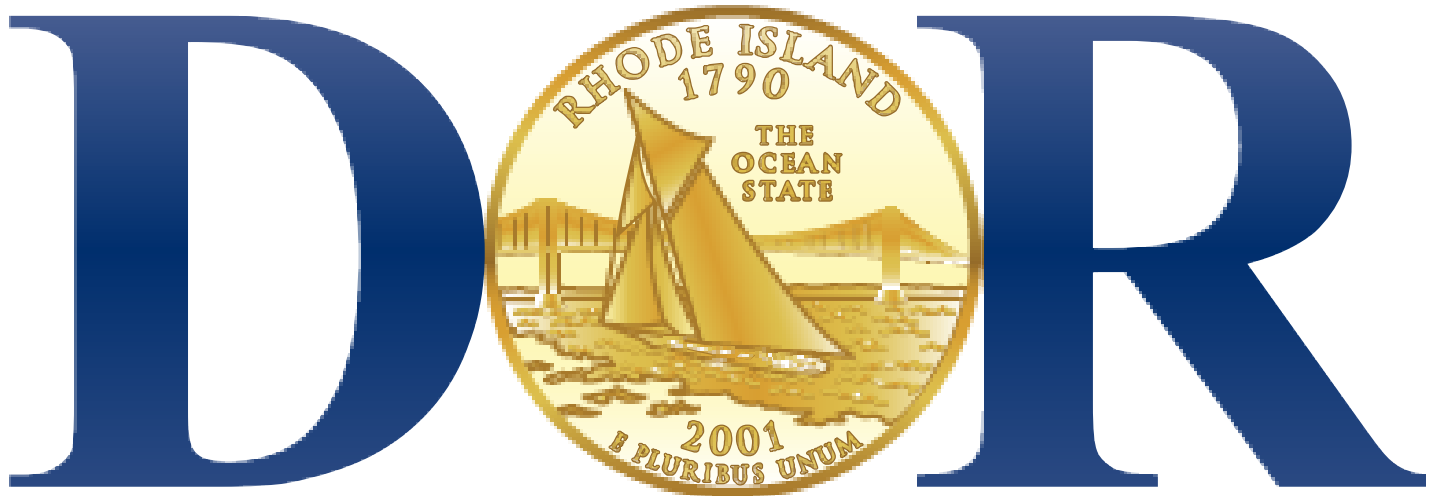


Report on the Property Tax Cap

Fiscal Year 2023



Governor Dan McKee

Prepared by:

**Department of Revenue
Division of Municipal Finance**

January 2023

Introduction

This report has been prepared by the Division of Municipal Finance (“Division”) to summarize compliance with the Rhode Island property tax cap in accordance with [R.I. Gen. Laws §44-5-2](#). This report provides an overview of the statutory requirements and summarizes aggregate and individual compliance with the property tax cap for Fiscal Year 2023.

Statutory Requirements on the Property Tax Cap

R.I. Gen. Laws §44-5-2 governs the calculation of the property tax cap:

“(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. 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.

(c) The division of property valuation 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 and municipal finance within thirty (30) days of final action, in the form required, the adopted tax levy and rate and other pertinent information.”

The Division communicated with all municipalities regarding the maximum tax levy allowable to support their Fiscal Year 2023 budgets. The Division reviewed tax levy proposals and budget disclosure information from each city and town. In accordance with R.I. Gen. Laws Title 44, Chapter 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 their municipal budget.

Fiscal Year 2023 Property Tax Cap

Table 1 shows the property tax levies for the municipalities and Cumberland Fire District for Fiscal Year 2022 and Fiscal Year 2023. The table also includes the calculated year over year change as a dollar amount and as a percentage, as well as statewide totals.

