A System Out of Balance: Property Taxation Across Rhode Island

The Second in a Series on Municipal Finance

RIPEC

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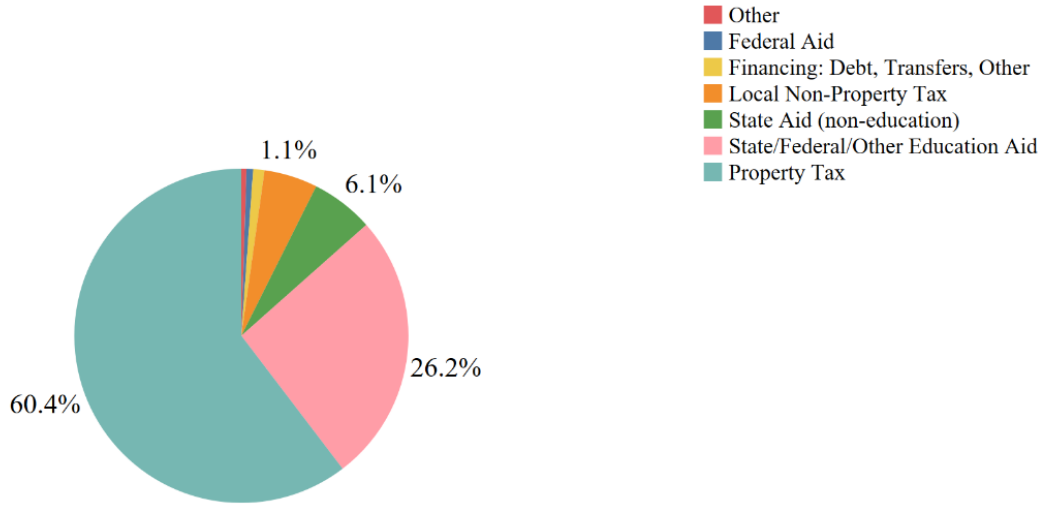
I. Introduction

Rhode Island's municipal governments are fundamental to its political system, providing to Rhode Islanders both the most direct form of political representation and key public services, including elementary and secondary education, public safety, and sanitation. Rhode Island's local governments rely on property tax revenues far more than any other stream of revenue; as pictured in Figure 1, property taxes alone comprised 60.4 percent of all local revenues in fiscal year (FY) 2019. Property taxes are moreover central to municipal finance because they provide unrestricted revenues that can be used for any purpose. In contrast, the second largest source of municipal revenue—federal and state education aid—can only be used for education.

Figure 1
Rhode Island Municipal Revenue Sources, FY 2019



Note: RIPEC calculations include both municipal and school district revenues
Source: Rhode Island Municipal Transparency Portal; RIDE UCOA Data; RIPEC calculations

Our knowledge of how property tax systems function across the state is fulsome in some respects but limited in others. Cities and towns are required to submit to the state information on property tax assessments, rates, and levies, and are moreover required to make public their property tax rolls. However, the ability of independent researchers to pursue deeper analysis into tax rolls is limited; property tax rolls are public information, but most municipalities do not publish their rolls in full, instead only enabling the public to search by specific property or property owner. Municipalities have significant leeway when it comes to granting exemptions from property tax,

but the last report cataloging local exemptions across the state was published over three years ago.[1] The property tax systems of fire districts—which are independent, special-purpose governmental units—are somewhat less clear. Fire districts are required to submit annual audits, adopted budgets, and data such as tax rates and assessed valuations to the state, but unlike municipalities (and school districts), they are not required to submit data to the state's Municipal Transparency Portal, and the federal government does not collect demographic data—including population data—on fire districts.

This report works to fill in the analytical and informational gaps around property tax systems across the Ocean State to better understand, and recommend improvements to, a tax critical to local governance. It places Rhode Island's property taxation systems in national, regional, and historical context, breaks down the differences between property tax policies and collections across Rhode Island's 39 municipalities, and analyzes what those differences mean for municipal finance, different classes of taxpayers, and economic development.

In addition to this introduction, there are five sections in this report. Section II provides a historical overview of property taxation in the United States, as well as a literature review that summarizes research on recent developments in property tax policy. The next section zeroes in on Rhode Island, providing a legal overview of property taxation in the state before placing property tax revenue reliance in regional, national, and historical context. Section IV compares the property tax systems of Rhode Island's 39 municipalities, analyzing property tax reliance, assessed property values, tax rates, and levies. Section V compares the property tax burden of different types of taxpayers across Rhode Island's cities and towns. Finally, Section VI provides policy recommendations for municipal and state policymakers.

This report is the second in a series on municipal finance. The first, "An Introduction to Municipal Finance in Rhode Island," provided a foundational overview of the state's structures of municipal finance.[2] Subsequent reports in the series will focus on major expenditure categories. As with the other reports in this series, this report includes figures available on RIPEC's website that allow for user interaction and manipulation. The data dashboard that corresponds with this report is available here.

[1] For the last exemption report, see: R.I. Division of Municipal Finance, "Report on the Veteran, Senior, and Other Tax Exemption Programs," November 2018.
[2] Rhode Island Public Expenditure Council, "An Introduction to Municipal Finance in Rhode Island," April 2021.

II. Property Taxation in the United States

This section serves as a primer to the topic of property taxation by providing a brief historical overview of property taxation in the United States and a synopsis of research on property tax policies, with a particular focus on those policies that attempt to limit property taxes overall or shift the property tax burden among taxpayers.

Historical Overview

While there are centuries of precedent that relate to taxes based on property, the practice of property taxation has changed significantly over time. Three historical trends are of note. First, reliance on property tax revenues has fallen as sources of government revenue have become more diverse. Second, the type of property subject to taxation has shifted. Third, over the last half-century, there has been a movement to cap property tax increases and to shift the property tax burden away from resident homeowners.

Property Tax Reliance

The taxation of personal property for the funding of common services dates to ancient history and was central to the governance systems of the earliest American colonies.[3] The taxation of personal property was the primary source of government income through the colonial era and into the early 20th century, when federal and state governments began placing greater reliance on income and sales tax revenues.[4] As more state and federal dollars flowed to local governments, property tax revenues declined as a percentage of total revenues for local governments over the course of the 20th century and into the 21st century.[5] Property tax revenues, however, remain the single largest source of local revenues in the United States.[6]

The Taxation of Tangible Personal Property

Property taxes once encompassed all forms of physical property, including real property (unmovable land and buildings) and transportable property, including items of physical wealth like gold, and items that could be used to generate wealth, like farming tools. The taxation of private citizens' transportable property—typically called tangible personal property—became increasingly impractical to administer in the modern era. As growing numbers of Americans began

[3] Alvin Rabushka, *Taxation in Colonial America*, (Princeton, NJ: Princeton University Press, 2008).
[4] Ibid; Joan Youngman, *A Good Tax: Legal and Policy Issues for the Property Tax in the United States*, (Cambridge, MA: Lincoln Institute of Land Policy, 2016).
[5] In 1992, property taxes comprised 40 percent of all local revenues in the U.S., compared to 73 percent in 1902. John Joseph Wallis, "A History of Property Tax in America," Department of Economics at the University of Maryland and the National Bureau of Economic Research. By 2019, 27 percent of local revenue in the U.S. was derived from property tax. U.S. Census Bureau., Annual Survey of State and Local Government Finances; RIPEC calculations.
[6] U.S. Census Bureau, Annual Survey of State and Local Finances, FY 2019; RIPEC calculations.

laboring outside of their homes, moreover, the logic of taxing residents' personal items declined.[7] In result, states largely have moved away from the taxation of household items.[8] At the same time, 42 states continue to levy a tax on the tangible personal property of businesses, which may include items like heavy machinery, furniture, and computers.[9]

The Movement for Property Tax Relief

In the latter half of the 20th century, as the American economy shifted from a manufacturing to a service-based economy, declining numbers of businesses had need for large amounts of real and tangible personal property and, at the same time, residential real estate began to appreciate at a faster rate than commercial and industrial property. The proportion of the property tax base comprised of residential property consequently increased. In response to this trend, many state and local governments enacted policies aimed at relieving homeowners of some portion of their property tax burden by limiting allowable property tax revenue growth and/or by shifting the property tax burden away from homeowners toward businesses, and often toward renters.

Assessment, Levy, and Rate Caps

Beginning in the 1970s, policymakers and voters across the country moved to place limits on the annual increase of property tax levies. The earliest and most well-known example of this is Proposition 13, an amendment to California's constitution approved by voters in 1978. Among other changes, Proposition 13 capped the growth of an individual property's assessed value to two percent per annum. While popular, Proposition 13 is also controversial, most notably because it gives preferential treatment to longtime homeowners, as property reassessment only occurs upon change of ownership or after significant new construction.[10] Nevertheless, legislation modeled on Proposition 13 was thereafter enacted in 18 other states, though none imposed quite so restrictive an assessment cap as applied in California.[11]

Many states also have sought to limit year-over-year property tax growth through caps on the rates at which property is taxed, as well as caps on the total property tax levy. Massachusetts voters approved Proposition 2½ in 1980, which placed an absolute ceiling of 2.5 percent on year-over-

[7] Joyce Errecart, Ed Gerrish, and Scott Drenkard, "States Moving Away from Taxes on Tangible Personal Property," *Background Paper No. 63*, (Washington, DC: Tax Foundation, 2012).
[8] Except for motor vehicle and watercraft taxation, only some counties in Oklahoma still levy property tax on the tangible property of individuals. Joyce Errecart, Ed Gerrish, and Scott Drenkard, "States Moving Away from Taxes on Tangible Personal Property," *Background Paper No. 63*, (Washington, DC: Tax Foundation, 2012).
[9] Eight states exempt all tangible personal property from taxation: Delaware, Hawaii, Illinois, Iowa, New Jersey, New York, Ohio, and Pennsylvania. Four states only tax tangible personal property from centrally assessed select industries: Minnesota, New Hampshire, North Dakota, and South Dakota. Janelle Cammenga and Jared Walczak, "2022 State Business Tax Climate Index," Tax Foundation, December 2021.
[10] A 2014 study found that the annual tax bill on homes with a market valuation of between $575,000 and $625,000 ranged between $1,350 and $7,500. Mac Taylor, "Common Claims about Proposition 13," California Legislative Analyst's Office, September 2016.
[11] Mark Haveman and Terri A. Sexton, "Property Tax Assessment Limits: Lessons from Thirty Years of Experience," Lincoln Institute of Land Policy, 2008; Jared Walczak, "Property Tax Limitation Regimes: A Primer," The Tax Foundation, April 23, 2018.

