

# **Report on the Property Tax Cap**

**Fiscal Year 2016**



**Governor Gina M. Raimondo**

**Prepared by:**

**Department of Revenue  
Division of Municipal Finance**

**December 2015**

This report has been prepared by the Division of Municipal Finance (“Division”) to summarize compliance with the property tax levy cap in its ninth 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 2016.

## **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.”*

The Division communicated with all municipalities on the maximum tax levy available to support their FY 2016 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 2016 Property Tax Cap

Table 1 shows the property tax levies for the municipalities for FY 2015 and FY 2016.

CITY/TOWN	FY 2015	FY 2016	Increase	Percent Change
Barrington	\$56,505,797	\$57,571,595	\$1,065,798	1.89%
Bristol	37,948,094	39,453,379	1,505,285	3.97%
Burrillville *	29,545,293	30,476,875	931,582	3.15%
Central Falls	14,768,935	15,157,431	388,496	2.63%
Charlestown *	23,095,033	23,638,239	543,206	2.35%
Coventry *	65,812,571	67,613,677	1,801,106	2.74%
Cranston	182,559,745	185,998,132	3,438,387	1.88%
Cumberland (1) *	61,422,100	62,044,211	622,111	1.01%
East Greenwich	53,345,608	55,443,802	2,098,193	3.93%
East Providence (2)	103,076,285	104,197,735	1,121,450	1.09%
Exeter *	13,130,913	13,558,130	427,217	3.25%
Foster	11,720,089	12,188,472	468,383	4.00%
Glocester *	20,914,232	21,228,682	314,450	1.50%
Hopkinton *	17,634,724	17,555,096	(79,628)	-0.45%
Jamestown	19,291,704	19,515,833	224,128	1.16%
Johnston	72,783,899	75,464,389	2,680,491	3.68%
Lincoln *	53,117,288	53,631,151	513,862	0.97%
Little Compton	10,897,557	11,188,548	290,990	2.67%
Middletown	44,502,103	45,427,547	925,444	2.08%
Narragansett *	47,399,848	48,316,824	916,976	1.93%
Newport	69,680,223	70,673,687	993,464	1.43%
New Shoreham	8,945,627	9,292,297	346,670	3.88%
North Kingstown	71,668,809	73,845,736	2,176,927	3.04%
North Providence	68,703,936	69,317,745	613,809	0.89%
North Smithfield	30,893,178	31,592,635	699,457	2.26%
Pawtucket	99,644,368	102,806,633	3,162,265	3.17%
Portsmouth *	49,187,930	49,815,131	627,201	1.28%
Providence	346,472,564	351,854,213	5,381,649	1.55%
Richmond *	17,189,267	17,354,620	165,353	0.96%
Scituate (3)	26,948,830	27,354,588	405,758	1.51%
Smithfield	53,767,983	55,094,768	1,326,786	2.47%
South Kingstown *	67,607,641	68,504,982	897,341	1.33%
Tiverton *	37,526,955	37,848,059	321,104	0.86%
Warren	23,649,363	23,587,252	(62,111)	-0.26%
Warwick	222,498,782	229,189,681	6,690,899	3.01%
Westerly *	66,501,004	68,223,651	1,722,647	2.59%
West Greenwich	18,073,807	18,076,849	3,043	0.02%
West Warwick	58,546,755	60,467,314	1,920,559	3.28%
Woonsocket	62,777,942	64,360,076	1,582,134	2.52%
<b>TOTAL ACTUAL</b>	<b>\$2,339,756,784</b>	<b>\$2,388,929,665</b>	<b>\$49,172,881</b>	<b>2.10%</b>

(1) Cumberland actual amount is an estimate reported by the town. Final levy will be set in May 2016.

(2) East Providence fiscal year is Nov 1 to Oct 31.  
The City of East Providence levies its property tax in arrears; while the FY 2016 levy has been adopted the final tax rates will not be known until the spring of 2016.

(3) 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 (12/31/2013 & 12/31/2014) and State Code Summary.

To summarize the results:

- If all municipalities levied a tax at the permitted 4.00 percent increase it would have resulted in a property tax levy of \$2,433.3 million to support FY 2016 municipal budgets.
- The final enacted statewide property tax levy for FY 2016 was \$2,388.9 million, a 2.10 percent increase over FY 2015. 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 2016.

### **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.”*

There were no exemptions requested by the communities and approved by the Division in FY 2016. The Division 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).

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). For FY 2016 no emergency exemptions were requested by the communities.

**Table 2  
FY 2016 Property Tax Cap**

Municipality	4th Quartile	Municipality	3rd Quartile
Warwick	3.01%	Middletown	2.08%
North Kingstown	3.04%	North Smithfield	2.26%
Burrillville *	3.15%	Charlestown *	2.35%
Pawtucket	3.17%	Smithfield	2.47%
Exeter *	3.25%	Woonsocket	2.52%
West Warwick	3.28%	Westerly *	2.59%
Johnston	3.68%	Central Falls	2.63%
New Shoreham	3.88%	Little Compton	2.67%
East Greenwich	3.93%	Coventry *	2.74%
Bristol	3.97%		
Foster	4.00%		

Municipality	2nd Quartile	Municipality	1st Quartile
Cumberland (1) *	1.01%	Hopkinton *	-0.45%
East Providence (2)	1.09%	Warren	-0.26%
Jamestown	1.16%	West Greenwich	0.02%
Portsmouth *	1.28%	Tiverton *	0.86%
South Kingstown *	1.33%	North Providence	0.89%
Newport	1.43%	Richmond *	0.96%
Glocester *	1.50%	Lincoln *	0.97%
Scituate (3)	1.51%		
Providence	1.55%		
Cranston	1.88%		
Barrington	1.89%		
Narragansett *	1.93%		

(1) Cumberland actual amount is an estimate reported by the town. Final levy will be set in May 2016.

