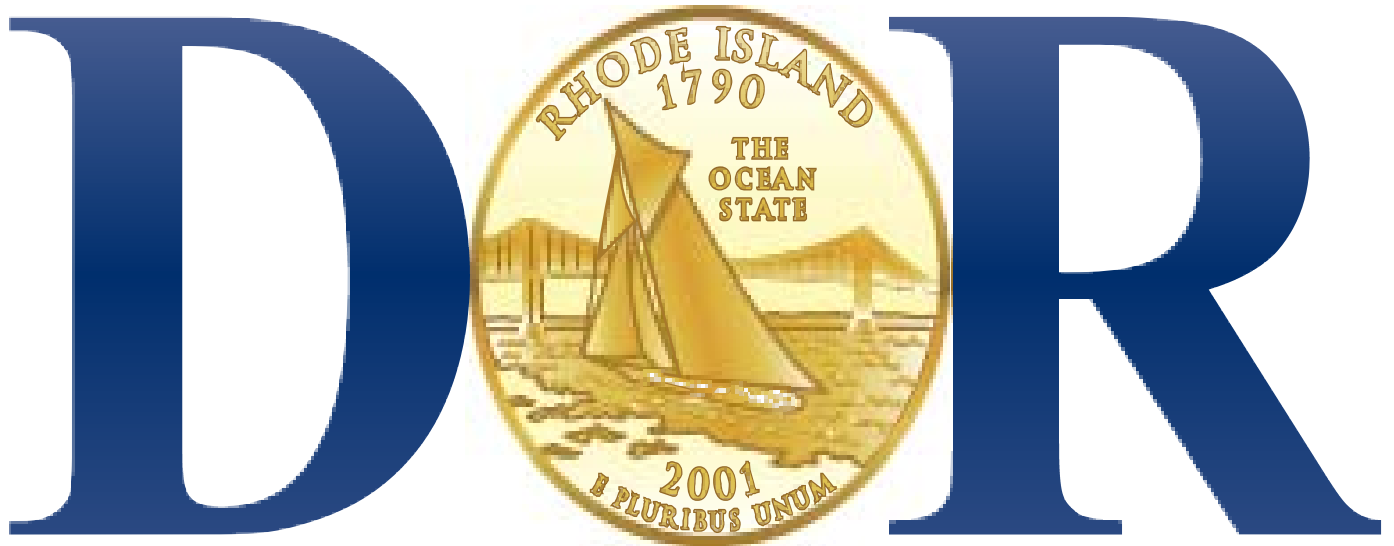


# **Report on the Property Tax Cap**

**Fiscal Year 2019**



**Governor Gina M. Raimondo**

**Prepared by:**

**Department of Revenue  
Division of Municipal Finance**

**December 2018**

This report has been prepared by the Division of Municipal Finance (“Division”) to summarize compliance with the property tax levy cap in its twelfth year. The first part of the report provides an overview of the statutory requirements and the second part summarizes aggregate and individual compliance with the cap for FY 2019.

## 1. Statutory Requirements on the Property Tax Cap

R.I. Gen. Laws §44-5-2 provides for the statutory language governing calculation of the cap and reporting on the tax cap. It specifically states:

*“(b) In its fiscal year 2008, a city or town may levy a tax in an amount not more than five and one-quarter percent (5.25%) in excess of the total amount levied and certified by that city or town for its fiscal year 2007. In its fiscal year 2009, a city or town may levy a tax in an amount not more than five percent (5%) in excess of the total amount levied and certified by that city or town for its fiscal year 2008. In its fiscal year 2010, a city or town may levy a tax in an amount not more than four and three-quarters percent (4.75%) in excess of the total amount levied and certified by that city or town in its fiscal year 2009. In its fiscal year 2011, a city or town may levy a tax in an amount not more than four and one-half percent (4.5%) in excess of the total amount levied and certified by that city or town in its fiscal year 2010. In its fiscal year 2012, a city or town may levy a tax in an amount not more than four and one-quarter percent (4.25%) in excess of the total amount levied and certified by that city or town in its fiscal year 2011. In its fiscal year 2013 and in each fiscal year thereafter, a city or town may levy a tax in an amount not more than four percent (4%) in excess of the total amount levied and certified by that city or town for its previous fiscal year.”*

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

Article 11 of 2017 – H5175 Sub A as amended (“Article 11”) added the following language to R.I. Gen. Laws §44-5-2:

*“(b) For purposes of this levy calculation, taxes levied pursuant to chapters 34 and 34.1 of this title shall not be included. For FY 2018, in the event that a city or town, solely as a result of the exclusion of the motor vehicle tax in the new levy calculation, exceeds the property tax cap when compared to FY 2017 after taking into account that there was a motor vehicle tax in FY 2017, said city or town shall be permitted to exceed the property tax cap for the FY 2018 transition year, but in no event shall it exceed the four percent (4%) levy cap growth with the car tax portion included; provided, however, nothing herein shall prohibit a city or town from exceeding the property tax cap if otherwise permitted pursuant to subsection (d) of this section.”*

The Division communicated with all municipalities on the maximum tax levy available to support their FY 2019 budgets. The Division reviewed tax levy proposals and budget disclosure information from each city and town. In accordance with R.I. Gen. Laws §44-35, each city and town is required to disclose its proposed tax rate and levy as well as a summary of its budget proposal in a newspaper of general circulation ten days before the first public hearing on the municipal budget.

## 2. FY 2019 Property Tax Cap

Table 1 shows the property tax levies for the municipalities for FY 2018 and FY 2019.

<b>CITY/TOWN</b>	<b>FY 2018 Total Levy w/o MV</b>	<b>FY 2019 Total Levy w/o MV</b>	<b>Increase</b>	<b>Percent Change</b>
Barrington	\$57,779,837	\$59,468,573	\$1,688,736	2.92%
Bristol	39,737,652	41,213,137	\$1,475,485	3.71%
Burrillville *	27,679,004	28,743,625	\$1,064,622	3.85%
Central Falls	13,725,944	13,770,266	\$44,323	0.32%
Charlestown *	23,312,396	23,623,824	\$311,428	1.34%
Coventry *	66,948,511	69,626,227	\$2,677,715	4.00%
Cranston	171,611,420	172,102,765	\$491,345	0.29%
Cumberland *	59,880,150	61,467,036	\$1,586,886	2.65%
East Greenwich	54,038,223	53,993,387	-\$44,836	-0.08%
East Providence (1)	97,221,927	100,126,945	\$2,905,018	2.99%
Exeter *	12,348,122	12,682,053	\$333,931	2.70%
Foster	11,347,867	11,798,865	\$450,998	3.97%
Glocester *	19,366,422	19,767,421	\$400,999	2.07%
Hopkinton *	17,037,406	17,431,106	\$393,700	2.31%
Jamestown	19,455,799	20,032,352	\$576,553	2.96%
Johnston	66,816,469	67,204,123	\$387,655	0.58%
Lincoln *	49,674,368	51,170,143	\$1,495,775	3.01%
Little Compton	11,722,325	12,123,970	\$401,644	3.43%
Middletown	45,277,702	45,688,652	\$410,950	0.91%
Narragansett *	48,912,251	50,260,472	\$1,348,221	2.76%
Newport	72,631,304	75,268,165	\$2,636,861	3.63%
New Shoreham	9,745,179	9,947,621	\$202,442	2.08%
North Kingstown	72,459,500	75,062,636	\$2,603,136	3.59%
North Providence	62,715,606	62,617,248	-\$98,358	-0.16%
North Smithfield	30,133,258	30,679,057	\$545,800	1.81%
Pawtucket	92,396,629	94,889,063	\$2,492,434	2.70%
Portsmouth *	50,324,893	52,312,483	\$1,987,590	3.95%
Providence	335,135,140	336,448,203	\$1,313,063	0.39%
Richmond *	17,394,331	18,082,077	\$687,746	3.95%
Scituate (2)	27,240,793	28,091,797	\$851,005	3.12%
Smithfield	51,296,512	52,241,318	\$944,806	1.84%
South Kingstown *	67,882,354	70,212,725	\$2,330,372	3.43%
Tiverton *	36,713,680	36,532,845	-\$180,835	-0.49%
Warren	21,882,157	21,991,793	\$109,635	0.50%
Warwick	207,850,413	214,789,126	\$6,938,713	3.34%
Westerly *	66,308,959	68,656,472	\$2,347,513	3.54%
West Greenwich	17,597,604	18,822,249	\$1,224,645	6.96%
West Warwick	59,065,480	61,036,642	\$1,971,162	3.34%
Woonsocket	52,344,529	52,523,011	\$178,482	0.34%
<b>TOTAL ACTUAL</b>	<b>\$2,265,012,116</b>	<b>\$2,312,499,474</b>	<b>\$47,487,358</b>	<b>2.10%</b>

(1) East Providence fiscal year is Nov 1 to Oct 31.  
The City of East Providence levies its property tax in arrears; while the FY 2019 levy has been adopted the final tax rates will not be known until the spring of 2019.