year increases in property tax levies while also limiting the total levy to no more than 2.5 percent of the fair market value of all taxed property.[12] As of 2018, 46 states utilized a year-over-year cap on property tax assessments, rates, and/or levies.[13]

Homeowner Tax Relief

There also has been a movement to shift the property tax burden away from homeowners. One common means of doing so is through classification differences, in which residential real property, commercial real property, and tangible personal property are classified as distinct types and made subject to different tax rates. Property tax classification dates to the early 20th century but has grown in popularity in the last half-century, with 25 states passing legislation to enable classification differences between the 1970s and 2010.[14]

Homestead exemptions are another common method of shifting the property tax burden away from homeowners. First introduced in the early 19th century and growing in popularity since the 1970s, homestead exemptions enable resident homeowners to pay less in taxes than nonresident homeowners by exempting a portion of assessed value from taxation and/or applying different tax rates based on residency.[15] As of 2000, 40 states enabled local governments to enact homestead exemptions.[16]

Business Property Tax Incentives

While pursuing policies that shift property tax burden away from homeowners and towards businesses, state and local governments also began to develop an array of property tax incentives to provide tax relief to specific businesses or to businesses located in defined geographic areas. In 1967, 15 states had some form of business property tax incentive program, and by 2010, these programs were available in most states. Examples of business property tax incentives include tax stabilization agreements (TSAs), tax treaties, tax increment financing, and enterprise zones.[17] Business property tax incentives generally are used to attract new business and economic development to a city or town and therefore typically are applied on a case-by-case basis rather than across an entire class of property.

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[12] Lawrence Susskind and Cynthia Horan, "Proposition 2½: The Response to Tax Restriction in Massachusetts," Proceedings of the Academy of Political Science, 1983; Jared Walczak, "Property Tax Limitation Regimes: A Primer," The Tax Foundation, April 23, 2018.

[13] The four states without caps of any type are Hawaii, Kentucky, New Hampshire, and Vermont. Jared Walczak, "Property Tax Limitation Regimes: A Primer," The Tax Foundation, April 23, 2018.

[14] Nai Jia Lee and William C. Wheaton, "Property Taxes under 'Classification': Why do Firms pay more?," (June 29, 2010); Daphne A. Kenyon, Adam H. Langley, and Bethany P. Paquin, "Rethinking Property Tax Incentives for Business," Lincoln Institute of Land Policy, 2012.

[15] Paul Goodman, "The Emergence of Homestead Exemption in the United States: Accommodation and Resistance to the Market Revolution, 1840-1880," *The Journal of American History* vol. 80, no. 3 (1993): 470-498.

[16] Keith R. Inhlanfeldt, "The Property Tax is a Bad Tax, But it Need Not Be," *Cityscape* vol. 15, no. 1 (2013): 255-259.

[17] Daphne A. Kenyon, Adam H. Langley, and Bethany P. Paquin, "Rethinking Property Tax Incentives for Business," Lincoln Institute of Land Policy, 2012.

Literature Review

This section provides an overview of academic and independent research surrounding chief issues raised by property taxation.

Local Reliance on Property Taxes

According to experts, there are key positive elements to local reliance on property taxes. Compared to income and sales taxes, property taxes have greater revenue stability and are more transparent and efficient.[18] Additionally, scholars contend that property taxation is an important component of effective local governance that promotes civic engagement and decision-making.[19]

At the same time, however, researchers have noted that low property values in some cities and towns equate to a relatively small tax base, and as property tax is the primary means through which elementary and secondary education is funded, an outcome of this imbalance is inequitable K-12 funding. Some scholars argue that state funding for schools should increase significantly to address this inequity, so that there is less reliance on property tax, and more reliance on state resources, to finance education. To achieve greater funding equity, researchers have argued that increased state funding needs to be targeted to the neediest districts and students.[20]

Methods of Property Tax Relief

The literature on property tax relief tends to be more positive if relief is specifically targeted toward those for whom the tax poses the greatest hardship. However, the most popular methods of property tax relief tend to benefit resident homeowners, who may not have the greatest need.

The Effects of Assessment, Levy, and Rate Caps

Year-over-year property tax caps on levy and rate affect taxpayers equally and shield them from rapid tax bill increases. On the other hand, some researchers have argued that these caps can limit a local government's ability to raise sufficient revenue to respond to the escalating costs of providing certain services.[21]

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[18] Adam H. Langley and Joan Youngman, "Property Tax Relief for Homeowners," Lincoln Institute of Land Policy, November 2021.
[19] Daphne A. Kenyon, "The Property Tax – School Funding Dilemma," Lincoln Institute of Land Policy, 2007; Joan Youngman, *A Good Tax: Legal and Policy Issues for the Property Tax in the United States*, (Cambridge, MA: Lincoln Institute of Land Policy, 2016).
[20] Jennifer Carr and Cara Griffith, "School finance litigation and property tax reform—part II: Reform," *State Tax Notes*, July 11, 2005: 167-172; National Center on Education and the Economy, "Tough Choices for Tough Times: The Report of the New Commission on the Skills of the American Workforce," 2007; Daphne A. Kenyon, "The Property Tax – School Funding Dilemma," Lincoln Institute of Land Policy, 2007.
[21] Phil Oliff and Iris J. Lav, "Hidden Consequences: Lessons from Massachusetts for State Considering a Property Tax Cap," Center on Budget and Policy Priorities, Revised May 25, 2010.

Researchers generally are more critical of assessment limits because they target relief to a certain subset of taxpayers and thereby shift the property tax burden to other taxpayers without regard for ability to pay.[22] As a recent Lincoln Institute of Land Policy publication notes, these policies also "discourage mobility and introduce new complexities into the property tax system."[23]

The Effects of Homeowner Property Tax Relief

Researchers are similarly critical of property tax systems that utilize classification differences and homestead exemptions, as both tend to shift the property tax burden onto renters, who, on average, have fewer economic resources than homeowners. Both policies rely on a common but misguided perception that landlords pay property tax because they write the check, when in fact renters ultimately bear the cost of property taxes on a rental property.[24]

As a result of these policies, businesses and renters have paid an increasing share of property tax bills across the country over time. The Lincoln Institute of Land Policy and the Minnesota Center for Fiscal Excellence's "50-State Property Tax Comparison Study for 2020," which analyzes the property tax systems in the largest city in each U.S. state, reveals that the nation's average commercial property tax rate was 77 percent higher, and the average apartment property tax rate was 33 percent higher, than the average resident homeowner tax rate.[25] Similarly, a study from Harvard University's Joint Center for Housing Studies found that, while the median property tax bill for homeowners grew by 18 percent between 1991 and 2001, the median bill for apartment properties grew by 34 percent. As that same study points out, this shift not only raises equity issues, but also promotes low-density housing development, thereby hindering the development of higher-density affordable housing.[26]

While critical of broad-based policies that shift the tax burden away from homeowners, researchers have noted that there are more effective means of providing targeted property tax relief to homeowners, such as circuit breakers and homestead credits. These policies target property tax relief to specific and relatively small populations, such as seniors on a fixed income or homeowners facing a sudden reduction in earnings, and therefore are less distortive than policies aimed at reducing the property tax bills of all resident homeowners.[27]

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[22] Mark Havemen and Terri A. Sexton. "Property Tax Assessment Limits: Lessons from Thirty Years of Experience." Lincoln Institute of Land Policy. 2008; Mac Taylor "Common Claims about Proposition 13." California Legislative Analyst's Office, September 2016; Les Picker, "The Lock-In Effect of California's Proposition 13," National Bureau of Economic Research, April 2005.

[23] Adam H. Langley and Joan Youngman, "Property Tax Relief for Homeowners," Lincoln Institute of Land Policy, November 2021.

[24] Joanne Youngman, *A Good Tax: Legal and Policy Issues for the Property Tax in the United States*, Lincoln Institute of Land Policy, 2002.

[25] Lincoln Institute of Land Policy and the Minnesota Center for Fiscal Excellence, "50-State Property Tax Comparison Study for 2020," June 2021.

[26] Jack Goodman, "Houses, Apartments, and Property Tax Incidence," Joint Center for Housing Studies, Harvard University, February 2005.

[27] Adam H. Langley and Joan Youngman, "Property Tax Relief for Homeowners," Lincoln Institute of Land Policy, November 2021.

Generally, scholars agree that property taxes are a factor in business location decisions, though not the primary factor. For most businesses, property taxes are marginal in terms of overall business expenses. For the U.S. manufacturing sector, for instance, property taxes comprise under one percent of total costs. At the same time, however, the margin is hardly meaningless, and the effect of a large property tax differential within any metropolitan region can be particularly significant, with one study finding that a ten percent reduction in local property taxes will increase economic activity in a jurisdiction by 16 to 20 percent.[28] Communities face the greatest economic competition at the local and regional level because the factors most important to business—like the cost and quality of labor—are typically consistent within a geographic area.

The Effectiveness of Business Property Tax Incentive Policies

Generally, when first developed, business property tax incentive policies like TSAs and tax treaties were effective at drawing in relocating businesses and encouraging the development of new businesses. However, a 2009 review of research on this topic concluded that, as such policies became more popular, they became less effective; as firms today scope out potential sites for relocation or development, they do so with the knowledge that many local governments are willing to negotiate on property tax payments.[29]

The Effects of Tangible Property Taxes

Researchers have noted that tangible personal property taxes stand distinct from those levied on real property, most notably in terms of assessment method and administration. Tangible personal property taxes are often self-reported, with taxpayers cataloging and determining the depreciated value of taxable items by age. There are, moreover, multiple complexities in tangible property tax systems, such as exemptions for certain types of tangible property, that increase the likelihood of incorrect reporting as well as the administrative burden that the tax places on both businesses and municipal tax administrators. For some businesses, in fact, the cost of compliance outweighs the cost of the tax itself.[30] Also, as some scholars note, the cost of compliance is largest for new businesses, which tend to have newer equipment and must report on their tangible assets without having previously done so.[31] Some scholarship additionally suggests that tangible property taxes may discourage capital investment.[32]

[28] Daphne A. Kenyon, Adam H. Langley, and Bethany P. Paquin, "Rethinking Property Tax Incentives for Business," Lincoln Institute of Land Policy, 2012
[29] Ibid.
[30] Lawrence C. Waters, "The Business Personal Property Tax in Connecticut," Romney Institute of Public Management at Brigham Young University, November 6, 2015.
[31] Joyce Errecart, Ed Gerrish, and Scott Drenkard, "States Moving Away from Taxes on Tangible Personal Property," Background Paper No. 63, (Washington, DC: Tax Foundation, 2012).
[32] Garrett Watson, "States Should Continue to Reform Taxes on Tangible Personal Property," Tax Foundation, Fiscal Fact No. 668 (August 2019).

