

Report on the Property Tax Cap

Fiscal Year 2017



Governor Gina M. Raimondo

Prepared by:

**Department of Revenue
Division of Municipal Finance**

December 2016

This report has been prepared by the Division of Municipal Finance (“Division”) to summarize compliance with the property tax levy cap in its tenth 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 2017.

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 2017 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 2017 Property Tax Cap

Table 1 shows the property tax levies for the municipalities for FY 2016 and FY 2017.

CITY/TOWN	FY 2016	FY 2017	Increase	Percent Change
Barrington	\$57,571,595	\$58,548,512	\$976,917	1.70%
Bristol	39,453,379	41,821,769	2,368,390	6.00%
Burrillville *	30,476,875	31,403,323	926,447	3.04%
Central Falls	15,157,431	15,308,928	151,497	1.00%
Charlestown *	23,638,239	24,015,249	377,010	1.59%
Coventry *	67,613,677	70,318,224	2,704,547	4.00%
Cranston	185,998,132	188,071,063	2,072,931	1.11%
Cumberland *	62,044,211	63,105,398	1,061,187	1.71%
East Greenwich	55,443,802	57,019,409	1,575,607	2.84%
East Providence (1)	104,395,380	104,860,752	465,372	0.45%
Exeter *	13,558,130	14,110,221	552,092	4.07%
Foster	12,188,472	12,603,234	414,762	3.40%
Glocester *	21,228,682	21,705,394	476,713	2.25%
Hopkinton *	17,555,096	17,961,897	406,801	2.32%
Jamestown	19,515,833	19,690,094	174,261	0.89%
Johnston	75,464,389	76,403,133	938,743	1.24%
Lincoln *	53,631,151	54,158,551	527,400	0.98%
Little Compton	11,188,548	11,629,197	440,649	3.94%
Middletown	45,427,547	46,846,795	1,419,248	3.12%
Narragansett *	48,316,824	49,294,923	978,099	2.02%
Newport	70,673,687	72,737,308	2,063,621	2.92%
New Shoreham	9,292,297	9,557,333	265,036	2.85%
North Kingstown	73,845,736	75,058,276	1,212,540	1.64%
North Providence	69,317,745	70,078,314	760,568	1.10%
North Smithfield	31,592,635	33,595,739	2,003,104	6.34%
Pawtucket	102,806,633	104,201,777	1,395,144	1.36%
Portsmouth *	49,815,131	50,971,055	1,155,924	2.32%
Providence	351,854,213	364,264,528	12,410,315	3.53%
Richmond *	17,354,620	17,880,304	525,684	3.03%
Scituate (2)	27,354,588	28,034,119	679,531	2.48%
Smithfield	55,094,768	56,132,554	1,037,785	1.88%
South Kingstown *	68,504,982	70,398,298	1,893,316	2.76%
Tiverton *	37,848,059	38,190,533	342,474	0.90%
Warren	23,587,252	23,863,085	275,833	1.17%
Warwick	229,189,681	233,268,842	4,079,161	1.78%
Westerly *	68,223,651	69,920,135	1,696,484	2.49%
West Greenwich	18,076,849	18,308,837	231,987	1.28%
West Warwick	60,467,314	62,883,201	2,415,887	4.00%
Woonsocket	64,360,076	62,904,295	(1,455,781)	-2.26%
TOTAL ACTUAL	\$2,389,127,309	\$2,441,124,598	\$51,997,289	2.18%

(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 2017 levy has been adopted the final tax rates will not be known until the spring of 2017.

(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 (12/31/2014 & 12/31/2015) and State Code Summary.

To summarize the results:

- The final enacted statewide property tax levy for FY 2017 was \$2,441.1 million, a 2.18 percent increase over FY 2016. 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 2017.
- If all municipalities levied a tax at the permitted 4.00 percent increase it would have resulted in a property tax levy of \$2,484.7 million to support FY 2017 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.”