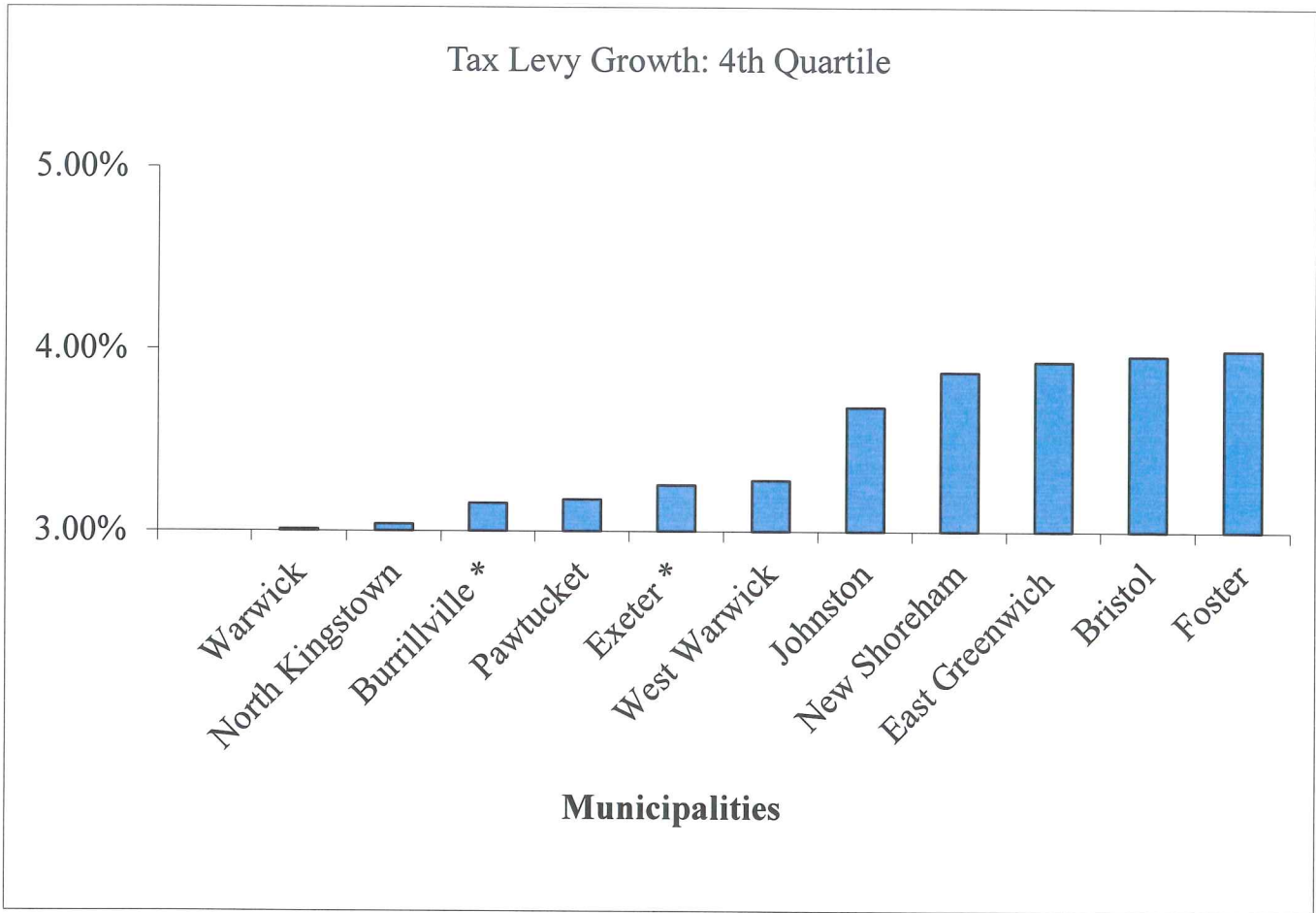
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As Table 2 on the previous page shows, one municipality (Foster) enacted a tax levy at the 4.00 percent cap, while the remaining 38 municipalities were below the 4.00 percent cap. Hopkinton and Warren had an overall decrease in their tax levies from FY 2015 to FY 2016.

**Table 3**  
**FY 2016 Property Tax Cap**

Urban Municipalities

Newport	1.43%
Providence	1.55%
Woonsocket	2.52%
Central Falls	2.63%
Pawtucket	3.17%

Urban Ring Municipalities

North Providence	0.89%
East Providence (3)	1.09%
Cranston	1.88%
Warwick	3.01%
West Warwick	3.28%

Suburban Municipalities

Warren	-0.26%
Lincoln *	0.97%
Cumberland (1) *	1.01%
Jamestown	1.16%
Portsmouth *	1.28%
Barrington	1.89%
Narragansett *	1.93%
Middletown	2.08%
Smithfield	2.47%
Westerly *	2.59%
North Kingstown	3.04%
Johnston	3.68%
East Greenwich	3.93%
Bristol	3.97%

Rural Municipalities

Hopkinton *	-0.45%
West Greenwich	0.02%
Tiverton *	0.86%
Richmond *	0.96%
South Kingstown *	1.33%
Glocester *	1.50%
Scituate (3)	1.51%
North Smithfield	2.26%
Charlestown *	2.35%
Little Compton	2.67%
Coventry *	2.74%
Burrillville *	3.15%
Exeter *	3.25%
New Shoreham	3.88%
Foster	4.00%

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