III. Property Taxation in Rhode Island

This section discusses the relative import of the state's property tax revenues to its fiscal structure and places its property tax revenue reliance in regional, national, and historical context. It next provides a legal overview of property taxation in Rhode Island, including analyses of homestead exemptions, business property tax incentives, payment in lieu of taxes (PILOT) programs, and assessed value tangible exemptions.

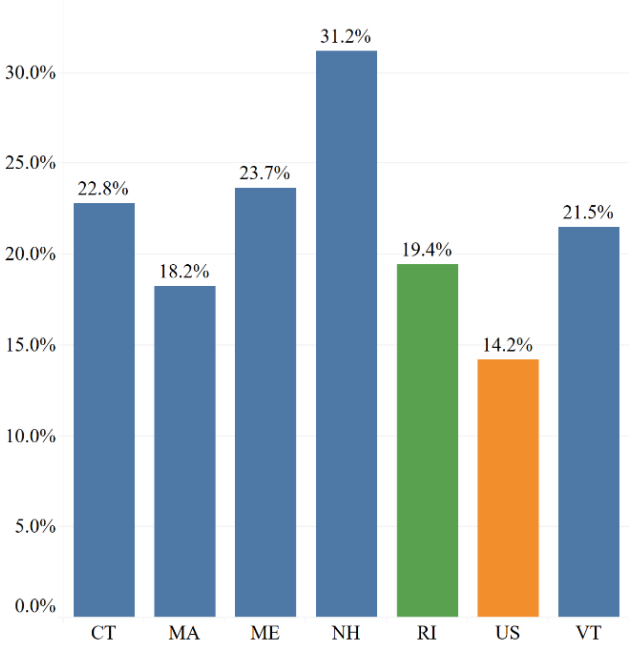
Rhode Island Property Tax Revenues

Rhode Island property tax revenues are a crucial component of state and local finances, making up about one-fifth of all state and local revenues in FY 2019. State and local governments in the Ocean State in FY 2019 collected $2.67 billion in property tax revenues, of which all but $2.8 million was collected at the municipal level.[33]

How do Rhode Island property tax revenues compare to other states? It is somewhat misleading to compare on a state-to-state basis a tax administered locally due to the wide variance in property wealth, rates, and policies across Rhode Island's 39 municipalities. Ultimately, some cities and towns have far greater reliance on property tax revenue than others, and taxpayers in some municipalities have a far greater tax burden than others.[34]

With that stated, however, Rhode Island places a greater reliance on property tax revenue than the United States overall but is typical for the New England region. As Figure 2 shows, state and local property tax revenues comprised 19.4 percent of Rhode Island's combined state and

Figure 2
Property Tax as a Percentage of State & Local Revenues, FY 2019



Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; RIPEC calculations

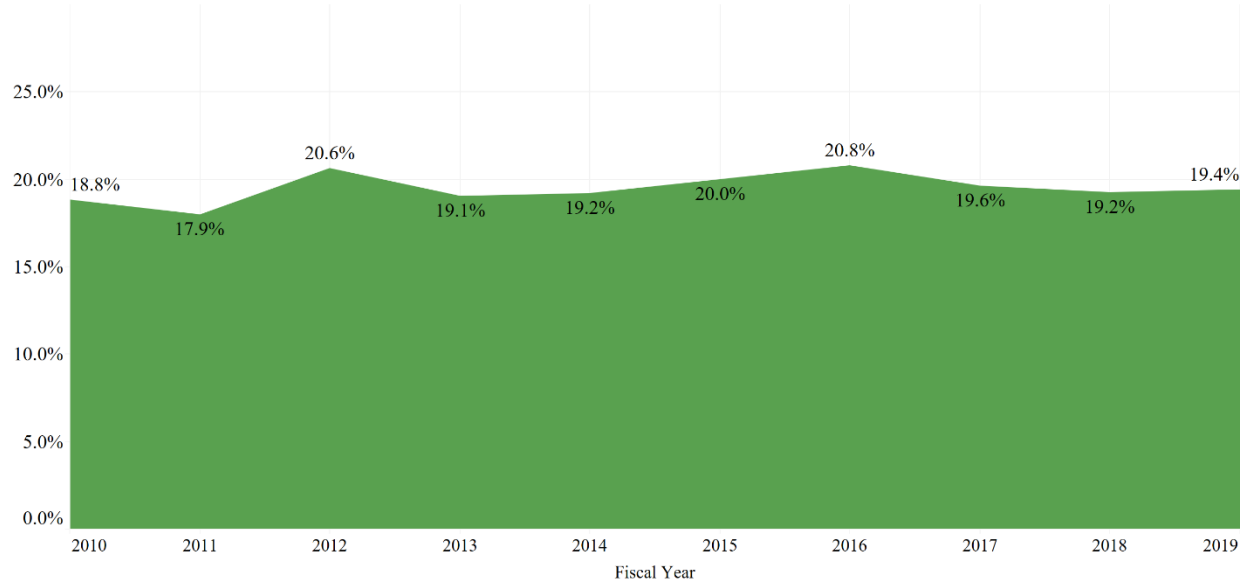
[33] U.S. Census Bureau, Annual Survey of State and Local Government Finances; RIPEC calculations.

[34] In fact, the "50-State Property Tax Comparison Study for 2020" found that Rhode Island had the third largest difference in commercial rates in the country between its largest city (Providence) and a rural municipality (Hopkinton), a difference of 51 percent. Hopkinton does not have the lowest tax rate for commercial property in Rhode Island. It was chosen by the Lincoln Institute of Land Policy based on several criteria also used to select rural communities in other states. Generally, the communities chosen had a population between 2,500 and 10,000, were a county seat, and were in a county coded as "6" or "7" on the U.S. Department of Agriculture's rural-urban measurement continuum, which controls for geographical relationships to urban areas. Rhode Island was one five states where no county was coded 6 or 7, and in these cases the report's authors "selected the county seat in the most rural county available." Lincoln Institute of Land Policy and the Minnesota Center for Fiscal Excellence, "50-State Property Tax Comparison Study for 2020," June 2021.

local revenues in FY 2019, the year for which the most recent comparable data are available.[35] While significantly greater than the national proportion of 14.2 percent, Rhode Island's reliance on property taxes was second lowest in New England, with only Massachusetts relying less on property tax revenues.

As depicted in Figure 3, reliance on property tax revenues has remained relatively stable in Rhode Island over the last decade; between FY 2010 and FY 2019, the percentage of total state and local revenues derived from property tax fluctuated between a low of 17.9 percent (in FY 2011) and a high of 20.8 percent (in FY 2016).

Figure 3
Rhode Island Property Tax as a Percentage of State & Local Revenues, FY 2010-2019



Source: U.S. Census Bureau, Annual Survey of State and Local Government Finances; RIPEC calculations

Rhode Island Property Tax Law

Rhode Island's cities and towns have a good deal of flexibility in terms of how they operate their property tax systems by locally conducting value assessments and determining both rates and certain types of exemptions. However, state law both enables the taxation of property at the local level and dictates some of its features, including when assessments must occur, certain types of exemptions, and the maximum year-over-year rate at which the property tax levy may increase.

Classes of Property

Cities and towns in Rhode Island have the legal authority to classify types of property and to tax each class at a distinct rate. Under Rhode Island state law, cities and towns "may adopt a tax classification plan by ordinance" along the following class structure:

[35] Almost all property tax is collected by local governments in Rhode Island (99.9 percent in FY 2019), but the state collects property tax in the form of a tangible tax on utility equipment. R.I. Gen. Laws, §44-13-13.

1. Residential real estate, which must consist of no more than five dwelling units;
2. Commercial and industrial real estate, which includes real property used for commercial purposes as well as residential real estate with six or more dwelling units;
3. Ratable tangible personal property; and
4. Motor vehicles and trailers, which are subject to an excise tax.

If utilizing this class structure, cities and towns may not use an effective tax rate for any one class—excluding motor vehicles—that is more than 50 percent greater than the effective tax rate applied to another class.[36]

Cities and towns, however, are not required to use the state's classification plan. For one, municipalities may forego classification and simply tax all real and tangible property at the same rate.[37] In addition, over half of Rhode Island's cities and towns (26) have either their own specific classification statute or an exception written into the state's classification plan that enables them to follow a different classification structure.[38] As a result, there is a patchwork of property classification systems across the state.