Table 2
FY 2017 Exemptions to Tax Cap

City / Town	Requested	Amount Certified				Approved
		Net Non-Property Tax Revenue Loss	Debt Service	Emergency	Total	
Exeter (1)						
Bristol	\$ 809,959			\$ 809,959	\$ 809,959	4/25/2016
North Smithfield	\$ 734,710		\$ 734,710		\$ 734,710	5/31/2016
Total	\$1,544,669	\$0	\$734,710	\$809,959	\$1,544,669	

(1) Exeter exceeded the cap by \$9,766 (0.07%). The town did not request to exceed the property tax cap and was not certified under the provisions of R.I. Gen. Laws 44-5-2 to exceed the property tax cap.

Source: Division of Municipal Finance based on Assessors Statement of Assessed Values and Tax Levy (12/31/2014 & 12/31/2015) and State Code Summary

There was one exemption requested by a community and approved by the Division in FY 2017. 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 North Smithfield requested and was approved to exceed the property tax cap in FY 2017 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 2017 one emergency exemption was requested by a community. The Town of Bristol requested and was approved by the Office of the Auditor General to exceed the property tax cap in FY 2017 due to an emergency situation. An amount of \$809,959 has been certified due to an increase in the Town of Bristol's proportionate share of the Bristol Warren Regional School District's budget due to changes in the calculation of proportionate share based on both amendments to state law and a court order resulting from a suit brought by the Town of Warren. The amount of the Regional School District's budget to be funded by the Towns of Bristol and Warren is now determined by a thirteen-year rolling average pupil enrollment as required by amendments to the Regional School District's enabling legislation enacted on July 1, 2014.

The Town of Exeter exceeded the cap by \$9,766 (0.07%). The town did not request to exceed the property tax cap and was not certified under provisions of R.I. General Law 44-5-2 to exceed the property tax cap.

**Table 3
FY 2017 Property Tax Cap**

Municipality	4th Quartile	Municipality	3rd Quartile
Richmond *	3.03%	Narragansett *	2.02%
Burrillville *	3.04%	Glocester *	2.25%
Middletown	3.12%	Hopkinton *	2.32%
Foster	3.40%	Portsmouth *	2.32%
Providence	3.53%	Scituate (2)	2.48%
Little Compton	3.94%	Westerly *	2.49%
West Warwick	4.00%	South Kingstown *	2.76%
Coventry *	4.00%	East Greenwich	2.84%
Exeter *	4.07%	New Shoreham	2.85%
Bristol	6.00%	Newport	2.92%
North Smithfield	6.34%		

Municipality	2nd Quartile	Municipality	1st Quartile
North Providence	1.10%	Woonsocket	-2.26%
Cranston	1.11%	East Providence (1)	0.45%
Warren	1.17%	Jamestown	0.89%
Johnston	1.24%	Tiverton *	0.90%
West Greenwich	1.28%	Lincoln *	0.98%
Pawtucket	1.36%	Central Falls	1.00%
Charlestown *	1.59%		
North Kingstown	1.64%		
Barrington	1.70%		
Cumberland *	1.71%		
Warwick	1.78%		
Smithfield	1.88%		

