

2010 -- H 7073

LC00042

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2010

A N A C T

RELATING TO TAXATION

Introduced By: Representatives Carter, MacBeth, and Serpa

Date Introduced: January 12, 2010

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 44 of the General Laws entitled "TAXATION" is hereby amended by
2 adding thereto the following chapter:

3 CHAPTER 5.2

4 REAL ESTATE TAX REFORM ACT OF 2010

5 **44-5.2-1. Short title.** – This chapter shall be known and may be cited as the “Real Estate
6 Tax Reform Act of 2010”.

7 **44-5.2-2. Legislative findings.** – (a) The general assembly finds and declares as follows:

8 (1) Municipal real estate taxes in Rhode Island have become more and more burdensome,
9 particularly over the last few years, with such burdens falling unevenly on property owners.

10 (2) Rapidly accelerating real estate taxes place a significant burden on the majority of
11 taxpayers and are a significant obstacle to many persons, particularly low income families and
12 those persons on fixed incomes, retaining ownership of their homes, and in some cases forcing
13 people to divert income away from the purchase of food, clothing or other necessities to pay
14 increased taxes.

15 (3) Rhode Island and its cities and towns have legitimate interest in local neighborhood
16 preservation, continuity and stability.

17 (4) It is desirable that municipalities encourage stability of property ownership and
18 discourage displacement of lower income families and persons on fixed incomes by the forces of
19 “gentrification”.

1 (5) Unlike a new owner who knows the scope of his tax liability before acquiring a
2 property and can decline to purchase if he believes the tax burden is too demanding, an existing
3 property owner does not have the option of deciding not to buy his home should an increased
4 valuation result in unreasonably high taxes.

5 (6) Accordingly, it is in the best interest of municipalities not to require existing property
6 owners to pay the level of taxes new owners are willing to pay on comparable property, in much
7 the same way that people who receive identical services from a city or town may pay dissimilar
8 taxes despite owning property of equal value.

9 (7) This chapter is necessary and proper and constitutes an appropriate exercise by the
10 state to deal with the disproportionate burdens of high real estate taxes.

11 **44-5.2-3. Determination of taxes.** – (a) For the fiscal year subsequent to the effective
12 date of the adoption of this method of real property taxation by a municipality and each
13 subsequent fiscal year, there shall be two (2) types of property owners for the determination of
14 taxes on real estate in a city or town.

15 (1) Types of owners: (i) “Type 1 owners” shall mean those property owners who were
16 assessed a real estate tax on a particular parcel(s) of real estate by a particular city or town with
17 respect to the fiscal year prior to the current year; (ii) “Type 2 owners” means all other property
18 owners. A property owner may be a Type 1 owner and a Type 2 owner with respect to different
19 parcels of real estate; and (iii) A person who has obtained title to real property by gift or bequest
20 from a spouse shall be deemed to be a Type 1 property owner.

21 (2) Taxation: (i) Type 1 owner: Indexed taxation - Property owned by a Type 1 owner
22 shall be taxed utilizing the tax rate certified by the city or town council that, when multiplied by
23 the valuation of all Type 1 owners’ properties shall be sufficient to equal the total tax le vy when
24 combined with revenue from Type 2 owners.

25 (A) When a city or town council, or a vote of a financial town meeting, increases (or
26 decreases) the total tax levy, the property value for Type 1 owners shall be increased (or
27 decreased) by an equal percentage; provided, however, that any percentage increase (or decrease)
28 from a preceding fiscal year applied to Type 1 owners may exceed the allowable percentage
29 increase of the total tax levy over the preceding year with the approval of two-thirds (2/3) of the
30 voters at a general or special election or at an annual or special financial town meeting; and/or

31 (B) If a Type 1 owner’s real estate shall be physically altered, the tax shall consist of two
32 portions: the tax on the value as determined in paragraph (a)(2)(i) plus the tax on the ad valorem
33 value of the alteration taxed at the ad valorem rate in paragraph (a)(2)(ii). The new value of Type
34 1 owner property shall be the sum of indexed value plus the full assessed value of the alteration.

1 (C) If the use of the real estate is changed, as in the case of a rezoning, then the owner of
2 said real estate shall be deemed to be a Type 2 owner for that tax year and said real estate shall be
3 reassessed as of December 31 of the year in which the change of use occurs.

4 (ii) Type 2 owner Ad valorem taxation: The tax on real estate owned by a Type 2 owner
5 shall be that amount determined by applying the ad valorem tax rate in paragraph (a)(2)(iii) to one
6 hundred percent (100%) of the assessed valuation of such real estate determined, pursuant to
7 section 44-5-12, as of the preceding December 31, subject to any proration (for the year of
8 purchase only) as may be appropriate. In ensuing years, a Type 2 owner shall become a Type 1
9 owner.

10 (iii) For each year subsequent to the effective date of this section, a city or town shall
11 cause to be calculated the total assessed valuation of the real estate in the city or town as of each
12 December 31 on such real estate for such fiscal year, based on appropriate factors, such as real
13 estate transactions during the year, and in accordance with generally accepted municipal
14 assessment standards, practices and procedures, and such total assessed valuation, together with
15 the revenues required to be raised to fund the municipal budget for the succeeding year, shall be
16 utilized to establish the ad valorem Type 2 tax rate for such succeeding year.

17 (iv) In lieu of utilizing the provision of paragraph (a)(2)(iii) in determining a
18 municipality's total assessed valuation on December 31 on real estate for the fiscal year, for the
19 purpose of establishing a tax rate for the succeeding year, a city or town may undertake a city or
20 town-wide revaluation every nine (9) years and/or a statistical updating of assessed values every
21 three (3) years.

22 (v) A city or town council may, by ordinance, provide for and adopt a tax classification
23 plan for categories of property owned by Type 1 and Type 2 owners as follows:

24 (A) For property owned by Type 1 owners, based on whether a property owner qualifies
25 for low income housing and, in the case of non-residential property, whether the property owner
26 is a resident of such city or town; and

27 (B) For property owned by Type 2 owners, based on whether such property is residential,
28 commercial or industrial, and/or such other categories as the town shall deem to be in the best
29 interest of the community.

30 (vi) The tax assessor of each city and town shall monitor real estate conveyances to
31 assure that a tax reduction was not a primary purpose for a conveyance, and shall make an
32 appropriate adjustment to the tax in any case in which the assessor determines that such a
33 reduction was a primary purpose for a conveyance.

34 (vii) The provisions of this chapter shall expire on the first day of the fiscal year

1 following the tenth (10th) anniversary of the end of the initial fiscal year unless extended by the
2 qualified electors of the state. The general assembly shall cause to be placed on the ballot at the
3 general election next occurring prior to the date on which this section would otherwise expire, the
4 following question:

5 “Shall the method of real estate taxation set forth in chapter 44-5.2 be extended for ten
6 (10) years?”

7 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO TAXATION

1 This act would provide local communities an optional method for the determination of
2 local real estate taxes.

3 This act would take effect upon passage.

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