Importantly, these separate statutory authorizations and exceptions allow several municipalities to tax one property type at rates far exceeding 50 percent greater than the effective tax rate applied to another class of property. For instance, Providence, Glocester, and East Greenwich may pass ordinances that allow for commercial property to be taxed at a rate more than two times that of residential property, and for tangible property to be taxed at a rate more than 200 percent greater than the rate applied to residential property.[39] Similarly, Little Compton may pass a classification ordinance that enables tangible property to be taxed at a rate up to 200 percent that of residential and commercial property, and East Providence is permitted to have a classification ordinance that enables both tangible and commercial property to be taxed at a rate that is 200 percent greater than residential property. [40]

In other instances, municipalities are enabled by individual classification statutes to define property in a different way than the state classification plan. For instance, residential real estate in Newport and Woonsocket is classified as having three or fewer units (rather than five or fewer

[36] R.I. Gen. Laws § 44-5-11.8.
[37] As the motor vehicle tax is an excise tax, it may be taxed at a different rate without a municipality having to pass a classification ordinance.
[38] The municipalities with their own classification statute or an exception written into the state's classification plan are Barrington, Burrillville, Central Falls, Coventry, Cranston, East Greenwich, East Providence, Glocester, Johnston, Lincoln, Little Compton, Middletown, Narragansett, Newport, North Providence, North Smithfield, Pawtucket, Providence, Scituate, Smithfield, Warren, Warwick, West Greenwich, West Warwick, Westerly, and Woonsocket. R.I. Gen Laws § 44-5-11.8, § 44-5-11.9, § 44-5-11.10, § 44-5-11.11, § 44-5-11.12, § 44-5-11.14, §§ 44-5-20.05 - 44-5-20.08, §§ 44-5-20.01 - 44-5-20.04, §§ 44-5-20.1 - 44-5-20.5, § 44-5-20.10, §§ 44-5-20.16 - 44-5-20.17, §§ 44-5-20.19 - 44-5-20.21, § 44-5-20.29, , §§ 44-5-5-52 - 44-5-55, §§ 44-5-56 - 44-5-59, §§ 44-5-63 - 44-5-64, §§ 44-5-66 - 44-5-67.3, §§ 44-5-68 - 44-5-68.2, §§ 44-5-76.1 - 44-5-76.3, § 44-5-79.
[39] R.I. Gen. Laws § 44-5-11.8.
[40] R.I. Gen. Laws § 44-5-79, § 44-5-11.10.

specified in the state classification structure), and West Greenwich and Glocester are enabled to adopt a separate tax classification and rate for real property that is unimproved and residentially zoned.[41]

Motor Vehicle Tax Phaseout

The current fiscal year—2022—marks the fifth year of the phaseout of the motor vehicle property tax. Under the phaseout, cities and towns have been required to both provide progressively generous exemptions and progressively lower rates of taxation. The state, in turn, reimburses municipalities each year for revenues lost due to the phaseout up to their 2018 baseline levy.[42] The motor vehicle tax is set to expire in FY 2024, though the state will continue to have an obligation to provide reimbursement.[43]

Assessments

The assessment of property occurs at the municipal level in Rhode Island, but municipalities are required by the state to conduct assessments along a fixed schedule and at fair market value; cities and towns must conduct a full revaluation every nine years and statistical revaluations in the third and sixth year after the most recent full revaluation. The state partially reimburses the cities and towns for the cost of conducting statistical revaluations.[44]

Property Tax Relief and Replacement Act

In 2006, the Rhode Island General Assembly passed the Property Tax Relief and Replacement Act, a revision of a 1985 law intended to curb sharp property tax levy increases.[45] The Act decreased the maximum year-over-year level at which a property tax levy could grow by 0.25 percent per year between FY 2007 and FY 2013, so that the maximum increase was reduced from 5.5 percent to 4.0 percent by the end of the phase-in.[46] There are some exemptions to the 4.0 percent cap, all of which include certification of a significant revenue loss or expenditure need by

[41] R.I. Gen. Laws § 44-5-76.1, § 44-5-74.1, § 44-5-11.11, § 44-5-11.12.
[42] R.I. Gen. Laws § 44-34.1-2. The 2018 baseline levy is "the motor vehicle and trailer excise tax levy that would be generated by applying the fiscal year 2017 motor vehicle and trailer excise tax calculation methodology to the assessed value of motor vehicles and trailers as of fiscal year 2018." The difference between the 2018 baseline levy and actual levy determines the state's reimbursement amount. R.I. Division of Municipal Finance, Summary of Motor Vehicle Taxation and Reimbursement Changes per 2017 House Bill H-5175 Sub A as Amended, April 23, 2019.
[43] R.I. Gen. Laws § 44-34.1-1.
[44] R.I. Gen. Laws § 44-5-11.5.
[45] The 1985 Property Tax Relief and Replacement Act required a 5.5 percent year-over-year growth cap, but cities and towns interpreted the 5.5 percent cap to be applicable to either property tax rates or the property tax levy. RIPEC, "FY 2005 Property Tax Burdens in Rhode Island"; R.I. Gen. Laws § 44-5-2.
[46] R.I. Gen. Laws § 44-5-2; R.I. General Assembly, Senate Bill 0350 Substitute A as Amended, 2006. The statewide total property tax increase between FY 2021 and FY 2022 was 2.10 percent. The towns of Tiverton and Warren tied for the highest year-over-year levy increases in the state (3.90 percent) for FY 2022 while Woonsocket and Central Falls both experienced slight levy decreases (0.05 percent and 0.03 percent, respectively). In the past five years, the statewide total property tax increase has not exceeded 3.00 percent. R.I. Division of Municipal Finance, Financial & Tax Data, Property Tax Cap.

either the Department of Revenue or the Auditor General, as well as a vote in favor of exceeding the cap by four-fifths of the full membership of the respective municipality's governing body.[47] With the exception of the Cumberland Fire District, fire districts are not subject to the levy cap.[48]

Tax Exemptions on Real Property

Rhode Island state law provides for several exemptions to the taxation of real property. Some types of exemptions are required under state law, whereas cities and towns are enabled by law to adopt additional exemptions.

Exemptions on real property generally may be broken down into two categories: those exemptions provided to certain types of property and those provided to certain types of property owners. Of the first category, the state wholly exempts from taxation properties which include, but are not limited to, houses of worship, burial grounds, incorporated libraries, nonprofit hospitals, and veterans' organizations.[49] Similarly, state law exempts from taxation certain properties owned and operated by quasi-public agencies or nonprofit institutions through explicit statutory exemptions. Dozens of properties owned by nonprofits, such as the Providence Performing Arts Center and the Columbus Club of Barrington, are exempt from property taxation through these enactments.[50]

Municipalities also may provide full or partial exemptions for certain residential property owners under state law. Cities and towns may wholly or partially exempt from taxation the real property owned by any person who is deemed "unable from infirmity or poverty to pay the tax."[51] Additionally, state law provides several cities and towns with the authority to provide partial exemptions to certain groups of individuals, including people who are visually impaired, the elderly, war veterans, and Gold Star parents. Under such exemptions, a certain portion of the assessed value of residential property is not taxable, a tax credit is provided, or, in the case of elderly taxpayers, the tax rate or assessed value of property may be frozen. Municipalities are authorized to apply a range of maximum exemption levels with respect to these categories.[52] The State of Rhode Island also offers property tax relief through a circuit breaker program in the form of a personal income tax credit to low-income seniors and/or disabled individuals.[53]

[47] Scenarios include: the forecasted loss of total non-property tax revenues, the anticipation of an "emergency situation," a substantial growth in a municipality's tax base that requires significant infrastructure or school housing, and forecasted or real debt services expenditures that exceed the previous year's debt service expenditures by greater than 4.0 percent and which are caused by bonded debt. For the year the motor vehicle phaseout began, cities and towns were additionally permitted to exceed the levy cap if doing so was solely caused by the exclusion of the motor vehicle tax from the new levy calculation. R.I. Gen. Laws § 44-5-2.
[48] Ibid.
[49] R.I. Gen. Laws § 44-3-3.
[50] Ibid.
[51] Ibid.
[52] R.I. Gen. Laws § 44-3-12, § 44-3-16, § 44-3-4, § 44-3-5.
[53] R.I. Gen. Laws § 44-33.

Homestead Exemptions

The state gives authority to cities and towns to enact homestead exemptions, under which a municipality may either apply a different tax rate or exempt from taxation a certain percentage of the assessed value for residential property that is occupied by the property owner as a primary residence.[54] In addition to this general grant of authority, the General Assembly has authorized specific municipalities to exempt a set maximum percentage of assessed value from taxation for resident homeowners.[55] In contrast to exemptions available to groups like the visually impaired or war veterans, homestead exemptions are applied broadly to a large portion of the tax base.

As detailed in Figure 4, nine municipalities have homestead exemptions that either apply the full property tax rate to a discounted percentage of a resident homeowner's assessed value, or, in the case of Central Falls, apply a reduced rate to the full assessed value of property.[56] Central Falls also gives resident homeowners a set amount reduction ($779.19) on their property tax bill. For the other eight municipalities, the maximum assessed value made exempt ranges from ten percent in Narragansett to 40 percent in Providence. To qualify for a homestead exemption, residential property owners must certify that they reside in the property as their primary residence. Municipalities also have dwelling size limitations. Five municipalities apply a limit of five units, which corresponds to the state classification plan definition of residential property. Four municipalities have a limit of three or four units, and in two cities, Johnston and Woonsocket, the percentage of assessed value made exempt is greater for one-unit dwellings than for two or three-unit dwellings.

Figure 4
Homestead Exemptions in Rhode Island, FY 2022

	Exemption	Dwelling Size
Central Falls	Reduced rate of $18.19 (vs. $23.76 non-owner occupied); $779.19 tax bill reduction	1-5 Units(1)
East Providence	14% of Assessed Value	1-3 Units(1)
Johnston	20% of Assessed Value 10% of Assessed Value 6.67% of Assessed Value	Single Family Two Family Three Family
Lincoln	35% of Assessed Value	1-5 Units
Narragansett	10% of Assessed Value	1-5 Units
North Providence	20% of Assessed Value	1-5 Units
Providence	40% of Assessed Value	1-5 Units
West Greenwich	29% of Assessed Value	1-4 Units
Woonsocket	25% of Assessed Value 10% of Assessed Value 5% of Assessed Value	Single Family Two Family Three Family

(1) Includes condominiums

Source: R.I. Division of Municipal Finance, Report on the Veteran, Senior, and Other Tax Exemption Programs; RI Gen. Laws, § 44-3, § 44-5; municipal websites

[54] "In lieu of a homestead exemption," any city or town has the authority to divide the class of residential real estate "into non-owner and owner-occupied property and adopt separate tax rates." R.I. Gen. Laws § 44-5-11.8, § 44-5-11.15.

[55] Not every municipality with specific legislative authority to adopt a homestead exemption has done so. Central Falls, East Providence, Johnston, Narragansett, North Providence, West Greenwich, and Woonsocket are explicitly authorized to adopt a homestead exemption and have one in place. R.I. Gen. Laws § 44-3-34, § 44-5-70, § 44-5-60.1, § 44-5-85, § 44-5-60, § 44-5-75. Glocester, Cranston, East Greenwich, Newport, and Cumberland have specific authority to enact homestead exemptions but have not done so. R.I. Gen. Laws § 44-5-11.13 , § 44-5-62, § 44-5-65, § 44-5-78, § 44-5-82.

