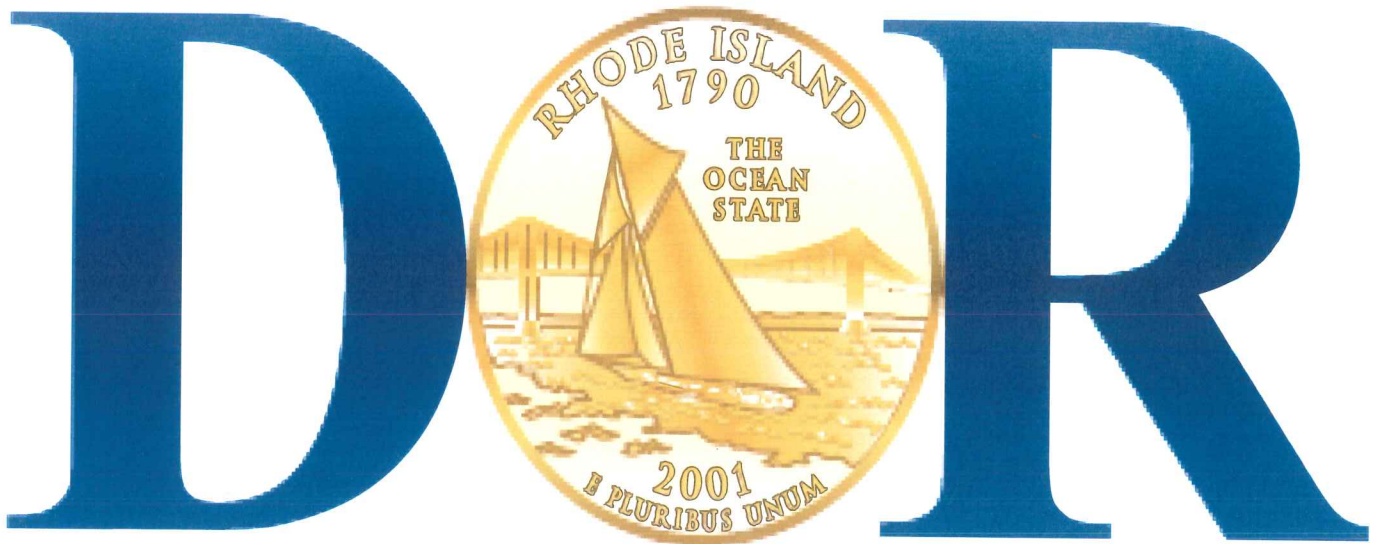


Report on the Property Tax Cap

Fiscal Year 2018



Governor Gina M. Raimondo

Prepared by:

**Department of Revenue
Division of Municipal Finance**

Revised March 2018

This report has been prepared by the Division of Municipal Finance (“Division”) to summarize compliance with the property tax levy cap in its eleventh 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 2018.

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 2018 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 2018 Property Tax Cap

Table 1 shows the property tax levies for the municipalities for FY 2017 and FY 2018.