Table 1
FY 2022 and FY 2023 Certified Tax Levies
Not Including Motor Vehicle Levy Per R.I. Gen. Laws §44-5-2

| CITY/TOWN | FY 2022 Total Levy w/o MV | FY 2023 Total Levy w/o MV | Increase (Decrease) | Percent Change |
|--------------------------|--------------------------------------|--------------------------------------|--------------------------------|---------------------------|
| Barrington | \$65,044,022 | \$66,865,925 | \$1,821,903 | 2.80% |
| Bristol | 45,057,175 | 46,858,304 | 1,801,129 | 4.00% |
| Burrillville * | 30,273,241 | 30,737,271 | 464,031 | 1.53% |
| Central Falls | 14,603,371 | 15,183,661 | 580,290 | 3.97% |
| Charlestown * | 22,912,623 | 23,074,917 | 162,294 | 0.71% |
| Coventry * | 74,263,983 | 75,971,336 | 1,707,353 | 2.30% |
| Cranston | 178,067,655 | 183,576,692 | 5,509,037 | 3.09% |
| Cumberland * | 66,986,923 | 68,563,584 | 1,576,662 | 2.35% |
| Cumberland Fire District | 8,680,010 | 9,025,629 | 345,620 | 3.98% |
| East Greenwich | 58,106,484 | 59,885,192 | 1,778,708 | 3.06% |
| East Providence ** | 109,355,612 | 111,362,221 | 2,006,609 | 1.83% |
| Exeter * | 13,418,691 | 13,952,547 | 533,856 | 3.98% |
| Foster *** | 12,906,522 | 13,429,759 | 523,237 | 4.05% |
| Glocester * | 21,313,092 | 24,130,106 | 2,817,014 | 13.22% |
| Hopkinton * | 19,143,307 | 19,453,162 | 309,855 | 1.62% |
| Jamestown | 21,873,943 | 22,722,221 | 848,278 | 3.88% |
| Johnston | 72,400,437 | 72,855,936 | 455,499 | 0.63% |
| Lincoln */*** | 54,478,210 | 57,196,227 | 2,718,017 | 4.99% |
| Little Compton | 13,199,420 | 13,188,939 | (10,481) | -0.08% |
| Middletown *** | 47,276,291 | 49,197,108 | 1,920,818 | 4.06% |
| Narragansett * | 54,770,587 | 55,984,526 | 1,213,939 | 2.22% |
| New Shoreham | 11,319,552 | 12,002,438 | 682,886 | 6.03% |
| Newport | 80,195,112 | 82,949,013 | 2,753,901 | 3.43% |
| North Kingstown | 81,573,126 | 84,522,399 | 2,949,273 | 3.62% |
| North Providence | 66,430,585 | 67,215,462 | 784,877 | 1.18% |
| North Smithfield | 33,937,813 | 34,560,505 | 622,692 | 1.83% |
| Pawtucket | 102,086,691 | 103,491,223 | 1,404,532 | 1.38% |
| Portsmouth * | 57,746,774 | 59,662,963 | 1,916,189 | 3.32% |
| Providence | 356,708,170 | 370,899,524 | 14,191,354 | 3.98% |
| Richmond * | 20,048,222 | 20,364,735 | 316,513 | 1.58% |
| Scituate | 31,125,075 | 32,369,404 | 1,244,329 | 4.00% |
| Smithfield | 56,506,125 | 58,247,230 | 1,741,105 | 3.08% |
| South Kingstown * | 74,067,935 | 74,934,701 | 866,765 | 1.17% |
| Tiverton * | 39,215,512 | 40,460,760 | 1,245,249 | 3.18% |
| Warren | 24,340,282 | 25,268,227 | 927,944 | 3.81% |
| Warwick | 224,371,532 | 226,362,002 | 1,990,470 | 0.89% |
| West Greenwich | 20,139,652 | 20,549,079 | 409,427 | 2.03% |
| West Warwick | 65,862,689 | 67,160,338 | 1,297,649 | 1.97% |
| Westerly * | 74,383,196 | 75,757,128 | 1,373,932 | 1.85% |
| Woonsocket | 51,607,572 | 52,223,352 | 615,780 | 1.19% |
| STATEWIDE TOTAL | \$2,475,797,215 | \$2,542,215,750 | \$66,418,535 | 2.68% |

Source: Division of Municipal Finance based on Assessors Statement of Assessed Values and Tax Levy as of 12/31/2020 & 12/31/2021.
See last page for footnotes.