[56] The Town Council of Middletown recently voted to implement a homestead exemption in the form of a lower tax rate for resident property owners beginning in FY 2023. Middletown Town News and Updates, Split Tax Rate Approved by Town Council to Help Residents, December 21, 2021.

PILOT

Recognizing that, in some communities, nonprofit institutions exempt from taxation by the state hold a significant amount of property wealth and thus represent a significant amount of foregone tax revenue, since FY 1987 the State of Rhode Island has annually issued PILOT payments to cities and towns. PILOT payments are made to municipalities with nonprofit educational institutions, hospitals, and/or state-owned hospitals, veterans' residential facilities, or correctional facilities. Assuming the program is fully funded, reimbursement is equivalent to 27 percent of foregone tax revenue. If the program is not fully funded, payments are ratably reduced and apportioned to municipalities based on foregone tax revenue.[57] In FY 2022, the program was funded to 26 percent of foregone tax revenue. In total, $46.1 million was distributed to 15 cities and towns, with Providence receiving by far the largest portion of those funds ($34.0 million, or 73.8 percent). Foregone property tax revenues in Providence were assessed to be $130.8 million for FY 2022.[58]

Municipalities may also reach independent agreements with nonprofit institutions or quasi-public agencies to provide direct PILOT payments. Providence, for example, has a few PILOT agreements, including one that was established in 2003 between the city and its four private universities and colleges, which collectively agreed to pay the city $50 million over the course of 20 years.[59] In total, the City of Providence received $7.6 million in payments directly from the city's nonprofit colleges, universities, and hospitals in FY 2022, on top of the $34.0 million in PILOT payments received from the state.[60] Similarly, the Quonset Development Corporation, a quasi-public agency and subsidiary of the Rhode Island Commerce Corporation, provides PILOT payments to the town of North Kingstown for property owned in the Quonset Business Park.[61]

Business Property Tax Incentives

Municipalities may discount or wholly waive the amount paid in property taxes by a non-profit or for-profit institution in a few ways. For instance, projects held by lessees of the Rhode Island Commerce Corporation are exempt from taxation but are required to establish a PILOT agreement with their host community.[62] In practice, this functions as a business property tax incentive as

[57] Between FY 2012 and FY 2022, the state PILOT program was funded at between 22.0 percent (in FY 2014) and the full 27 percent (in FY 2017, 2018, and 2019). From FY 1987 to 1997, the effective reimbursement rate was 25.0 percent; in 1997, the General Assembly increased the percentage to 27.0 percent beginning in FY 1998. R.I. House Fiscal Advisory Staff, Rhode Island Local Aid, September 2021.
[58] Cranston received the second largest share of state PILOT funds in FY 2022, $4.8 million or 10.4 percent of the total allocation. No other city or town received greater than 3.5 percent of the total. The other municipalities to receive state PILOT funds in FY 2022 are: Barrington, Bristol, Burrillville, East Greenwich, Newport, North Kingstown, Pawtucket, Smithfield, South Kingstown, Warwick, Westerly, and Woonsocket. Ibid.
[59] In 2012, these institutions. entered into a memorandum of understanding in which they agreed to provide additional funds over the next decade. City of Providence Internal Auditor, Review of Real Estate & PILOT Agreements, September 29, 2015.
[60] Ibid.
[61] Town of North Kingstown, Council Adopted FY 2020 Budget Document, May 2019.
[62] R.I. Gen. Laws, § 42-64-20.

PILOT payments typically represent a smaller payment than that required through property taxation in the absence of a PILOT agreement. Beneficiaries of this form of incentive include for-profit businesses in the Quonset Business Park.[63]

The most common business property tax incentive in Rhode Island are TSAs. Municipalities are authorized under state law to adopt TSAs to promote economic development. TSAs may exempt from taxation all or a portion of assessed value from real and tangible property of a specific taxpayer under certain circumstances, including willingness of a manufacturing or commercial firm to locate in a city or town, or to retain or expand its facility and not substantially reduce its workforce in a municipality. TSAs also are authorized for improvements which convert or make available land or facilities that would otherwise be not developable or difficult to develop without substantial environmental remediation. TSAs may not be used for a commercial taxpayer relocating from one city or town within Rhode Island and may not be made for a term exceeding 20 years.[64]

Most municipalities in Rhode Island utilize TSAs—in 2018, the Rhode Island Commerce Corporation found that TSAs were available in 24 of Rhode Island's 39 municipalities.[65] The extent to which municipalities employ TSAs overall is unclear, but an analysis of Providence TSAs for FY 2021 highlights that TSAs can significantly impact a city or town's overall levy. As Figure 5 shows, $467.0 million in assessed value was made exempt by the City of Providence under TSAs in FY 2021. If that value had been taxed at the city's commercial rate of $36.70 per $1,000, the city would have brought in $17.1 million more in its commercial property tax levy, which totaled $135.3 million that year. Of course, some of this property arguably would not have existed without TSAs. Nonetheless, TSAs have become an important component of the city's property tax system, and the city's use of TSAs has grown considerably in recent years; at the end of 2012, there were 36 active agreements with a total valuation of $429.4 million, and by FY 2021, there were 134 agreements with a total valuation of $821.2 million.[66]

Figure 5
Providence TSA Exemptions, FY 2021 ($ Millions)

# of TSAs	134
Assessed Value on TSA Property	$821.2
Exempt Value on TSA Property	$467.0
% TSA Assessed Value Exempt	56.9%
Levy on TSA Property if Full Value Taxed	$30.1
Actual Levy on TSA Property	$13.0
$ Levy Exempt (at $36.70/$1,000)	$17.1
Actual Commercial Levy	$135.3

Source: Providence 2020 Tax Rolls; R.I. Division of Municipal Finance;. RIPEC calculations

[63] Town of North Kingstown, Council Adopted FY 2020 Budget Document, May 2019.
[64] State law either restricts or creates more flexibility with this timeline for some municipalities. R.I. Gen. Laws, § 44-3-9.
[65] Rhode Island Commerce Corporation, Rhode Island Business Incentives 2018.
[66] Matthew M. Clarkin Jr., Providence Internal Auditor, "Analysis of Tax Stabilization Agreements in Providence," January 30, 2014.

Tax Exemptions on Tangible Personal Property

All household—or noncommercial—tangible personal property is exempt from taxation throughout the State of Rhode Island. Additionally, cities and towns are required to exempt certain types of tangible property used for commercial purposes, such as items used in manufacturing and wholesale and retail inventory.[67] However, while such exemptions for types of property are required statewide, they are administered at the local level by local assessors who make judgment calls as to the application of state law with respect to exemptions.

Assessed Value Tangible Exemptions

In addition to mandatory exemptions on some types of tangible personal property, nine municipalities have opted to apply exemptions on all tangible personal property under a certain assessment threshold. Four municipalities have received authority from the General Assembly to exempt from taxation all tangible property below a specified assessed value, while five additional municipalities have enacted such exemptions without seeking, or receiving, explicit approval to do so from the General Assembly.[68]

As indicated in Figure 6, tangible tax exemptions range from $2,500 in East Greenwich to $35,000 in Narragansett. While five municipalities apply exemptions to all tangible accounts, four apply the exemption only to those accounts with assessed property value below the threshold.[69] For instance, Charlestown exempts from taxation the first $10,000 of assessed value for every account, while Bristol and Providence exempt only those accounts with tangible property assessed at less than $10,000. So, a business owner with $11,000 of assessed tangible property would be taxed on $11,000 of property in Bristol or Providence, but on $1,000 of property in Charlestown.

Figure 6
Tangible Tax Exemptions, FY 2022

	Amount Exempt	Applicable To All Accounts
Bristol	$ 10,000	
Charlestown	$ 10,000	✓
Cranston	$ 5,000	
East Greenwich	$ 2,500	✓
East Providence	$ 5,000	✓
Middletown	$ 15,000	✓
Narragansett	$ 35,000	✓
Providence	$ 10,000	
West Greenwich	$ 3,000	

Source: Municipal ordinances and budgets; local tax assessors

[67] R.I. Gen. Laws, §§ 44-3-3, 44-3-6, 44-3-29.1, 44-3-40.
[68] Narragansett and East Greenwich have the authority under R.I. Gen Laws § 44-3-65 to exempt up to $35,000 of assessed tangible property value, and under R.I. Gen. Laws § 44-3-3 Bristol and Charlestown have the authority to implement tangible property exemptions of any value "in effort to promote business growth." It is unclear whether municipalities have the authority to apply exemptions to tangible property without specific approval from the General Assembly.
[69] There is question as to whether municipalities have the legal authority to apply exemptions only to accounts that fall under a dollar threshold, and not across the tax base.

Tangible tax exemptions seek to relieve small businesses of part of their tax burden, but they are also a recognition by municipalities that most of their tangible tax levy comes from a few large payers. As Cranston's $5,000 exemption went into effect in 2015, the city's assessor estimated that 790 taxpayers would be made exempt, but the city would sacrifice only $69,000 in revenues, just 0.6 percent of Cranston's total tangible levy of $11.8 million that year. If the city exempted all tangible accounts with fewer than $10,000 in assessed tangible property, the assessor estimated a loss of $179,000, 1.5 percent of the total tangible levy.[70]

Utility companies, which own significant public infrastructure, are the state's biggest tangible tax accounts by far. Figure 7 gives an indication of the portion of tangible property tax levy attributable to utilities by showing what proportion of the total levy is paid only by National Grid in the five municipalities with the greatest tangible property tax levies in Rhode Island (together, these municipalities were responsible for 60.1 percent of the state's total tangible property tax levy in FY 2021).[71] For these five communities, National Grid's tax bills comprised $45.3 million, or 37.3 percent, of the total combined tangible levy of $121.5 million.