CITY/TOWN	FY 2017 Total Levy	FY 2017 MV Levy	FY 2017 Adjusted Levy w/o MV	FY 2018 Total Levy w/o MV	Increase	Percent Change
Barrington	\$58,548,512	\$5,601,018	\$52,947,494	\$57,779,837	\$4,832,343	9.13%
Bristol	41,821,769	2,769,575	39,052,194	39,737,652	685,458	1.76%
Burrillville *	31,403,323	4,744,247	26,659,076	27,679,004	1,019,928	3.83%
Central Falls	15,308,928	1,822,371	13,486,557	13,725,944	239,386	1.77%
Charlestown *	24,015,249	954,651	23,060,599	23,312,396	251,797	1.09%
Coventry *	70,318,224	5,561,915	64,756,309	66,948,511	2,192,202	3.39%
Cranston	188,071,063	20,954,170	167,116,893	171,611,420	4,494,527	2.69%
Cumberland *	63,105,398	5,678,667	57,426,731	59,880,150	2,453,418	4.27%
East Greenwich	57,019,409	2,296,400	54,723,009	54,038,223	(684,786)	-1.25%
East Providence (1)	104,965,886	10,442,898	94,522,988	96,885,259	2,362,271	2.50%
Exeter *	14,110,221	2,070,754	12,039,468	12,348,122	308,654	2.56%
Foster	12,603,234	1,579,960	11,023,274	11,347,867	324,593	2.94%
Glocester *	21,705,394	2,218,404	19,486,990	19,366,422	(120,568)	-0.62%
Hopkinton *	17,961,897	1,519,868	16,442,029	17,037,406	595,377	3.62%
Jamestown	19,690,094	596,196	19,093,897	19,455,799	361,902	1.90%
Johnston	76,403,133	9,638,661	66,764,472	66,816,469	51,997	0.08%
Lincoln *	54,158,551	5,371,103	48,787,448	49,674,368	886,920	1.82%
Little Compton	11,629,197	352,054	11,277,142	11,722,325	445,183	3.95%
Middletown	46,846,795	1,912,817	44,933,978	45,277,702	343,724	0.76%
Narragansett *	49,294,923	1,631,921	47,663,002	48,912,251	1,249,250	2.62%
Newport	72,737,308	2,106,872	70,630,436	72,631,304	2,000,868	2.83%
New Shoreham	9,557,333	151,924	9,405,409	9,745,179	339,770	3.61%
North Kingstown	75,058,276	5,122,083	69,936,193	72,459,500	2,523,306	3.61%
North Providence	70,078,314	9,208,736	60,869,578	62,715,606	1,846,028	3.03%
North Smithfield	33,595,739	4,122,965	29,472,775	30,133,258	660,483	2.24%
Pawtucket	104,201,777	15,335,132	88,866,645	92,396,629	3,529,983	3.97%
Portsmouth *	50,971,055	2,252,859	48,718,197	50,324,893	1,606,696	3.30%
Providence	364,264,528	31,868,861	332,395,667	335,135,140	2,739,473	0.82%
Richmond *	17,880,304	1,361,751	16,518,554	17,394,331	875,778	5.30%
Scituate (2)	28,034,119	1,860,657	26,173,462	27,240,793	1,067,331	4.08%
Smithfield	56,132,554	6,727,624	49,404,930	51,296,512	1,891,582	3.83%
South Kingstown *	70,398,298	3,720,816	66,677,483	67,882,354	1,204,871	1.81%
Tiverton *	38,190,533	1,595,997	36,594,535	36,713,680	119,145	0.33%
Warren	23,863,085	1,992,422	21,870,663	21,882,157	11,494	0.05%
Warwick	233,268,842	24,636,708	208,632,134	207,850,413	(781,721)	-0.37%
Westerly *	69,920,135	5,495,678	64,424,457	66,308,959	1,884,502	2.93%
West Greenwich	18,308,837	1,243,734	17,065,103	17,597,604	532,502	3.12%
West Warwick	62,883,201	5,350,617	57,532,584	59,065,480	1,532,897	2.66%
Woonsocket	62,904,295	8,799,749	54,104,546	52,344,529	(1,760,017)	-3.25%
TOTAL ACTUAL	\$2,441,229,732	\$220,672,833	\$2,220,556,899	\$2,264,675,448	\$44,118,549	1.99%

(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 2018 levy has been adopted the final tax rates will not be known until the spring of 2018.

(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 (12/31/2015 & 12/31/2016) and State Code Summary.