(2) Scituate fiscal year is April 1 to March 31 (Jun, Sep, Dec, Mar).

\* Municipality with an independent fire district. Levy for fire districts not included. Please note that the "fire districts" Bonnet Shores (Narragansett), Portsmouth Water & Fire, North Tiverton and Stone Bridge (Tiverton) do NOT provide fire services. The towns in which those fire districts are located have municipal fire departments that cover those communities. The above noted "fire districts", however, provide either water or recreational services in the town where they are located.

Source: Division of Municipal Finance based on Assessors Statement of Assessed Values and Tax Levy (12/31/2016 & 12/31/2017) and State Code Summary.

To summarize the results:

- The final enacted statewide property tax levy for FY 2019 excluding motor vehicle levy was \$2,312.5 million, a 2.10 percent increase over FY 2018. One should note that Cumberland and East Providence levies its taxes in arrears, so the Division's numbers represent an estimate which will be finalized in the spring of 2019.
- If all municipalities levied a tax at the permitted 4.00 percent increase it would have resulted in a property tax levy excluding motor vehicles of \$2,355.6 million to support FY 2019 municipal budgets.

### **Exemptions to the Property Tax Cap**

The maximum levy statute in R.I. Gen. Laws §44-5-2 also provides for exemptions from the property tax cap as follows:

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

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

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

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

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

*“(e) Any levy pursuant to subsection (d) of this section in excess of the percentage increase specified in subsection (a) or (b) of this section shall be approved by the affirmative vote of at least four-fifths (4/5) of the full membership of the governing body of the city or town or*

*in the case of a city or town having a financial town meeting, the majority of the electors present and voting at the town financial meeting shall also approve the excess levy.”*

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

Article 11 added the following language to R.I. Gen. Laws §44-5-2:

*“(b) For purposes of this levy calculation, taxes levied pursuant to chapters 34 and 34.1 of this title shall not be included. For FY 2018, in the event that a city or town, solely as a result of the exclusion of the motor vehicle tax in the new levy calculation, exceeds the property tax cap when compared to FY 2017 after taking into account that there was a motor vehicle tax in FY 2017, said city or town shall be permitted to exceed the property tax cap for the FY 2018 transition year, but in no event shall it exceed the four percent (4%) levy cap growth with the car tax portion included; provided, however, nothing herein shall prohibit a city or town from exceeding the property tax cap if otherwise permitted pursuant to subsection (d) of this section.”*

**Table 2  
FY 2019 Exemptions to Tax Cap  
Not Including Motor Vehicle Levy Due To Article 11**

City / Town	Requested	Amount Certified				Approved
		Net Non-Property Tax Revenue Loss	Debt Service	Emergency	Total	
West Greenwich*	\$657,287			\$519,240	\$519,240	5/22/2018 Auditor General
<b>Total</b>	<b>\$657,287</b>	<b>\$0</b>	<b>\$0</b>	<b>\$519,240</b>	<b>\$519,240</b>	

\* The Town of West Greenwich was approved to exceed the FY 2019 property tax cap on May 22, 2018 by the Auditor General due to an emergency situation. The amount approved totaled \$519,240 which is a reduction from the original amount of \$657,287 requested by the town. Therefore, the Town of West Greenwich was certified to exceed the property tax cap by no more than \$519,240 for Fiscal Year 2019. Based upon the FY 2018 tax levy of \$17,597,604, this certification to exceed the 4.00% cap should have resulted in a tax levy no greater than \$18,820,748 for FY 2019. The certified FY 2019 tax levy is \$18,822,249, which is \$1,501 over the amount approved by the Auditor General.

Source: Division of Municipal Finance based on Assessors Statement of Assessed Values and Tax Levy (12/31/2016 & 12/31/2017) and State Code Summary

There was one exemption requested by the Town of West Greenwich and approved by the Office of the Auditor General in FY 2019. One should note that the Office of the Auditor General is responsible for reviewing and approving exemptions relating to emergencies under R.I. Gen. Laws §44-5-2(d)(2).