To summarize the results:

- The final enacted statewide property tax levy for Fiscal Year 2023 excluding motor vehicle levy was \$2.542 billion, which is a 2.68 percent increase over Fiscal Year 2022. One should note that East Providence levies its taxes in arrears, so the Division's numbers represent an estimate for Fiscal Year 2023 based on their submitted tax rate disclosure. All tax levy data represented for FY 2023 were derived from signed 12/31/21 tax certifications except for Woonsocket.
- If all municipalities and the Cumberland Fire District levied a tax at the permitted four percent (4%) increase, it would have resulted in a statewide property tax levy, excluding motor vehicles, of \$2.644 billion to support Fiscal Year 2023 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 that 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 that 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 that 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 that 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 § 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.”

Table 2
FY 2023 Exemptions to the Property Tax Cap
Not Including Motor Vehicle Levy Per R.I. Gen. Laws §44-5-2

| City / Town | Requested | Amount Certified | | | | Approved | |
|---------------|--------------------|--------------------------------------|------------------|------------|------------|-----------|-----------|
| | | Net Non-Property Tax Revenue Loss | Debt Service | Emergency | Total | Date | Authority |
| Foster | *** | | | | | *** | |
| Glocester | \$1,714,515 | \$2,529,561 | | | | 5/16/2022 | DMF |
| Lincoln | *** | | | | | *** | |
| Middletown | *** | | | | | *** | |
| New Shoreham | \$237,115 | | \$237,115 | | | 4/20/2022 | DMF |
| Totals | \$1,951,630 | \$2,529,561 | \$237,115 | \$0 | \$0 | | |

*** The Towns of Foster, Lincoln & Middletown did not request to exceed the property tax cap and were not certified under the provisions of R.I. Gen. Laws §44-5-2 to exceed

Source: Division of Municipal Finance based on Assessors Statement of Assessed Values and Tax Levy as of 12/31/2020 & 12/31/2021. See last page for footnotes.

There were two exemptions requested in Fiscal Year 2023. 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 Division of Municipal Finance is responsible for approving a municipality to exceed the cap under the following circumstances: a loss in total non-property tax revenues under R.I. Gen. Laws §44-5-2(d)(1); 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 four percent (4%), 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 Town of Glocester requested and was approved to exceed the property tax cap due to a net non-property tax revenue loss in FY 2023. New Shoreham requested and was approved to exceed the property tax cap due to an increase in debt service over 4.00 percent of the prior year in FY 2023.

The Towns of Foster, Lincoln & Middletown did not request to exceed the property tax cap and were not certified under the provisions of R.I. Gen. Laws §44-5-2 to exceed the property tax cap. The Division followed up with the three municipalities regarding exceeding the tax cap without approval and the following reasons are as follows. Foster: There was a variance between the 2020 Certification and the actual levy billed resulting in the town exceeding the tax cap. Lincoln: The Town of Lincoln exceeded the tax cap unintentionally due to the passage of the FY2023 municipal budget prior to the finalization of the assessed values for two major taxpayer properties in town. At the time of finalizing the tax roll, the large increase in the assessed value for the two major commercial property owners caused the measurable levy to exceed the levy cap for 2023. Middletown: Levy overage is due to rounding.

