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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2011

A N A C T

RELATING TO TAXATION -- LEVY AND ASSESSMENT OF TAXES

Introduced By: Senator P Fogarty

Date Introduced: March 10, 2011

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 44-5-2 of the General Laws in Chapter 44-5 entitled "Levy and
2 Assessment of Local Taxes" is hereby amended to read as follows:

3 **44-5-2. Maximum levy.** -- (a) Through and including its fiscal year 2007, a city or town
4 may levy a tax in an amount not more than five and one-half percent (5.5%) in excess of the
5 amount levied and certified by that city or town for the prior year. Through and including its
6 fiscal year 2007, but in no fiscal year thereafter, the amount levied by a city or town is deemed to
7 be consistent with the five and one-half percent (5.5%) levy growth cap if the tax rate is not more
8 than one hundred and five and one-half percent (105.5%) of the prior year's tax rate and the
9 budget resolution or ordinance, as applicable, specifies that the tax rate is not increasing by more
10 than five and one-half percent (5.5%) except as specified in subsection (c) of this section. In all
11 years when a revaluation or update is not being implemented, a tax rate is deemed to be one
12 hundred five and one-half percent (105.5%) or less of the prior year's tax rate if the tax on a
13 parcel of real property, the value of which is unchanged for purpose of taxation, is no more than
14 one hundred five and one-half percent (105.5%) of the prior year's tax on the same parcel of real
15 property. In any year through and including fiscal year 2007 when a revaluation or update is
16 being implemented, the tax rate is deemed to be one hundred five and one-half percent (105.5%)
17 of the prior year's tax rate as certified by the division of property valuation and municipal finance
18 in the department of revenue.

19 (b) In its fiscal year 2008, a city or town may levy a tax in an amount not more than five

1 and one-quarter percent (5.25%) in excess of the total amount levied and certified by that city or
2 town for its fiscal year 2007. In its fiscal year 2009, a city or town may levy a tax in an amount
3 not more than five percent (5%) in excess of the total amount levied and certified by that city or
4 town for its fiscal year 2008. In its fiscal year 2010, a city or town may levy a tax in an amount
5 not more than four and three-quarters percent (4.75%) in excess of the total amount levied and
6 certified by that city or town in its fiscal year 2009. In its fiscal year 2011, a city or town may
7 levy a tax in an amount not more than four and one-half percent (4.5%) in excess of the total
8 amount levied and certified by that city or town in its fiscal year 2010. In its fiscal year 2012, a
9 city or town may levy a tax in an amount not more than four and one-quarter percent (4.25%) in
10 excess of the total amount levied and certified by that city or town in its fiscal year 2011. In its
11 fiscal year 2013 and in each fiscal year thereafter, a city or town may levy a tax in an amount not
12 more than four percent (4%) in excess of the total amount levied and certified by that city or town
13 for its previous fiscal year.

14 (1) Revenue received by a city or town during fiscal year 2011 and thereafter which
15 results from new growth and its related valuation shall be added to the maximum allowable
16 amount levied.

17 (2) Debt service that has been authorized by a referendum of the electors of a city or town
18 are exempt from the maximum allowable amount levied in each fiscal year debt service occurs.

19 (3) Notwithstanding any law to the contrary, appropriations to school departments shall
20 not exceed their share of the maximum allowable amount.

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

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

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

33 (2) The city or town experiences or anticipates an emergency situation, which causes or
34 will cause the levy to exceed the percentage increase as specified in subsection (a) or (b) of this

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

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

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

22 (5) Federal or state aid for fiscal year 2011 or fiscal years thereafter for a city or town is
23 reduced disproportionately (by more than ten percent (10%)) in relation to other cities, towns or
24 school districts.

25 (e) Any levy pursuant to subsection (d) of this section in excess of the percentage
26 increase specified in subsection (a) or (b) of this section shall be approved by the affirmative vote
27 of at least four-fifths (4/5) of the full membership of the governing body of the city or town or in
28 the case of a city or town having a financial town meeting, the majority of the electors present
29 and voting at the town financial meeting shall also approve the excess levy.

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

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

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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RELATING TO TAXATION – LEVY AND ASSESSMENT OF TAXES

1 This act would make changes to the maximum levy and assessment of taxes a city or
2 town is authorized to make by adding new growth revenue to the maximum allowable amount
3 levied, by making certain expenditures exempt from the levy cap and insuring that the
4 appropriation to a school department cannot exceed its share of the levy limitation.

5 This act would take effect upon passage.

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