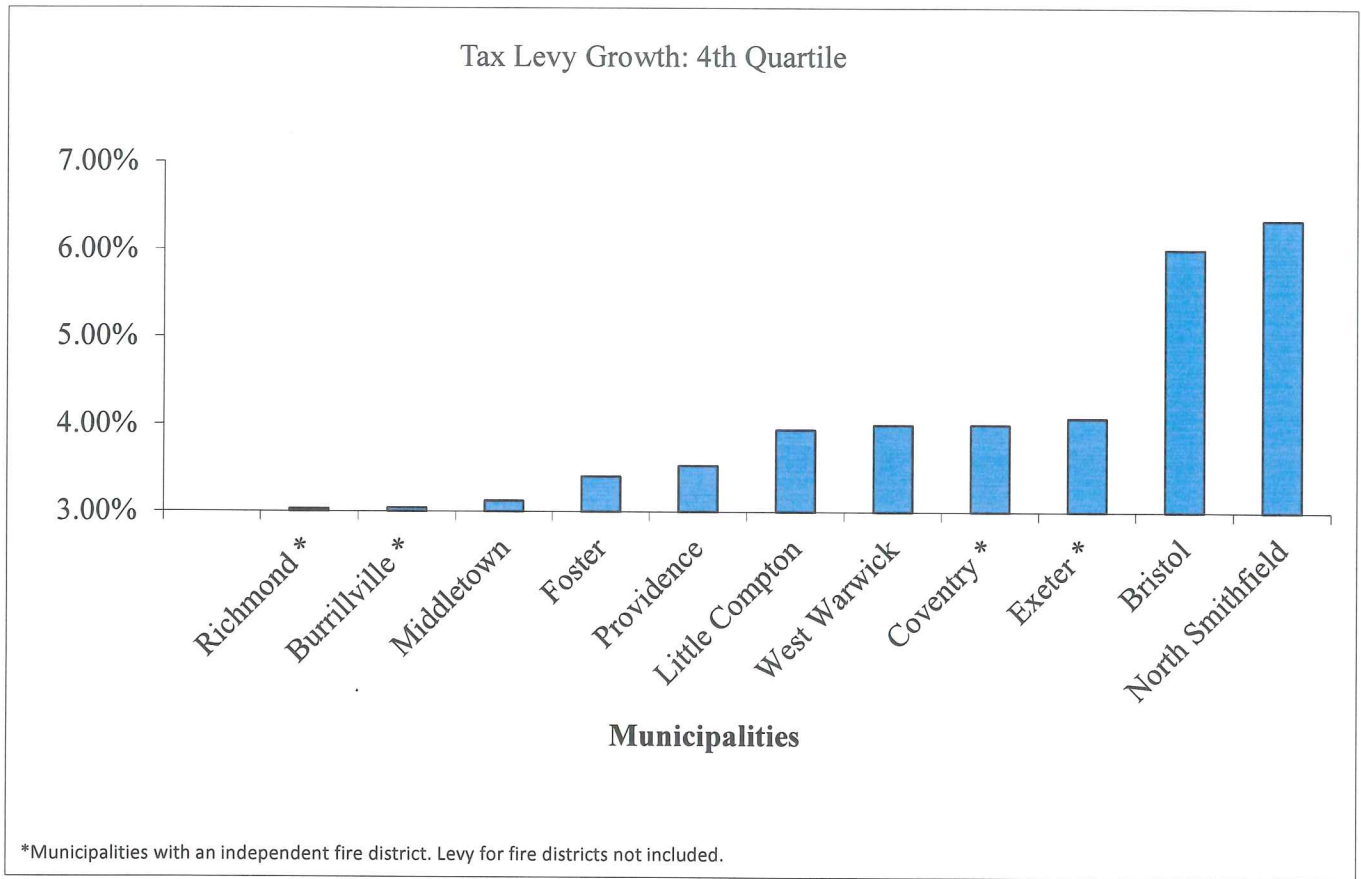
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(2) Scituate fiscal year is April 1 to March 31 (Jun, Sep, Dec, Mar).

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As Table 3 on the previous page shows, three municipalities (Bristol, Exeter, and North Smithfield) enacted a tax levy over the 4.00 percent cap, while two municipalities (West Warwick and Coventry) levied property taxes at the 4.00 percent cap. The remaining 34 municipalities were below the 4.00 percent cap. Woonsocket had an overall decrease in their tax levy from FY 2016 to FY 2017.

Table 4
FY 2017 Property Tax Cap

Urban Municipalities

Woonsocket	-2.26%
Central Falls	1.00%
Pawtucket	1.36%
Newport	2.92%
Providence	3.53%

Urban Ring Municipalities

East Providence (1)	0.45%
North Providence	1.10%
Cranston	1.11%
Warwick	1.78%
West Warwick	4.00%

Suburban Municipalities

Jamestown	0.89%
Lincoln *	0.98%
Warren	1.17%
Johnston	1.24%
North Kingstown	1.64%
Barrington	1.70%
Cumberland *	1.71%
Smithfield	1.88%
Narragansett *	2.02%
Portsmouth *	2.32%
Westerly *	2.49%
East Greenwich	2.84%
Middletown	3.12%
Bristol	6.00%

Rural Municipalities

Tiverton *	0.90%
West Greenwich	1.28%
Charlestown *	1.59%
Glocester *	2.25%
Hopkinton *	2.32%
Scituate (2)	2.48%
South Kingstown *	2.76%
New Shoreham	2.85%
Richmond *	3.03%
Burrillville *	3.04%
Foster	3.40%
Little Compton	3.94%
Coventry *	4.00%
Exeter *	4.07%
North Smithfield	6.34%

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