

Report on the Property Tax Cap

Fiscal Year 2015



Governor Lincoln D. Chafee

Prepared by:

**Department of Revenue
Division of Municipal Finance**

December 2014

This report has been prepared by the Division of Municipal Finance (“Division”) to summarize compliance with the property tax levy cap in its eighth 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 2015.

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 2015 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 2015 Property Tax Cap

Table 1 shows the property tax levies for the municipalities for FY 2014 and FY 2015.

CITY/TOWN	FY 2014	FY 2015	Increase	Percent Change
Barrington	\$56,127,312	\$56,505,797	\$378,485	0.67%
Bristol	37,055,367	37,948,094	892,727	2.41%
Burrillville *	28,840,267	29,545,293	705,026	2.44%
Central Falls	14,221,500	14,768,935	547,435	3.85%
Charlestown *	22,679,022	23,095,033	416,012	1.83%
Coventry *	64,549,068	65,812,571	1,263,503	1.96%
Cranston	181,591,061	182,559,745	968,684	0.53%
Cumberland (1) *	60,472,810	61,422,100	949,290	1.57%
East Greenwich	51,845,789	53,345,608	1,499,820	2.89%
East Providence (2)	103,070,824	103,070,824	0	0.00%
Exeter *	13,048,989	13,130,913	81,924	0.63%
Foster	11,269,380	11,720,089	450,709	4.00%
Glocester *	20,750,248	20,914,232	163,984	0.79%
Hopkinton *	18,228,200	17,634,724	(593,475)	-3.26%
Jamestown	19,160,796	19,291,704	130,908	0.68%
Johnston	70,191,873	72,783,899	2,592,026	3.69%
Lincoln *	52,492,288	53,117,288	625,001	1.19%
Little Compton	10,329,739	10,897,557	567,818	5.50%
Middletown	43,400,329	44,502,103	1,101,775	2.54%
Narragansett *	46,060,213	47,399,848	1,339,635	2.91%
Newport	67,451,455	69,680,223	2,228,767	3.30%
New Shoreham	8,723,934	8,945,627	221,693	2.54%
North Kingstown	70,035,857	71,668,809	1,632,952	2.33%
North Providence	67,735,976	68,703,936	967,960	1.43%
North Smithfield	29,705,309	30,893,178	1,187,870	4.00%
Pawtucket	99,386,793	99,644,368	257,575	0.26%
Portsmouth *	48,021,888	49,187,930	1,166,042	2.43%
Providence	340,814,523	346,472,564	5,658,041	1.66%
Richmond *	16,740,541	17,189,267	448,726	2.68%
Scituate (3)	26,415,039	26,948,830	533,791	2.02%
Smithfield	51,713,919	53,767,983	2,054,064	3.97%
South Kingstown *	67,082,115	67,607,641	525,526	0.78%
Tiverton *	37,519,924	37,526,955	7,031	0.02%
Warren	22,087,247	23,649,363	1,562,116	7.07%
Warwick	223,763,444	222,498,782	(1,264,662)	-0.57%
Westerly *	65,309,604	66,501,004	1,191,400	1.82%
West Greenwich	17,775,266	18,073,807	298,541	1.68%
West Warwick	56,363,626	58,546,755	2,183,129	3.87%
Woonsocket	59,888,228	62,777,942	2,889,715	4.83%
TOTAL ACTUAL	\$2,301,919,761	\$2,339,751,323	\$37,831,562	1.64%

(1) Cumberland actual amount is an estimate reported by the town. Final levy will be set in May 2015.

(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 2015 levy has been adopted the final tax rates will not be known until the spring of 2015.

(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 and the towns where they are located in have a municipal fire department that covers the whole town. 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 (12/31/2012 & 12/31/2013) 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 \$2,394.0 million to support FY 2015 municipal budgets.
- The final enacted statewide property tax levy for FY 2015 was \$2,339.8 million, a 1.64 percent increase over FY 2014. 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 2015.

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.”

