as the motor vehicle and trailer excise tax levy that would be generated by applying the
9 fiscal year 2017 motor vehicle and trailer excise tax calculation methodology to the assessed
10 value of motor vehicles and trailers as of fiscal year 2017. The amount of reimbursement that
11 each city, town or fire district receives shall be the difference between the FY 2018 baseline and
12 the certified motor vehicle and trailer excise tax levy as submitted by each city, town and fire
13 district as confirmed by the department of revenue. The department of revenue shall determine
14 the reimbursement amount for each city, town and fire district.

15 (6) For fiscal year 2020 and thereafter, the department of revenue shall assess the
16 feasibility of standardizing the motor vehicle and trailer excise tax calculation methodology
17 across all cities, towns and fire departments. Based on this assessment, the department of revenue
18 may make recommendations for changes to the motor vehicle and trailer excise tax calculation
19 methodology ~~as well as other provisions related to the taxation of motor vehicles and trailers.~~

20 [Beginning on January 1, 2021, the Director of the Department of Revenue shall file an](#)
21 [annual report for the consideration of the General Assembly with the President of the Senate,](#)
22 [Speaker of the House, Chairperson of the Senate Committee on Finance and Chairperson of the](#)
23 [House committee on Finance, containing recommendations and findings as to the feasibility of](#)
24 [the motor vehicle excise tax phase-out in each year until the phase-out is complete.](#)

25 (c)(1) Funds shall be distributed to the cities and towns and fire districts as follows:

26 (i) On October 20, 1998, and each October 20 thereafter through October 20, 2001,
27 twenty-five percent (25%) of the amount calculated by the director of administration to be the
28 difference for the upcoming fiscal year.

29 (ii) On February 20, 1999, and each February 20 thereafter through February 20, 2002,
30 twenty-five percent (25%) of the amount calculated by the director of administration to be the
31 difference for the upcoming fiscal year.

32 (iii) On June 20, 1999, and each June 20 thereafter through June 20, 2002, fifty percent
33 (50%) of the amount calculated by the director of administration to be the difference for the
34 upcoming fiscal year.

1 (iv) On August 1, 2002, and each August 1 thereafter, twenty-five percent (25%) of the
2 amount calculated by the director of administration to be the difference for the current fiscal year.

3 (v) On November 1, 2002, and each November 1 thereafter, twenty-five percent (25%) of
4 the amount calculated by the director of administration to be the difference for the current fiscal
5 year.

6 (vi) On February 1, 2003, and each February 1 thereafter, twenty-five percent (25%) of
7 the amount calculated by the director of administration to be the difference for the current fiscal
8 year.

9 (vii) On May 1, 2003, and each May 1 thereafter, except May 1, 2010, twenty-five
10 percent (25%) of the amount calculated by the director of administration to be the difference for
11 the current fiscal year.

12 (viii) On June 15, 2010, twenty-five percent (25%) of the amount calculated by the
13 director of administration to be the difference for the current fiscal year.

14 Provided, however, the February and May payments, and June payment in 2010, shall be
15 subject to submission of final certified and reconciled motor vehicle levy information.

16 (2) Each city, town, or fire district shall submit final certified and reconciled motor
17 vehicle levy information by August 30 of each year. Any adjustment to the estimated amounts
18 paid in the previous fiscal year shall be included or deducted from the payment due November 1.

19 (3) On any of the payment dates specified in paragraphs (1)(i) through (vii) of this
20 subsection, the director is authorized to deduct previously made over-payments or add
21 supplemental payments as may be required to bring the reimbursements into full compliance with
22 the requirements of this chapter.

23 (4) For the city of East Providence, the payment schedule is twenty-five percent (25%) on
24 February 20, 1999, and each February 20 thereafter through February 20, 2002, twenty-five
25 percent (25%) on June 20, 1999, and each June 20 thereafter through June 20, 2002, which
26 includes final reconciliation of the previous year's payment, and fifty percent (50%) on October
27 20, 1999, and each October 20 thereafter through October 20, 2002. For local fiscal years 2003
28 and thereafter, the payment schedule is twenty-five percent (25%) on each November 1, twenty-
29 five percent (25%) on each February 1, twenty-five percent (25%) on each May 1, which includes
30 final reconciliation of the previous year's payment, and twenty-five percent (25%) on each
31 August 1; provided, the May and August payments shall be subject to submission of final
32 certified and reconciled motor vehicle levy information.

33 (5) When the tax is phased out, funds distributed to the cities, towns, and fire districts for
34 the following fiscal year shall be calculated as the funds distributed in the fiscal year of the phase-

1 out. Twenty-five percent (25%) of the amounts calculated shall be distributed to the cities and
2 towns and fire districts on August 1, in the fiscal year of the phase-out, twenty-five percent (25%)
3 on the following November 1, twenty-five percent (25%) on the following February 1, and
4 twenty-five percent (25%) on the following May 1. The funds shall be distributed to each city and
5 town and fire district in the same proportion as distributed in the fiscal year of the phase-out.