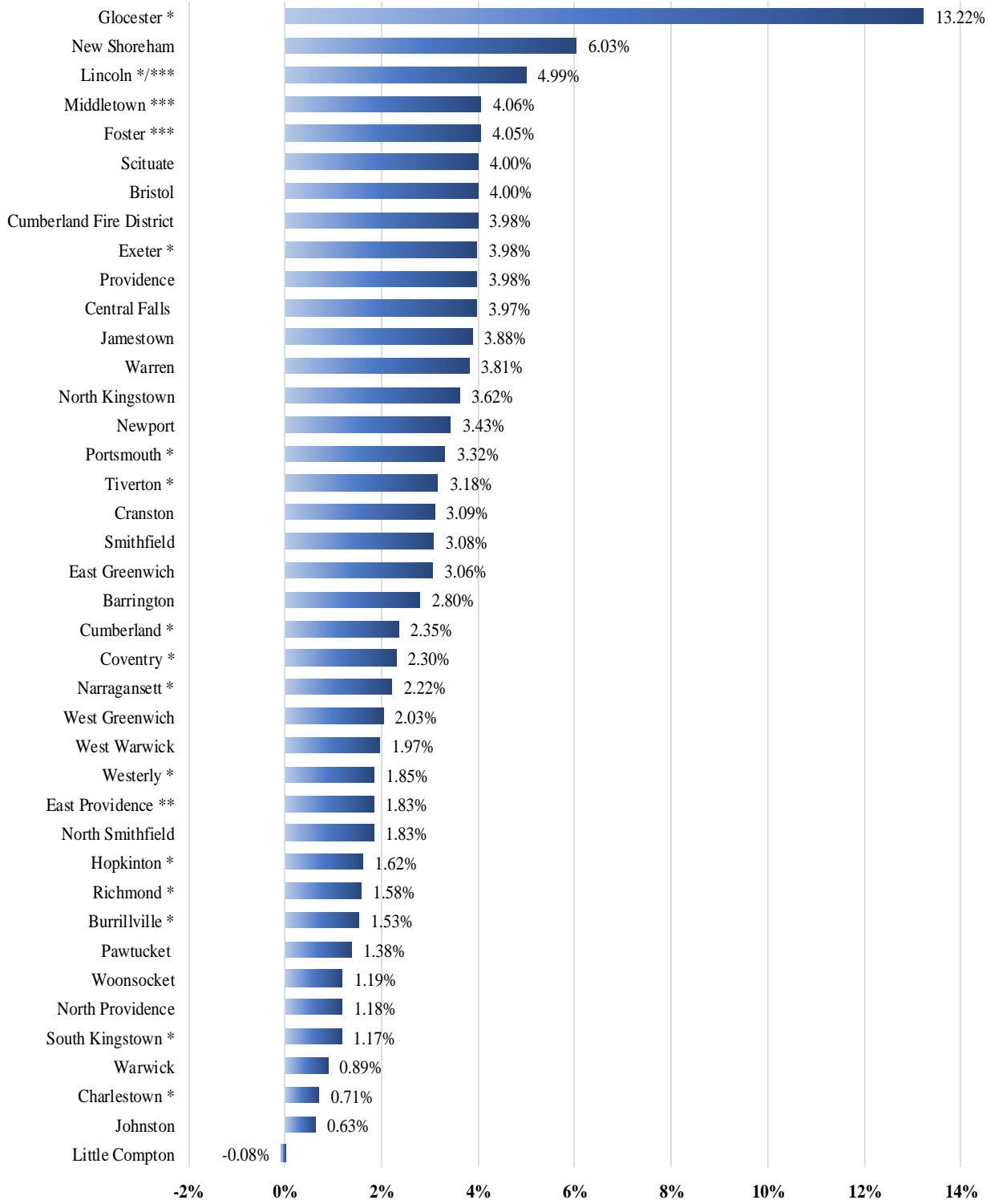
Table 3
FY 2023 Property Tax Cap
Not Including Motor Vehicle Levy Per R.I. Gen. Laws §44-5-2

| Municipality | Above 3% | Municipality | 1% - 2% |
|--------------------------|----------|--------------------|---------|
| East Greenwich | 3.06% | South Kingstown * | 1.17% |
| Smithfield | 3.08% | North Providence | 1.18% |
| Cranston | 3.09% | Woonsocket | 1.19% |
| Tiverton * | 3.18% | Pawtucket | 1.38% |
| Portsmouth * | 3.32% | Burrillville * | 1.53% |
| Newport | 3.43% | Richmond * | 1.58% |
| North Kingstown | 3.62% | Hopkinton * | 1.62% |
| Warren | 3.81% | North Smithfield | 1.83% |
| Jamestown | 3.88% | East Providence ** | 1.83% |
| Central Falls | 3.97% | Westerly * | 1.85% |
| Providence | 3.98% | West Warwick | 1.97% |
| Exeter * | 3.98% | | |
| Cumberland Fire District | 3.98% | | |
| Bristol | 4.00% | | |
| Scituate | 4.00% | | |
| Foster *** | 4.05% | | |
| Middletown *** | 4.06% | | |
| Lincoln */*** | 4.99% | | |
| New Shoreham | 6.03% | | |
| Glocester * | 13.22% | | |

| Municipality | 2% - 3% | Municipality | Below 1% |
|----------------|---------|----------------|----------|
| West Greenwich | 2.03% | Little Compton | -0.08% |
| Narragansett * | 2.22% | Johnston | 0.63% |
| Coventry * | 2.30% | Charlestown * | 0.71% |
| Cumberland * | 2.35% | Warwick | 0.89% |
| Barrington | 2.80% | | |

Source: Division of Municipal Finance based on Assessors Statement of Assessed Values and Tax Levy as of 12/31/2020 & 12/31/2021. See last page for footnotes.