**Table 2
FY 2015 Exemptions to Tax Cap**

City / Town	Requested	Amount Certified				Approved
		Net Non-Property Tax Revenue Loss	Debt Service	Emergency	Total	
Little Compton	\$173,564		\$651,175		\$651,175	4/30/2014 DMF
Warren	\$685,694			\$685,694	\$685,694	4/23/2014 Auditor General
Total	\$859,258	\$0	\$651,175	\$685,694	\$1,336,869	
Woonsocket*					\$494,186	H-8292/S-2298A General Assembly

* The General Assembly granted cities and towns via H-8292/S-2298A the right to and method by which they may:

(1) Tax the real and personal property of a for-profit hospital facility; and or (2) Enter into a stabilization agreement with a for-profit hospital facility.

Source: Division of Municipal Finance based on Assessors Statement of Assessed Values and Tax Levy (12/31/2012 & 12/31/2013) and State Code Summary

There was one exemption requested by a community and approved by the Division in FY 2015. 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 Little Compton requested and was approved to exceed the property tax cap in FY 2015 due to an increase in debt service over 4.00 percent of the prior year.

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 2015 one emergency exemption was requested by a community. The Town of Warren requested and was approved by the Office of the Auditor General to exceed the property tax cap in FY 2015 due to an emergency situation. An amount of \$685,694 has been certified due to an increase in the Town of Warren's proportionate share of the Bristol Warren Regional School District's budget due to the Town's increase in student enrollment.

Furthermore, the 2014 General Assembly passed H-8292/S-2298A which allowed the City of Woonsocket to enter into a stabilization agreement with a for-profit hospital facility causing an increase of over 4.00 percent year over year in the cities' net property tax levy.

**Table 3
FY 2015 Property Tax Cap**

Municipality	4th Quartile	Municipality	3rd Quartile
Newport	3.30%	Scituate (3)	2.02%
Johnston	3.69%	North Kingstown	2.33%
Central Falls	3.85%	Bristol	2.41%
West Warwick	3.87%	Portsmouth *	2.43%
Smithfield	3.97%	Burrillville *	2.44%
North Smithfield	4.00%	Middletown	2.54%
Foster	4.00%	New Shoreham	2.54%
Woonsocket	4.83%	Richmond *	2.68%
Little Compton	5.50%	East Greenwich	2.89%
Warren	7.07%	Narragansett *	2.91%

Municipality	2nd Quartile	Municipality	1st Quartile
Lincoln *	1.19%	Hopkinton *	-3.26%
North Providence	1.43%	Warwick	-0.57%
Cumberland (1) *	1.57%	East Providence (2)	0.00%
Providence	1.66%	Tiverton *	0.02%
West Greenwich	1.68%	Pawtucket	0.26%
Westerly *	1.82%	Cranston	0.53%
Charlestown *	1.83%	Exeter *	0.63%
Coventry *	1.96%	Barrington	0.67%
		Jamestown	0.68%
		South Kingstown *	0.78%
		Glocester *	0.79%

(1) Cumberland actual amount is an estimate reported by the town. Final levy will be set in May 2015.