Figure 7
Percentage of FY 2021 Tangible Levy Attributable to National Grid
($ Millions)

Municipality	Total Tangible Levy	% of Total Local Tangible Levy in RI	National Grid Tangible Levy	% of Total Tangible Levy
Providence	$60.1	29.7%	$23.4	39.0%
Warwick	$21.9	10.8%	$7.3	33.4%
East Providence	$15.9	7.9%	$5.5	34.6%
Johnston	$12.5	6.2%	$6.0	47.6%
Cranston	$11.1	5.5%	$3.1	27.9%
Total	*$121.5*	*60.1%*	*$45.3*	
Weighted Avg.				*37.3%*

Note: National Grid levies in many cases appear at levies to Narragansett Electric in municipal tax rolls; National Grid is the parent company
Source: Municipal tax rolls; RI Division of Municipal Finance Statewide Tax Levy by Class of Property; RIPEC calculations

[70] Gregory Smith, "Cranston approves exemption on tangible taxes for small businesses," *Providence Journal*, January 6, 2015; R.I. Division of Municipal Finance, Assessed Values & Levies; RIPEC calculations. Likewise, an analysis in East Greenwich found that a $5,000 exemption would have eliminated the tax bill for over a third—232 of 680—tangible accounts in FY 2021, while decreasing the levy by $63,537 (2.7 percent of the town's $2.3 million total tangible levy that year). If East Greenwich had opted for a $35,000 exemption, 471 tangible accounts would have been exempt from taxation and the town's tangible tax levy would have decreased by $266,578 (11.4 percent of the total tangible levy). East Greenwich Town Council Presentation, June 15, 2020.

[71] Determining the full amount of tangible collections attributable to a few large utility companies is frustrated by the fact that most municipalities do not publish their complete tangible personal property tax roll in a format which displays all payers.

IV. Property Taxation Across Rhode Island Municipalities

This section provides a detailed overview of property tax across Rhode Island's 39 cities and towns, breaking down property tax revenue reliance, property values, and property tax rates and levies by municipality. Section IV additionally provides an overview of fire district property taxes.

While the remainder of this section analyzes property taxation across Rhode Island's 39 cities and towns—and thus treats each municipality's property tax system with equal weight—it is worth noting that a few of the state's largest cities are responsible for a relatively large share of the state's total local property tax revenues; the five municipalities with the largest property tax levies in FY 2021—Providence, Warwick, Cranston, East Providence, and Pawtucket—collectively took in 39.5 percent of all local property tax revenue in the state. In comparison, the communities that had the 16 smallest levies in FY 2021 together took in fewer property tax revenues than Providence alone.[72]

Click here for an interactive version of Figures 8-12.

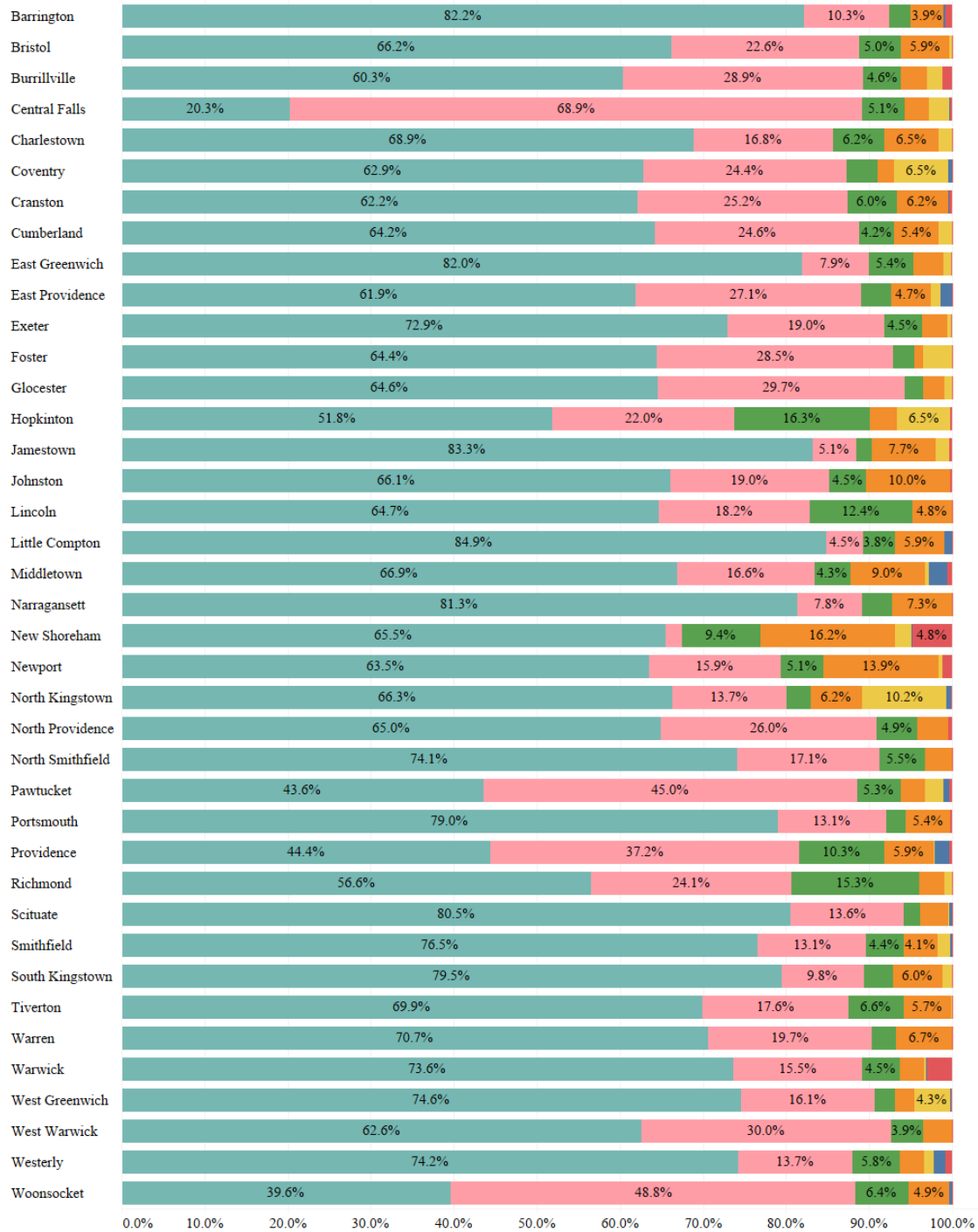
Revenue Sources

Most local revenues in Rhode Island are derived from property taxes, but the extent to which each municipality relies on property taxes varies greatly. Figure 8 shows that, in FY 2019, property taxes comprised over half of all revenues in 35 municipalities and over three-quarters of all revenues in nine municipalities. Property taxes made up less than half of total revenues in four cities: Central Falls, Woonsocket, Pawtucket, and Providence. Of these cities, all but Providence had greater reliance on education aid from state, federal, and other sources than on property taxes, and in Central Falls, only a fifth (20.3 percent) of total revenues came from property taxes.[73]

[72] In order from smallest to largest levy, these municipalities are: New Shoreham, Little Compton, Foster, Exeter, Central Falls, Hopkinton, Richmond, West Greenwich, Jamestown, Glocester, Charlestown, Warren, Scituate, Burrillville, North Smithfield, and Tiverton.

[73] While there are more current data available, FY 2020 data are skewed by the significant, one-time infusion of federal COVID dollars for both municipalities and municipal school districts.

Figure 8
Revenue Sources by Municipality
FY 2019



Source: Rhode Island Municipal Transparency Portal; RIDE UCOA Data; RIPEC calculations

Assessed Value

The wide range in reliance on property tax revenues across municipalities is in part due to property tax policies, as well as year-to-year spending decisions and longer-term fiscal obligations. However, the greatest indicator of a municipality's reliance on property tax revenue is the value of taxable property in that city or town. Specifically, the lower the relative value of taxable property in a community, the lower the reliance on property taxes, and consequently the higher the reliance on other forms of revenues such as state education aid.

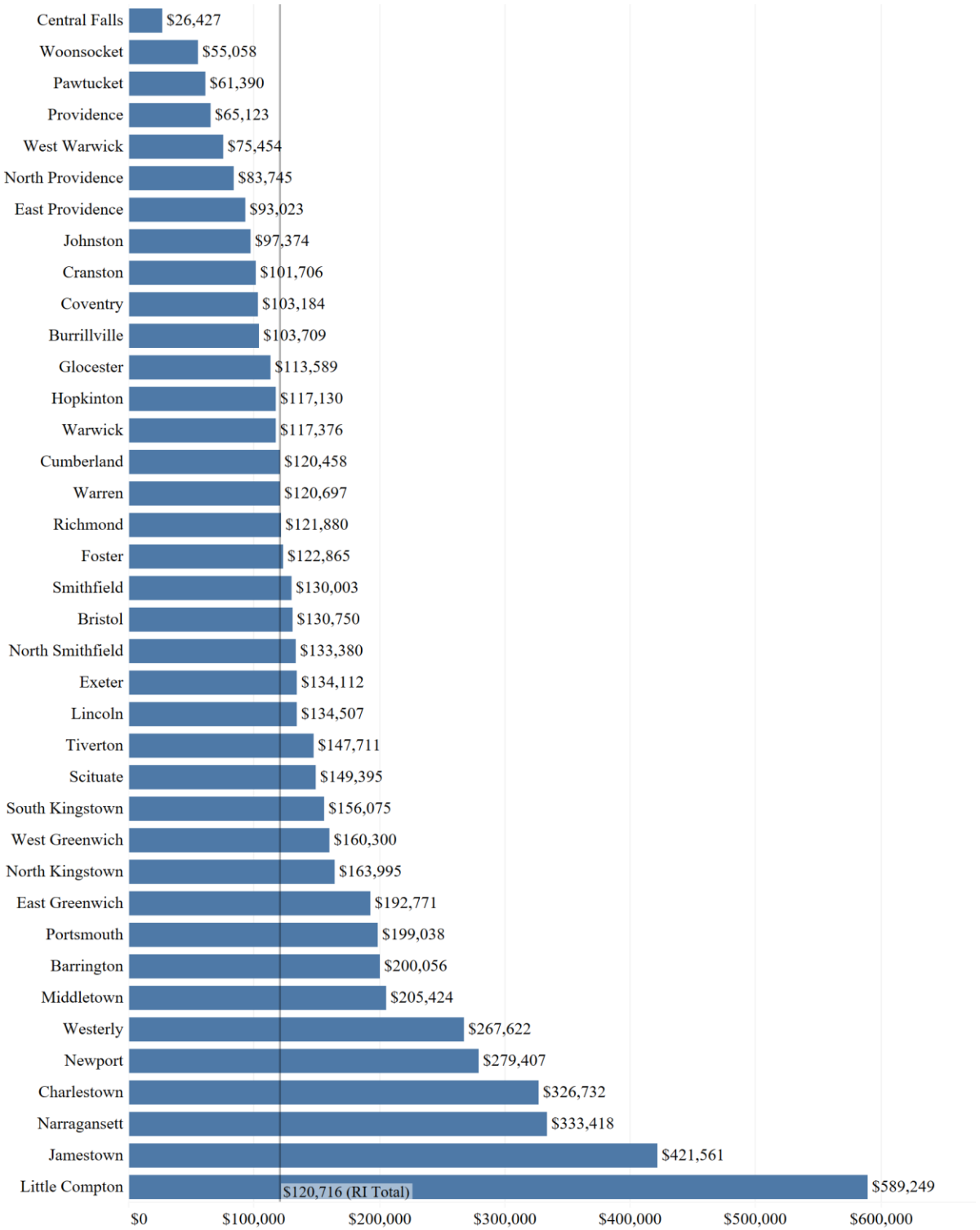
Gross Assessed Value Per Capita

Gross assessed value is the total value of property a municipality could tax, discounting only property made exempt by state or federal law, and therefore including the value of property treated as exempt by the municipality. Net assessed value, on the other hand, also factors in local exemptions. Gross assessed value per capita, essentially property wealth per resident, depicted in Figure 9, enables comparison of taxable property value across cities and towns with populations of divergent sizes.[74] Figure 9 uses the most recent available data, from FY 2019.