The Town requested certification of an emergency situation totaling \$657,287 which results from an increase in the Town of West Greenwich's proportional share of the Exeter-West Greenwich Regional School District budget for the fiscal year ending June 30, 2019 as approved by an all-day referendum vote on April 9, 2018. The amount of the Regional School District's budget to be funded by the Towns of Exeter and West Greenwich is determined by the proportionate student enrollment as of October 1, 2017.

The Town of West Greenwich's share of the Regional School District fiscal 2019 budget increased due to an overall increase in the Regional School District's operating costs, an increase in the number of students from West Greenwich compared to the total student enrollment and a decrease in West Greenwich's specific state aid for education from actual fiscal 2018 amounts compared to proposed fiscal 2019 amounts.

The amount approved totaled \$519,240 which is a reduction from the original amount of \$657,287 requested by the town. Therefore, the Town of West Greenwich was certified to exceed the property tax cap by no more than \$519,240 for Fiscal Year 2019. Based upon the FY 2018 tax levy of \$17,597,604, this certification to exceed the 4.00% cap should have resulted in a tax levy no greater than \$18,820,748 for FY 2019. The certified FY 2019 tax levy is \$18,822,249, which is \$1,501 over the amount approved by the Auditor General.

The Division of Municipal Finance is responsible for approving a loss in total non-property tax revenues under R.I. Gen. Laws §44-5-2(d)(1), if a city or town forecasts or experiences debt services expenditures which exceed the prior year's debt service expenditures by an amount greater than the percentage increase of 4.00 percent, which is the result of bonded debt issued in a manner consistent with general law or a special act under R.I. Gen. Laws §44-5-2(d)(3) and "substantial growth" exemptions under R.I. Gen. Laws §44-5-2(d)(4). The Division did not approve any exemptions in FY 2019.

**Table 3**  
**FY 2019 Property Tax Cap**  
**Not Including Motor Vehicle Levy Due To Article 11**

Municipality	4th Quartile	Municipality	3rd Quartile
Lincoln *	3.01%	Glocester *	2.07%
Scituate (2)	3.12%	New Shoreham	2.08%
West Warwick	3.34%	Hopkinton *	2.31%
Warwick	3.34%	Cumberland *	2.65%
Little Compton	3.43%	Pawtucket	2.70%
South Kingstown *	3.43%	Exeter *	2.70%
Westerly *	3.54%	Narragansett *	2.76%
North Kingstown	3.59%	Barrington	2.92%
Newport	3.63%	Jamestown	2.96%
Bristol	3.71%	East Providence (1)	2.99%
Burrillville *	3.85%		
Portsmouth *	3.95%		
Richmond *	3.95%		
Foster	3.97%		
Coventry *	4.00%		
West Greenwich	6.96%		

Municipality	2nd Quartile	Municipality	1st Quartile
Charlestown *	1.34%	Tiverton *	-0.49%
North Smithfield	1.81%	North Providence	-0.16%
Smithfield	1.84%	East Greenwich	-0.08%
		Cranston	0.29%
		Central Falls	0.32%
		Woonsocket	0.34%
		Providence	0.39%
		Warren	0.50%
		Johnston	0.58%
		Middletown	0.91%

(1) East Providence fiscal year is Nov 1 to Oct 31.