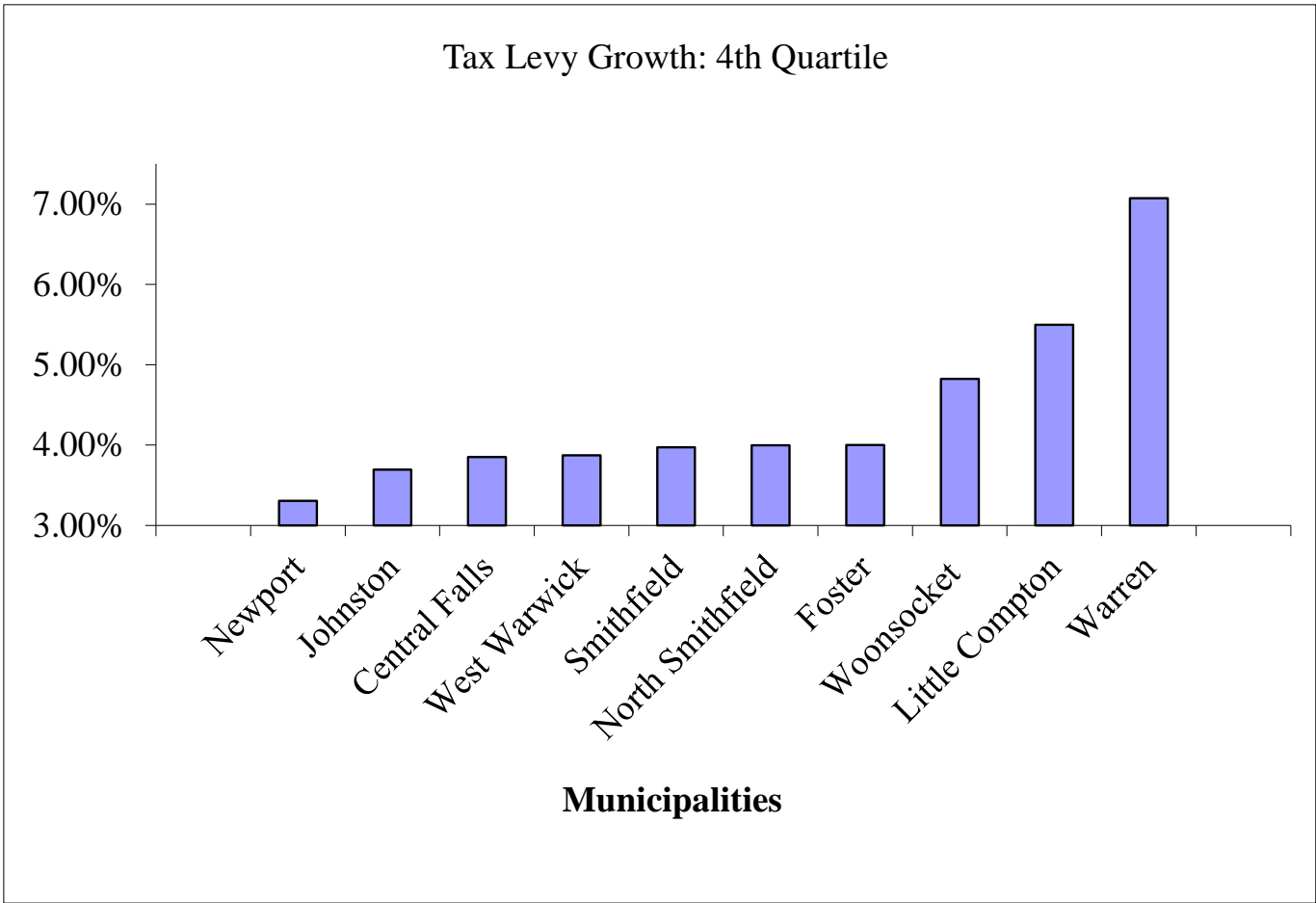
(2) East Providence fiscal year is Nov 1 to Oct 31.

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As Table 3 on the previous page shows, three municipalities (Little Compton, Warren and Woonsocket) enacted a tax levy over the 4.00 percent cap, while two municipalities (Foster and North Smithfield) levied property taxes at the 4.00 percent cap. The remaining 34 municipalities were below the property tax cap. Hopkinton and Warwick had an overall decrease in their tax levies from FY 2014 to FY 2015.

**Table 4
FY 2015 Property Tax Cap**

Urban Municipalities

Pawtucket	0.26%
Providence	1.66%
Newport	3.30%
Central Falls	3.85%
Woonsocket	4.83%

Urban Ring Municipalities

Warwick	-0.57%
East Providence (3)	0.00%
Cranston	0.53%
North Providence	1.43%
West Warwick	3.87%

Suburban Municipalities

Barrington	0.67%
Jamestown	0.68%
Lincoln *	1.19%
Cumberland (1) *	1.57%
Westerly *	1.82%
North Kingstown	2.33%
Bristol	2.41%
Portsmouth *	2.43%
Middletown	2.54%
East Greenwich	2.89%
Narragansett *	2.91%
Johnston	3.69%
Smithfield	3.97%
Warren	7.07%

Rural Municipalities

Hopkinton *	-3.26%
Tiverton *	0.02%
Exeter *	0.63%
South Kingstown *	0.78%
Glocester *	0.79%
West Greenwich	1.68%
Charlestown *	1.83%
Coventry *	1.96%
Scituate (3)	2.02%
Burrillville *	2.44%
New Shoreham	2.54%
Richmond *	2.68%
North Smithfield	4.00%
Foster	4.00%
Little Compton	5.50%

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