6 (6) When the tax is phased out to August 1, of the following fiscal year the director of
7 revenue shall calculate to the nearest thousandth of one cent (\$0.00001) the number of cents of
8 sales tax received for the fiscal year ending June 30, of the year following the phase-out equal to
9 the amount of funds distributed to the cities, towns, and fire districts under this chapter during the
10 fiscal year following the phase-out and the percent of the total funds distributed in the fiscal year
11 following the phase-out received by each city, town, and fire district, calculated to the nearest
12 one-hundredth of one percent (0.01%). The director of the department of revenue shall transmit
13 those calculations to the governor, the speaker of the house, the president of the senate, the
14 chairperson of the house finance committee, the chairperson of the senate finance committee, the
15 house fiscal advisor, and the senate fiscal advisor. The number of cents, applied to the sales taxes
16 received for the prior fiscal year, shall be the basis for determining the amount of sales tax to be
17 distributed to the cities and towns and fire districts under this chapter for the second fiscal year
18 following the phase-out and each year thereafter. The cities and towns and fire districts shall
19 receive that amount of sales tax in the proportions calculated by the director of revenue as that
20 received in the fiscal year following the phase-out.

21 (7) When the tax is phased out, twenty-five percent (25%) of the funds shall be
22 distributed to the cities, towns, and fire districts on August 1, of the following fiscal year and
23 every August 1 thereafter; twenty-five percent (25%) shall be distributed on the following
24 November 1, and every November 1 thereafter; twenty-five percent (25%) shall be distributed on
25 the following February 1, and every February 1 thereafter; and twenty-five percent (25%) shall be
26 distributed on the following May 1, and every May 1 thereafter.

27 (8) For the city of East Providence, in the event the tax is phased out, twenty-five percent
28 (25%) shall be distributed on November 1, of the following fiscal year and every November 1
29 thereafter, twenty-five percent (25%) shall be distributed on the following February 1, and every
30 February 1 thereafter; twenty-five percent (25%) shall be distributed on the following May 1, and
31 every May 1 thereafter; and twenty-five percent (25%) of the funds shall be distributed on the
32 following August 1, and every August 1 thereafter.

33 (9) As provided for in § 44-34-6, the authority of fire districts to tax motor vehicles is
34 eliminated effective with the year 2000 tax roll and the state reimbursement for fire districts shall

1 be based on the provisions of § 44-34-6. All references to fire districts in this chapter do not apply
2 to the year 2001 tax roll and thereafter.

3 (10) For reimbursements payable in the year ending June 30, 2008 and thereafter, the
4 director of administration shall discount the calculated value of the exemption to ninety-eight
5 percent (98%) in order to establish a collection rate that is comparable to the collection rate
6 achieved by municipalities in the levy of the motor vehicle excise tax.

7 (11) For reimbursements payable in the year ending June 30, 2010, the director of
8 administration shall reimburse cities and towns eighty-eight percent (88%) of the reimbursements
9 payable pursuant to subdivision (c)(10) above.

10 (12) For fiscal year 2011 through to June 30, 2017, the state shall reimburse cities and
11 towns for the exemption pursuant to subsection (c)(10) above, ratably reduced to the
12 appropriation.

13 (13) For fiscal year 2018 and thereafter, each city, town and fire district shall receive a
14 reimbursement equal to the amount received in fiscal year 2017 plus an amount equal to the
15 reduction from the FY 2018 baseline, as defined in subsection (b)(5) of this section, resulting
16 from changes in:

17 (i) The assessment percentage set forth in §44-34-11(c)(1)(iii);

18 (ii) The excise tax rate set forth in §44-34.1-1(c)(5);

19 (iii) Exemptions set forth in §44-34.1-1(c)(1); and

20 (iv) Exemptions for vehicles more than fifteen (15) years old as set forth in §44-34-2.

21 (14) In the event any city, town, or fire district sent out or sends out tax bills for fiscal
22 year 2018, which do not conform with the requirements of this act, the city, town, or fire district
23 shall ensure that the tax bills for fiscal year 2018 are adjusted or an abatement is issued to
24 conform to the requirements of this act.

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

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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RELATING TO TAXATION -- EXCISE ON MOTOR VEHICLES AND TRAILERS

1 This act would require the Director of the Department of Revenue to file annual reports,
2 beginning on January 1, 2021 for the consideration of the General Assembly with the President of
3 the Senate, Speaker of the House, Chairperson of the Senate Committee on Finance and
4 Chairperson of the House committee on Finance containing recommendations and findings as to
5 the feasibility of the motor vehicle excise tax phase-out in each year until the phase-out is
6 complete.

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