



Memorandum

To: Finance Directors and Tax Assessors of Rhode Island Cities, Towns, and Fire Districts

From: Paul L. Dion, Ph.D. 
Chief, Office of Revenue Analysis

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Chief, Division of Municipal Finance

Date: September 8, 2017

Subject: Distribution of Motor Vehicle Excise Tax Reimbursement Aid

The purpose of this memorandum is to provide the cities, towns, and fire districts with guidance regarding the delivery of tax relief and the receipt of reimbursement aid as required by Article 11 of 2017 H-5175 Substitute A as amended which was signed into law by Governor Raimondo on August 3, 2017. This memorandum will address the delivery of tax relief and the receipt of reimbursement aid separately with the understanding that these two elements are interdependent.

Delivery of Motor Vehicle and Trailer Excise Tax Relief

The Department of Revenue's (DOR) interpretation of the intent of Article 11 Substitute A as amended (Article 11) is that the motor vehicle and trailer excise tax phase-out is to deliver realized tax relief to affected taxpayers in FY 2018.

Two Methods for Delivering FY 2018 Motor Vehicle Excise Tax Relief

- For taxpayers who have a final negative balance on their motor vehicle excise tax account as a result of the implementation of Article 11, a check in the amount of the overpayment should be issued.
 - Any taxpayer who paid their motor vehicle excise tax bill in full, in a single installment should have the difference between the amount paid and the amount owed under Article 11 refunded to them via check.
 - Any taxpayer who owns a motor vehicle or trailer that becomes exempt and thus owes no tax as a result of the enactment of Article 11, will have all motor vehicle excise tax amounts paid refunded to them via check and all outstanding motor vehicle excise tax amounts owed forgiven.
- For taxpayers who received a FY 2018 motor vehicle and trailer excise tax bill, including payment coupons, that was issued under the law that existed *prior* to passage of Article 11, and such motor vehicle or trailer is still subject to tax under Article 11, a new FY 2018 motor vehicle and trailer excise tax bill, including payment coupons, should be issued

reflecting the implementation of Article 11 and any tax payments made in excess of the amount due under Article 11 should be applied to any outstanding balance. The motor vehicle excise tax reduction should be divided evenly among all four coupons or evenly among the remaining outstanding coupons.

- A taxpayer who received a motor vehicle excise tax bill of say \$300 under the law that existed prior to the passage of Article 11 would have received four quarterly payment coupons of \$75. If, as a result of the passage of Article 11, the taxpayer's motor vehicle excise tax bill fell to \$240, the city, town or fire district would issue a new motor vehicle excise tax bill.
 - If the taxpayer, for example, had made their first quarterly payment of \$75 prior to receiving their Article 11 compliant motor vehicle excise tax bill, then the city, town or fire district would issue an Article 11 compliant motor vehicle excise tax bill of \$240 with a balance due of \$165 and three payment coupons of \$55 each.
- For taxpayers who received only an Article 11 compliant FY 2018 motor vehicle excise tax bill, no further action is required of the city, town or fire district.

Other Potential Options

DOR understands that there are other potential options for delivering motor vehicle excise tax relief available to municipalities that are in addition to the two recommended options noted above. These options may be acceptable methods for delivering motor vehicle excise tax relief provided that all FY 2018 motor vehicle excise tax relief is, in fact, realized by taxpayers in FY 2018. DOR will support the use of the amount of FY 2018 motor vehicle excise tax relief to offset a taxpayer's prior fiscal year motor vehicle excise tax liability. It should be noted that, in general, motor vehicle and trailer excise tax reimbursement aid will not be paid to a city, town or fire district prior to the delivery of tax relief to taxpayers.

Tax Credits

DOR does not consider providing a tax credit equal to the amount of FY 2018 motor vehicle excise tax relief against future (FY 2019 or later) motor vehicle excise tax liabilities to be tax relief that is realized by the taxpayer in FY 2018. Such a practice would be inconsistent with the intent of Article 11. Cities, towns or fire districts that engage in this practice will NOT receive any further motor vehicle and trailer excise tax reimbursement aid in FY 2018. DOR will not support using the amount of FY 2018 motor vehicle excise tax relief as a credit against FY 2018 real estate and/or tangible personal property tax liabilities.

Payment of Motor Vehicle and Trailer Excise Tax Reimbursement Aid

By this time, each city and town has received motor vehicle and trailer excise tax reimbursement aid in an amount equal to the amount received in FY 2017.¹ DOR anticipates making motor vehicle excise tax reimbursement aid payments on the following schedule:

¹ East Providence will commence their motor vehicle and trailer excise tax phase-out in state FY 2019 and thus will receive their motor vehicle excise tax phase-out reimbursement during that period. Further analysis of the alignment of local fiscal years to assessment dates and state fiscal years is necessary for DOR to determine the implementation schedule applicable to the fire districts.

- November 1, 2017: Each city, town and fire district receives a motor vehicle excise tax reimbursement aid payment that brings its year-to-date aid received up to 50 percent of the total FY 2018 aid due the city or town;
- February 1, 2018: Each city, town and fire district receives a motor vehicle excise tax reimbursement aid payment that brings its year-to-date aid received up to 75 percent of the total FY 2018 aid due the city or town;
- May 1, 2018: Each city, town and fire district receives a motor vehicle excise tax reimbursement aid payment that brings its year-to-date aid received up to 100 percent of the total FY 2018 aid due the city or town.