To summarize the results:

- The final enacted statewide property tax levy for FY 2018 excluding motor vehicle levy was \$2,264.7 million, a 1.99 percent increase over FY 2017. 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 2018.
- 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 \$2,309.4 million to support FY 2018 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 2018 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	Article 11	Total	
Cumberland *					\$ 156,349	\$ 156,349	Article 11
Scituate *					\$ 20,392	\$ 20,392	Article 11
Barrington	\$ 3,389,698		\$ 3,389,698			\$ 3,389,698	4/28/2017 DMF
Richmond	\$ 167,048	\$ 167,048				\$ 167,048	5/24/2017 DMF
Total	\$3,556,746	\$167,048	\$3,389,698	\$0	\$176,741	\$3,733,487	

* Article 11: *“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 Town of Cumberland would have generated a 3.02% tax levy increase and the Town of Scituate a 3.97% tax levy increase if motor vehicle tax levy was included in the growth calculation.

Source: Division of Municipal Finance based on Assessors Statement of Assessed Values and Tax Levy (12/31/2015 & 12/31/2016) and State Code Summary

There were two exemptions requested by communities and approved by the Division in FY 2018. 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).

The Town of Barrington 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 while the Town of Richmond requested and was approved to exceed the property tax cap due to a net non-property tax loss in FY 2018.

The Towns of Cumberland and Scituate both exceeded the property tax cap in FY 2018 due to the change in calculating a community's net tax levy growth as stated in Article 11 as amended. This exemption is only valid in FY 2018. Please note that the Town of Cumberland would have generated a 3.02% tax levy increase and the Town of Scituate a 3.97% tax levy increase if motor vehicle tax levy was included in the growth calculation.

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 2018 no emergency exemptions were requested by communities.

Table 3
FY 2018 Property Tax Cap
Not Including Motor Vehicle Levy Due To Article 11

Municipality	4th Quartile	Municipality	3rd Quartile
North Providence	3.03%	North Smithfield	2.24%
West Greenwich	3.12%	East Providence (1)	2.50%
Portsmouth *	3.30%	Exeter *	2.56%
Coventry *	3.39%	Narragansett *	2.62%
North Kingstown	3.61%	West Warwick	2.66%
New Shoreham	3.61%	Cranston	2.69%
Hopkinton *	3.62%	Newport	2.83%
Burrillville *	3.83%	Westerly *	2.93%
Smithfield	3.83%	Foster	2.94%
Little Compton	3.95%		
Pawtucket	3.97%		
Scituate (2)	4.08%		
Cumberland *	4.27%		
Richmond *	5.30%		
Barrington	9.13%		

Municipality	2nd Quartile	Municipality	1st Quartile
Charlestown *	1.09%	Woonsocket	-3.25%
Bristol	1.76%	East Greenwich	-1.25%
Central Falls	1.77%	Glocester *	-0.62%
South Kingstown *	1.81%	Warwick	-0.37%
Lincoln *	1.82%	Warren	0.05%
Jamestown	1.90%	Johnston	0.08%
		Tiverton *	0.33%
		Middletown	0.76%
		Providence	0.82%

