

2025 -- S 1091

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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: Senators Bissaillon, and Burke

Date Introduced: May 23, 2025

Referred To: Senate Housing & Municipal Government

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 (c) of this section. In all years when a revaluation or update is not
12 being implemented, a tax rate is deemed to be one hundred five and one-half percent (105.5%) or
13 less of the prior year's tax rate if the tax on a parcel of real property, the value of which is unchanged
14 for purpose of taxation, is no more than one hundred five and one-half percent (105.5%) of the
15 prior year's tax on the same parcel of real property. In any year through and including fiscal year
16 2007 when a revaluation or update is being implemented, the tax rate is deemed to be one hundred
17 five and one-half percent (105.5%) of the prior year's tax rate as certified by the division of property
18 valuation and municipal finance in the department of revenue.
- 19 (b) 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 (c) The division of property valuation in the department of revenue shall monitor city and
22 town compliance with this levy cap, issue periodic reports to the general assembly on compliance,
23 and make recommendations on the continuation or modification of the levy cap on or before
24 December 31, 1987, December 31, 1990, and December 31, every third year thereafter. The chief
25 elected official in each city and town shall provide to the division of property and municipal finance
26 within thirty (30) days of final action, in the form required, the adopted tax levy and rate and other
27 pertinent information.

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

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

33 (2) The city or town experiences or anticipates an emergency situation, which causes or
34 will cause the levy to exceed the percentage increase as specified in subsection (a) or (b) of this

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

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

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

20 (5) Effective for tax assessment dated on or after December 31, 2025, and subject to all
21 requirements set forth in this section, the taxes levied on new housing units added to the municipal
22 tax base during a fiscal year may exceed the maximum levy. For the purposes of this subsection,
23 subject to the qualifying requirements below, new housing units shall include newly constructed
24 residential properties, meaning single-family homes, two-family homes, single-family attached
25 structures, multi-family dwellings, mixed-use developments where residential units constitute at
26 least fifty percent (50%) of the building's total square footage as well as existing buildings
27 converted into residential housing units qualifying under adaptive reuse in § 45-24-37; provided
28 such conversions meet all applicable zoning and building code requirements and increase the
29 municipality's total housing stock. New construction shall also include modular and manufactured
30 homes. This provision shall apply provided that:

31 (i) A city or town has issued over ten (10) certificates of occupancy for new housing units
32 during the fiscal year in which the exemption is sought; and

33 (ii) Such units are part of a development project that includes at least ten percent (10%) of
34 the units designated as low- or moderate-income housing as defined in §§ 45-53-3 and 42-128-8.1;

1 and

2 (iii) Such units are taxed utilizing the same valuation methods and rates as similar units in
3 the respective city or town; and

4 (iv) The taxes levied on these qualifying new housing units may only exceed the maximum
5 levy for the fiscal year in which the certificate of occupancy is issued and two (2) fiscal years
6 thereafter in which the municipality shall phase in the full taxes for these units into the maximum
7 levy by the fourth fiscal year following the issuance of a certificate of occupancy for the new
8 housing unit(s).

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

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

18 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 provisions under which a city or town may exceed the maximum
- 2 levy for the assessment of local taxes.
- 3 This act would take effect upon passage.

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