In order to meet this timetable, DOR requires certain data files with vehicle registration-level data from each city, town and fire district. DOR will NOT make reimbursement payments without these files being delivered with enough time for DOR to perform its statutory obligations.

FILE 1: FY 2017 Reimbursement File

Article 11 requires DOR to confirm “that each city, town or fire district has used the same motor vehicle and trailer excise tax methodology as was used in fiscal year 2017” where motor vehicle and trailer excise tax methodology is defined as “the application of specific tax practices and the order of operations in the determination of the tax levied on any given motor vehicle and/or trailer.” DOR has requested a FY 2017 reimbursement file (FILE 1) with vehicle registration-level data corresponding to the FY 2017 tax levy from each city, town and fire district in order to meet this obligation. It is imperative that this file include the tax amount for each vehicle.

FILE 2: FY 2018 “Baseline” File

DOR has requested from each city, town or fire district a FY 2018 “Baseline” file (FILE 2) with vehicle registration-level data corresponding to a FY 2018 tax levy that would have been calculated *had Article 11 not passed*. Again, it is imperative that this file include the tax amount for each vehicle. DOR will use the tax calculation methodology derived from the FY 2017 Reimbursement file (FILE 1) and apply it to each city, town or fire district’s motor vehicle and trailer data as of the 12/31/2016 date of assessment disregarding the provisions contained in Article 11. DOR will then compare the tax amount it calculates using the FY 2017 tax calculation methodology on the FY 2018 “Baseline” file to the tax amount submitted by the city, town or fire district to confirm that the calculation methodology has not changed between FY 2017 and FY 2018. The result of this process is the permanent creation of the FY 2018 Baseline motor vehicle and trailer excise tax levy for each city, town or fire district. **It is important that the FY 2018 Baseline for each city, town and fire district be accurate as it serves as the reference point for all future motor vehicle excise tax phase-out reimbursement aid payments.**

FILE 3: FY 2018 Reimbursement File

Finally, in order to determine the actual amount of reimbursement aid a city, town or fire district will receive, DOR needs the FY 2018 reimbursement file (FILE 3) with vehicle registration-level data that corresponds with the FY 2018 tax levy calculated under the provisions contained in Article 11. Once again, it is imperative that this file include the tax amount for each vehicle. DOR will recalculate the tax amounts for each vehicle registration record listed in each city, town or fire district’s FY 2018 reimbursement file as well as perform other quality control checks to confirm that all cities, towns, and fire districts employed the same tax calculation methodology in FY 2018

as was used in FY 2017. DOR will then apply the provisions mandated by Article 11. If DOR finds any discrepancies that indicate a city, town, or fire district may not be in compliance with Article 11, then DOR will contact the city, town or fire district to reconcile the differences. If the FY 2018 reimbursement file is found to be calculated in compliance with Article 11, then DOR will issue a confirmation letter to the city, town or fire district.

DOR Reimbursement of Foregone FY 2018 Motor Vehicle Excise Tax Revenue

DOR will also provide each city, town or fire district that is confirmed to be in compliance with Article 11, the amount of motor vehicle and trailer excise tax reimbursement aid they will receive in FY 2018 as a result of the motor vehicle and trailer excise tax phase-out. This amount plus the amount previously received by the city or town will constitute the total FY 2018 motor vehicle and trailer excise tax reimbursement aid for the city, town or fire district. The total FY 2018 motor vehicle and trailer excise tax reimbursement aid for each city, town or fire district will then be distributed as described above.

DOR cannot and will not distribute motor vehicle and trailer excise tax phase-out reimbursement aid to each city or town on November 1, 2017, if the vehicle registration-level files noted above are not transmitted to DOR by Wednesday, October 4, 2017. DOR will work with any city, town or fire district that anticipates obstacles in meeting this deadline provided advance notice is given to DOR. DOR plans to analyze files as they come in provided that the submission by a city or town is complete (meaning all three files have been transmitted in the proper file format). Thus, it is in the best interest of each city, town, or fire district to submit these files to DOR as soon as possible.

For cities, towns and fire districts that deliver data files to DOR after October 4, 2017, DOR will analyze these files in the order they are received from each city, town or fire district. If after receipt of these files, DOR finds that a city, town or fire district is in compliance with Article 11, DOR will send a confirmation letter as indicated above and a notice indicating how much additional motor vehicle and trailer excise tax reimbursement aid the city, town or fire district is eligible for in FY 2018. If such documentation is completed before January 15, 2018, then the city, town or fire district will receive a motor vehicle excise tax reimbursement aid payment that would bring them up to 75 percent of their total FY 2018 motor vehicle excise tax reimbursement aid on February 1, 2018.

Future Communications from DOR

Please be informed that future communications will be sent to each city, town or fire district concerning the Assessors Statement of Assessed Valuations and Tax Levy (aka Certification) and the Motor Vehicle Excise Tax Phase-Out Certificate of Compliance for FY 2018. DOR plans to have these communications sent by no later than the end of September.

If you have any questions regarding this memo or the motor vehicle and trailer excise tax phase-out in general, please do not hesitate to contact Paul or Susanne at (401) 574-8999 or via e-mail at paul.dion@revenue.ri.gov or susanne.greschner@dor.ri.gov.