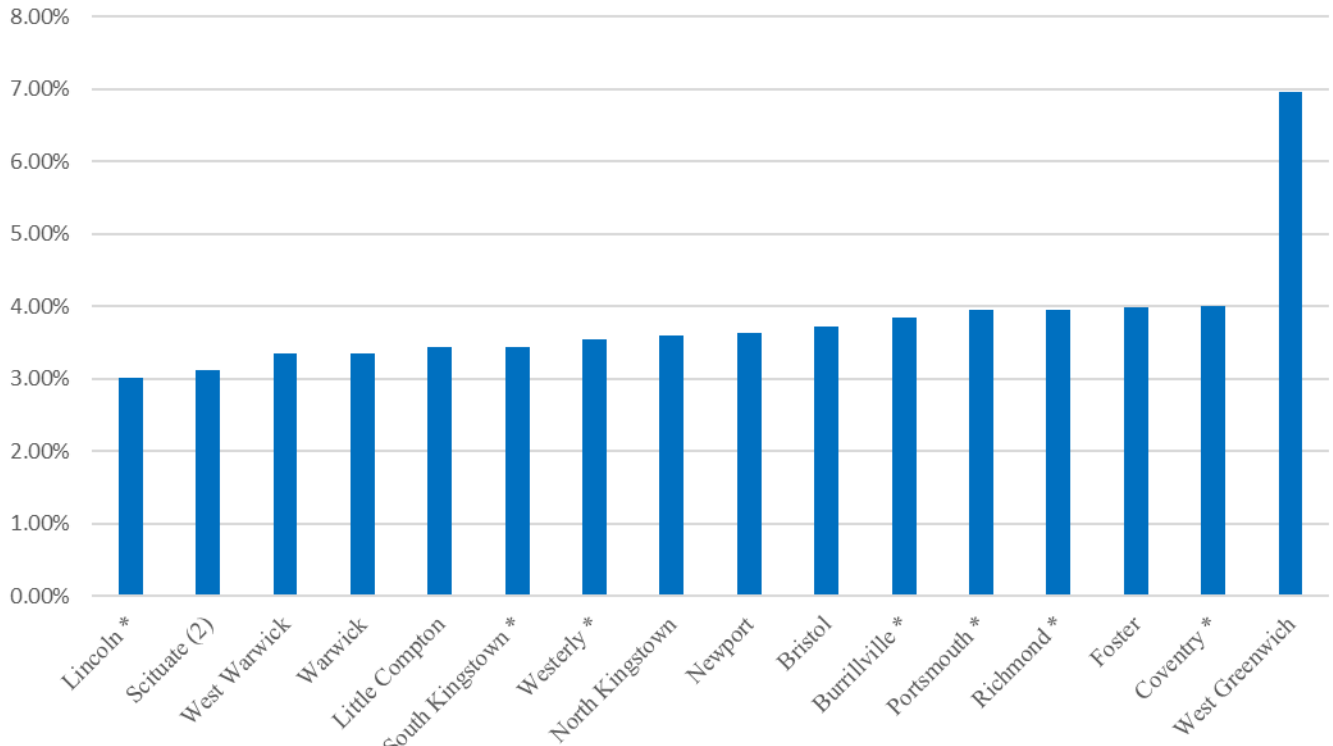
The City of East Providence levies its property tax in arrears; while the FY 2019 levy has been adopted the final tax rates will not be known until the spring of 2019.

(2) Scituate fiscal year is April 1 to March 31 (Jun, Sep, Dec, Mar).

\* Municipality with an independent fire district. Levy for fire districts not included. Please note that the "fire districts" Bonnet Shores (Narragansett), Portsmouth Water & Fire, North Tiverton and Stone Bridge (Tiverton) do NOT provide fire services. The towns in which those fire districts are located have municipal fire departments that cover those communities. The above noted "fire districts", however, provide either water or recreational services in the town where they are located.

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Tax Levy Growth: 4th Quartile  
Not Including Motor Vehicle Levy Due to Article 11



\*Municipalities with an independent fire district. Levy for fire districts not included.

As Table 3 on the previous page shows, one municipality (West Greenwich) enacted a tax levy over the 4.00 percent cap. The remaining 38 municipalities were below the 4.00 percent cap. East Greenwich, North Providence and Tiverton had an overall decrease in their tax levies from FY 2018 to FY 2019.



**Table 4**  
**FY 2019 Property Tax Cap**  
**Not Including Motor Vehicle Levy Due To Article 11**

Urban Municipalities

Central Falls	0.32%
Woonsocket	0.34%
Providence	0.39%
Pawtucket	2.70%
Newport	3.63%

Urban Ring Municipalities

North Providence	-0.16%
Cranston	0.29%
East Providence (1)	2.99%
Warwick	3.34%
West Warwick	3.34%

Suburban Municipalities

East Greenwich	-0.08%
Warren	0.50%
Johnston	0.58%
Middletown	0.91%
Smithfield	1.84%
Cumberland *	2.65%
Narragansett *	2.76%
Barrington	2.92%
Jamestown	2.96%
Lincoln *	3.01%
Westerly *	3.54%
North Kingstown	3.59%
Bristol	3.71%
Portsmouth *	3.95%

Rural Municipalities

Tiverton *	-0.49%
Charlestown *	1.34%
North Smithfield	1.81%
Glocester *	2.07%
New Shoreham	2.08%
Hopkinton *	2.31%
Exeter *	2.70%
Scituate (2)	3.12%
South Kingstown *	3.43%
Little Compton	3.43%
Burrillville *	3.85%
Richmond *	3.95%
Foster	3.97%
Coventry *	4.00%
West Greenwich	6.96%

(1) East Providence fiscal year is Nov 1 to Oct 31.

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