Rhode Island's per capita gross assessed value was $120,716 in FY 2019, but the range between municipalities was remarkably wide. New Shoreham's per capita gross assessed value of $1.9 million is a statistical outlier, but six other municipalities exceeded $250,000 in this metric. The four municipalities with the least property wealth—Central Falls, Woonsocket, Pawtucket, and Providence—had respective gross assessed value per capita of $26,427, $55,058, $61,390, and $65,123. Uncoincidentally, these cities are also the state's only municipalities to derive less than half of their total revenues from property taxes.

[74] Assessed value can differ from market value and is impacted by a municipality's revaluation schedule. The Rhode Island Division of Municipal Finance calculates a ratio of assessment for each municipality in recognition of this and uses the calculation to determine aid programs for municipalities like the state education aid determined by the education funding formula. Gross assessed value does not factor in ratio of assessment, therefore showing the value of property that a city or town may tax rather than hypothetical market value. R.I. Gen. Laws, § 16-7-21; R.I. Division of Municipal Finance, 2018 Adjusted Equalized Weighted Assessed Valuations of Rhode Island Municipalities.

Figure 9
Gross Assessed Value Per Capita
FY 2019

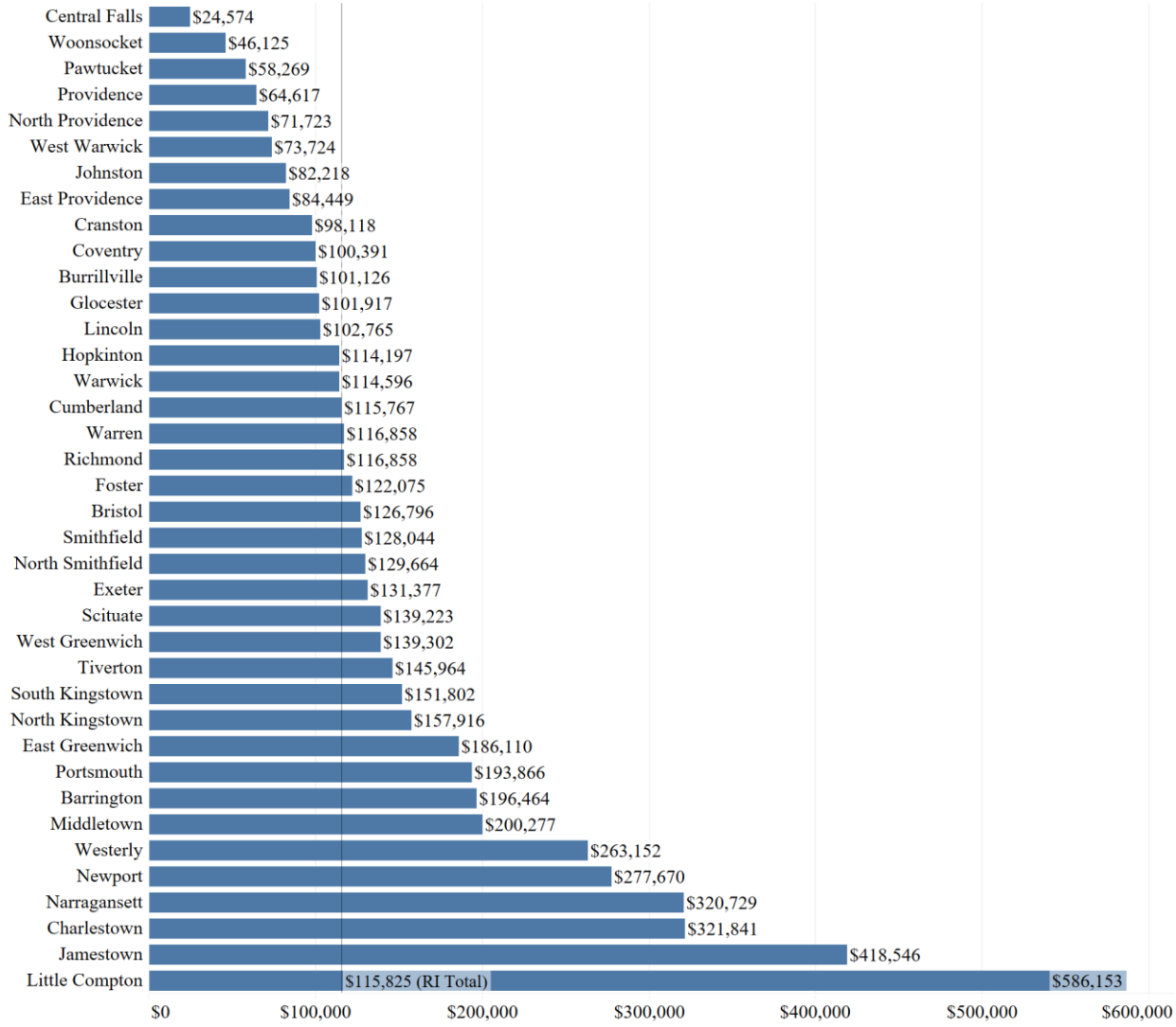


Note: New Shoreham, not pictured due to issues of scale, had a per capita property assessment of $1,857,715
Source: U.S. Census Bureau; R.I. Division of Municipal Finance, Adjusted Equalized Weighted Assessed Valuations of Rhode Island Municipalities; RIPEC calculations

Net Assessed Value Per Capita

Showing net assessed value per capita for FY 2019, Figure 10 displays a similarly wide difference in value across municipalities, but additionally shows how cities and towns decrease their tax base with local exemptions; Rhode Island's net assessed value per capita for FY 2019 of $115,825 is nearly $5,000 less than its gross assessed value per capita. In some municipalities, the difference between gross and net assessed value was far higher, with the greatest difference amounting to $31,742 in Lincoln, which has a generous homestead exemption.

Figure 10
Net Assessed Value Per Capita, FY 2019



Note: New Shoreham, not pictured here due to issues of scale, had a per capita net assessed value of $1,837,621
Source: U.S. Census Bureau; R.I. Division of Municipal Finance, Statewide Net Assessed Value of Property; RIPEC calculations

Property Tax Rates

As with exemptions, cities and towns make policy choices around property taxation by way of the rates they set. Figure 11 visualizes the property tax rate for each Ocean State city and town and across three of the four class types—residential, commercial, and tangible—with lighter shades indicating a relatively lower rate and darker shades indicating a relatively higher rate. As the motor vehicle excise tax is in the process of being phased out, it is not pictured. the rates pictured in Figure 11 are a municipality's set rates and thereby show the rate paid by taxpayers not eligible for a reduced tax bill, such as through homestead exemptions, whereas an effective tax rate accounts for such discounts and other assessed value property tax exemptions.

Commercial property was taxed at a higher rate than residential property in about half (20) of the 39 municipalities in FY 2022. The highest commercial rate in the state ($42.33 per $1,000 of assessed value in Central Falls) is 53.1 percent greater than the state's highest residential rate ($24.56 in Providence). Among municipalities, Central Falls had the greatest difference between its commercial and residential rate (56.2 percent greater), and 14 communities had a commercial rate that was more than 20 percent greater than its respective residential rate.

While tangible property taxes comprise a smaller proportion of total property taxes than taxes levied on commercial real estate—tangible taxes amounted to 8.1 percent of the statewide levy in FY 2022, while commercial real estate made up 21.3 percent—it is noteworthy that tangible property is often taxed at a higher rate than both commercial and residential real estate.[75] Over half (23) of Rhode Island cities and towns taxed tangible property at a higher rate than residential property in FY 2022, and 19 taxed tangible property at a higher rate than commercial real estate. The highest tangible rate in the state ($64.78 in North Providence) was 90.0 percent greater than the state's highest residential rate ($24.56 in Providence) and 41.9 percent greater than the state's highest commercial rate ($42.33 in Central Falls). Smithfield, with a tangible rate of $59.74, had the greatest difference in the state between its tangible and its residential rate (110.9 percent) and between its tangible and commercial rate (104.6 percent).

At the same time, 15 municipalities applied the same rate across each class of property in FY 2022. Of these communities, all but three—Hopkinton, Warren, and Burrillville—had per capita gross assessed property values that were higher than that of the state overall in FY 2019 (the year for which the most recent data are available). Communities with more property wealth also tend to have lower tax rates across all classes of property. The municipalities with the four lowest residential property tax rates in the state—Little Compton, New Shoreham, Charlestown, and Jamestown, respectively—also had the four highest net assessed property values per capita.

Just as municipalities with relatively large property wealth work from a larger base, and consequently tend to have lower rates, the opposite is true for municipalities with relatively low levels of property wealth. Of the cities with the four lowest per capita assessed values in FY 2019—

[75] R.I. Division of Municipal Finance, FY 2021 Statewide Tax Levy by Class of Property. In one municipality, Coventry, the commercial rate is higher than the tangible rate.

Central Falls, Woonsocket, Pawtucket, and Providence, respectively—all but Pawtucket (ranked 23rd) had among the top five highest residential rates in the state. These cities also had among the six highest commercial rates in the state and ranked in the top eight for highest tangible tax rate.