Chart 1
FY 2023 Tax Levy Growth
Not Including Motor Vehicle Levy Per R.I. Gen. Laws §44-5-2



Source: Division of Municipal Finance based on Assessors Statement of Assessed Values and Tax Levy as of 12/31/2020 & 12/31/2021. See last page for footnotes.

The tax levy growth for all municipalities and the Cumberland Fire District are shown in Chart 1 on the previous page. From Fiscal Year 2022 to Fiscal Year 2023, the Towns of Foster, Glocester, Lincoln, Middletown and New Shoreham enacted a tax levy that exceeded the four percent (4%) cap. The remaining 34 municipalities and the Cumberland Fire District were below the four percent (4%) cap. The Town of Little Compton had an overall decrease in their tax levy.

Table 4
FY 2023 Property Tax Cap
Not Including Motor Vehicle Levy Per R.I. Gen. Laws §44-5-2

Urban Core Municipalities

| | |
|---------------|-------|
| Woonsocket | 1.19% |
| Pawtucket | 1.38% |
| Newport | 3.43% |
| Central Falls | 3.97% |
| Providence | 3.98% |

Urban Ring Municipalities

| | |
|--------------------|-------|
| Warwick | 0.89% |
| North Providence | 1.18% |
| East Providence ** | 1.83% |
| West Warwick | 1.97% |
| Cranston | 3.09% |

Suburban Municipalities

| | |
|--------------------------|-------|
| Johnston | 0.63% |
| Westerly * | 1.85% |
| Narragansett * | 2.22% |
| Cumberland * | 2.35% |
| Barrington | 2.80% |
| East Greenwich | 3.06% |
| Smithfield | 3.08% |
| Portsmouth * | 3.32% |
| North Kingstown | 3.62% |
| Warren | 3.81% |
| Jamestown | 3.88% |
| Cumberland Fire District | 3.98% |
| Bristol | 4.00% |
| Middletown *** | 4.06% |
| Lincoln */*** | 4.99% |

Rural Municipalities

| | |
|-------------------|--------|
| Little Compton | -0.08% |
| Charlestown * | 0.71% |
| South Kingstown * | 1.17% |
| Burrillville * | 1.53% |
| Richmond * | 1.58% |
| Hopkinton * | 1.62% |
| North Smithfield | 1.83% |
| West Greenwich | 2.03% |
| Coventry * | 2.30% |
| Tiverton * | 3.18% |
| Exeter * | 3.98% |
| Scituate | 4.00% |
| Foster *** | 4.05% |
| New Shoreham | 6.03% |
| Glocester * | 13.22% |

Source: Division of Municipal Finance based on Assessors Statement of Assessed Values and Tax Levy as of 12/31/2020 & 12/31/2021. See last page for footnotes.

Footnotes for all Tables and Charts

* Municipality has one or more independent fire districts. Cumberland Fire District is included as it is subject to the maximum levy statute. All other fire districts are not subject to the levy cap, and therefore are not included. Please note that the "fire districts" of Bonnet Shores (Narragansett), Buttonwoods, Portsmouth Water & Fire, Projac Point, 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.

** The City of East Providence fiscal year is Nov 1 to Oct 31. The City levies its property tax in arrears. While the FY 2023 levy has been adopted, the final tax levy will not be available until the spring of 2023.

*** The Towns of Foster, Lincoln & Middletown did not request to exceed the property tax cap and were not certified under the provisions of R.I. Gen. Laws §44-5-2 to exceed the property tax cap. The Division followed up with the three municipalities regarding exceeding the tax cap without approval and the following reasons are as follows. Foster: There was a variance between the 2020 Certification and the actual levy billed resulting in the town exceeding the tax cap. Lincoln: The Town of Lincoln exceeded the tax cap unintentionally due to the passage of the FY2023 municipal budget prior to the finalization of the assessed values for two major taxpayer properties in town. At the time of finalizing the tax roll, the large increase in the assessed value for the two major commercial property owners caused the measurable levy to exceed the levy cap for 2023. Middletown: Levy overage is due to rounding.