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

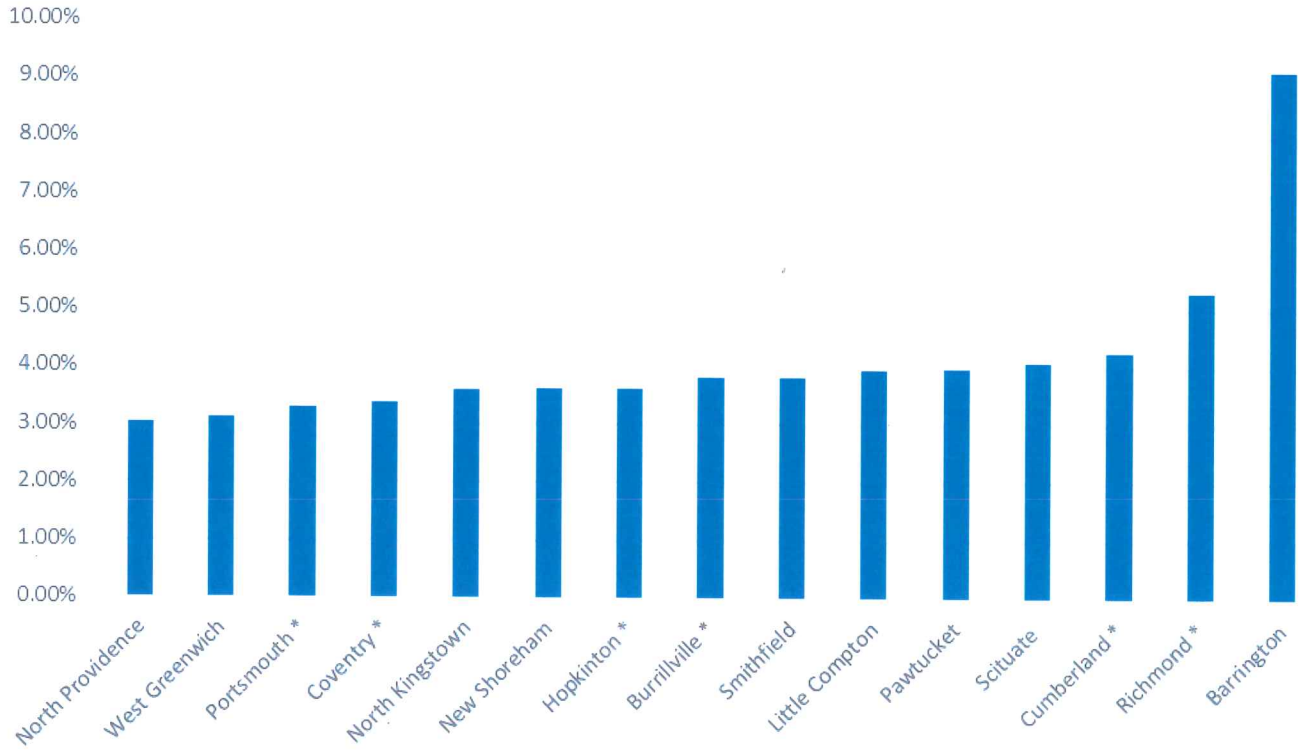
The City of East Providence levies its property tax in arrears; while the FY 2018 levy has been adopted the final tax rates will not be known until the spring of 2018.

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

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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, four municipalities (Barrington, Cumberland, Richmond and Scituate) enacted a tax levy over the 4.00 percent cap. The remaining 35 municipalities were below the 4.00 percent cap. East Greenwich, Gloucester, Warwick and Woonsocket had an overall decrease in their tax levies from FY 2017 to FY 2018.

Table 4
FY 2018 Property Tax Cap
Not Including Motor Vehicle Levy Due To Article 11

Urban Municipalities

Woonsocket	-3.25%
Providence	0.82%
Central Falls	1.77%
Newport	2.83%
Pawtucket	3.97%

Urban Ring Municipalities

Warwick	-0.37%
East Providence (1)	2.50%
West Warwick	2.66%
Cranston	2.69%
North Providence	3.03%

Suburban Municipalities

East Greenwich	-1.25%
Warren	0.05%
Johnston	0.08%
Middletown	0.76%
Bristol	1.76%
Lincoln *	1.82%
Jamestown	1.90%
Narragansett *	2.62%
Westerly *	2.93%
Portsmouth *	3.30%
North Kingstown	3.61%
Smithfield	3.83%
Cumberland *	4.27%
Barrington	9.13%

Rural Municipalities

Glocester *	-0.62%
Tiverton *	0.33%
Charlestown *	1.09%
South Kingstown *	1.81%
North Smithfield	2.24%
Exeter *	2.56%
Foster	2.94%
West Greenwich	3.12%
Coventry *	3.39%
New Shoreham	3.61%
Hopkinton *	3.62%
Burrillville *	3.83%
Little Compton	3.95%
Scituate (2)	4.08%
Richmond *	5.30%

(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 2018 levy has been adopted the final tax rates will not be known until the spring of 2018.

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