Figure 11
Property Tax Rate Across Class Type (Per $1K Assessed Value), FY 2022

	Residential	Commercial	Tangible
Barrington	$19.15	$19.15	$19.15
Bristol	$14.38	$14.38	$14.38
Burrillville	$16.42	$16.42	$16.42
Central Falls	$23.76	$42.33	$56.47
Charlestown	$8.18	$8.18	$8.18
Coventry	$19.40	$23.39	$19.40
Cranston	$18.00	$27.00	$27.00
Cumberland	$14.74	$14.74	$29.45
East Greenwich	$21.01	$23.25	$30.23
East Providence	$21.50	$26.45	$55.41
Exeter	$13.72	$13.72	$13.72
Foster	$21.34	$21.34	$29.36
Glocester	$18.44	$22.13	$36.88
Hopkinton	$18.53	$18.53	$18.53
Jamestown	$8.28	$8.28	$8.28
Johnston	$23.24	$28.34	$64.34
Lincoln	$20.29	$25.21	$32.01
Little Compton	$6.04	$6.04	$12.08
Middletown	$12.02	$17.23	$17.23
Narragansett	$8.86	$11.96	$11.96
New Shoreham	$6.70	$6.70	$6.70
Newport	$9.33	$13.99	$13.99
North Kingstown	$17.50	$17.50	$17.50
North Providence	$22.81	$29.55	$64.78
North Smithfield	$16.35	$19.44	$43.69
Pawtucket	$16.58	$29.02	$52.09
Portsmouth	$15.31	$15.31	$15.31
Providence	$24.56	$36.70	$55.80
Richmond	$20.62	$20.62	$20.62
Scituate	$18.69	$23.19	$39.81
Smithfield	$17.13	$18.70	$59.74
South Kingstown	$14.45	$14.45	$14.45
Tiverton	$14.27	$14.27	$14.27
Warren	$17.72	$17.72	$17.72
Warwick	$18.73	$28.10	$37.46
West Greenwich	$24.03	$24.03	$34.12
West Warwick	$23.00	$32.43	$45.72
Westerly	$11.52	$11.52	$11.52
Woonsocket	$23.75	$34.75	$46.58

Source: RI Division of Municipal Finance, Statewide Property Tax Rates

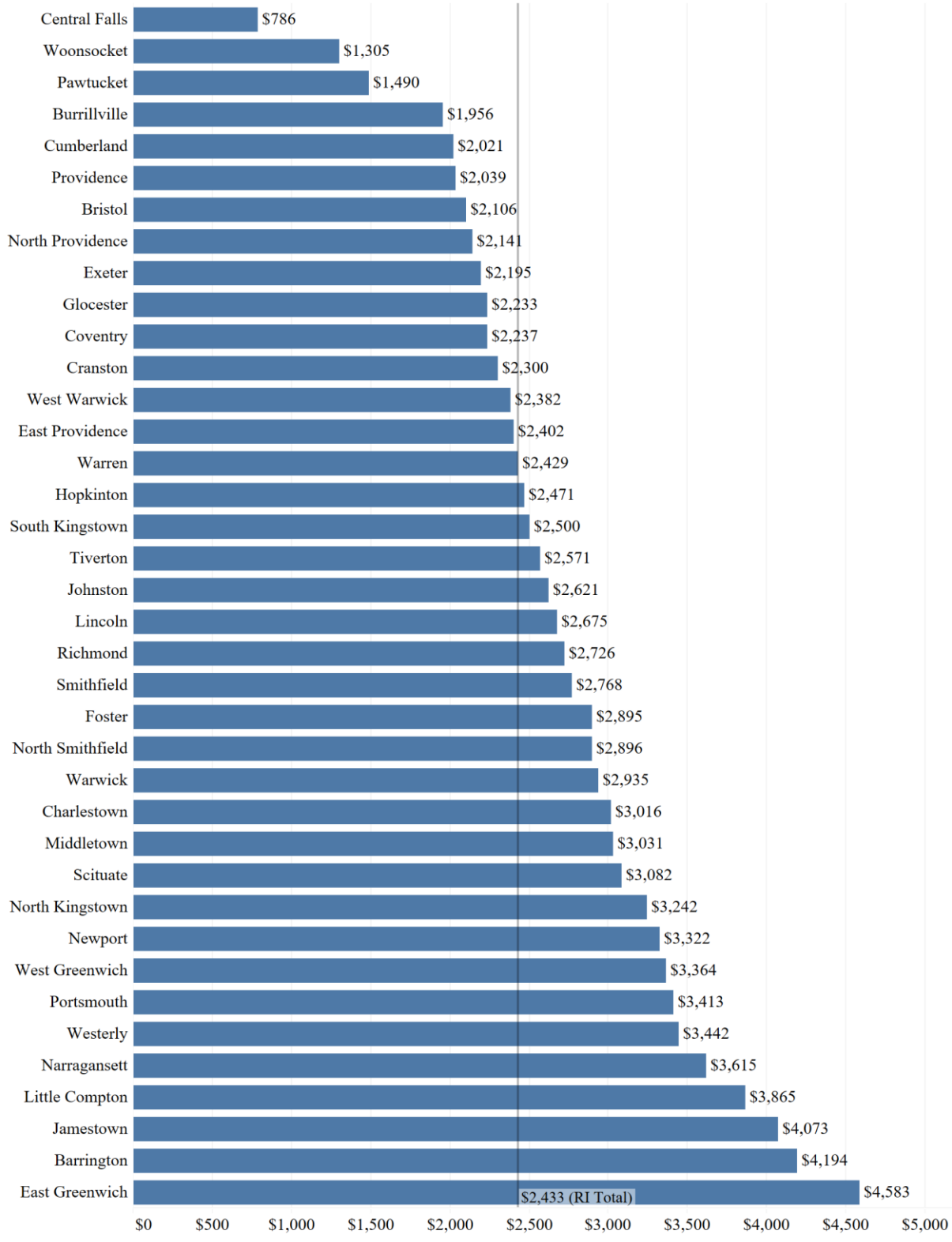
Levy

A municipality's property tax levy reflects the total amount of property taxes charged to taxpayers.[76] Property tax levy per capita, essentially the total property taxes owed per resident, allows for comparison among municipalities of different population sizes. Importantly, this measure of property tax levy does not reflect the tax burden per resident since property taxes are also paid by nonresident homeowners and commercial businesses. Figure 12 breaks down the per capita property tax levy by municipality and for the state for FY 2022.

Figure 12 shows significant variance across the state and highlights the strong correlation between property wealth and property tax revenues. Central Falls, Woonsocket, and Pawtucket are in the bottom three for both gross assessed value and levy per capita, even though all three cities tax property at a relatively high rate. Policy decisions related to taxing and spending can be consequential, however. For instance, while East Greenwich ranked 11th highest in terms of per capita gross assessment, its per capita levy was the state's second highest after New Shoreham, a statistical outlier.

[76] Due to delinquent and disputed tax bills, a property tax levy imperfectly reflects property tax revenues in any given year.

Figure 12
Property Tax Levy Per Capita, FY 2022



Note: New Shoreham, not pictured here due to issues of scale, has a per capita levy of $12,446
Source: R.I. Division of Municipal Fiance, Statewide Net Assessed Value of Property

Fire District Property Tax

Fire districts are local government entities, independent from municipal governments, that have the authority to levy property tax on the residents and businesses within their borders.[77] As detailed in Figure 13, there are 39 fire districts across 16 Rhode Island municipalities.[78] There are no fire districts in the state's remaining 23 municipalities. Collectively, the state's fire districts take in tens of millions of dollars in property tax annually.[79]

There are many types of fire districts in Rhode Island, with differences that are better explained through historical precedent than utilitarian purpose. Some municipalities have several different fire districts that correspond to areas within a single municipality, some have a single fire district that encompasses the entirety of a municipality, and three municipalities—Warwick, North Kingstown, and Narragansett—have fire districts that only have jurisdiction over a particular neighborhood within a municipality. The fire districts in these three municipalities levy a property tax for services such as road maintenance and recreational services, but, despite their name, do not provide fire services. As with those cities and towns without fire districts, these three municipalities have city or town fire departments that are funded by the municipality.[80] Similarly, there are fire districts within Charlestown, South Kingstown, and Westerly which provide services unrelated to fire, while contracting out fire services to another fire district within their municipality. Additionally, Portsmouth and Tiverton have municipal-level fire protection services, and the fire districts within those municipalities provide only water services.

While every fire district levies taxes on residential and commercial property, over half also levy taxes on tangible property, and only Lincoln's fire districts levy property taxes on motor vehicles. Like municipal governments, some fire districts apply the same rate to every class of property while others apply distinct rates across classes of property. Residential rates range from $0.23 per $1,000 of assessed property value in the Portsmouth Water and Fire District to $2.45 in the Coventry Fire District. The Coventry Fire District also has the highest commercial and tangible personal property rates (both $3.67) among fire districts in the state. While fire district property tax rates are relatively low compared to municipal property tax rates, fire district property taxes can nevertheless add significant costs to property ownership and rental.

[77] R.I. Gen Laws § 44-5-69. Most revenue for fire districts come from property tax and often fire districts rely solely on property tax revenues, but some also raise revenue through means such as fire hydrant rentals, rescue services, fire prevention education, and hall rentals. R.I. Division of Municipal Finance, Report on the Rhode Island Fire Districts: Based on Annual Fire District Survey 2013, March 2014.

[78] Figure 13 lists out 40 districts because it refers to FY 2021. However, on November 1, 2021 (FY 2022), the Albion and Saylesville Fire Districts in Lincoln merged to form the New Lincoln Fire District.

[79] In FY 2013, the last year for which there is accessible data, those fire districts that provide fire services collectively raised $34.2 million in revenues, 1.5 percent of the total property tax levy collected that year. R.I. Division of Municipal Finance, Report on the Rhode Island Fire Districts: Based on Annual Fire District Survey 2013, March 2014.

[80] Some fire departments in Rhode Island are staffed by primarily or wholly volunteer, rather than professional, firefighters. Volunteer fire departments are present both in municipalities with fire districts (like South Kingstown) and municipalities with municipal fire departments (like West Greenwich). Ibid.

Figure 13
Rhode Island Fire District Services and Tax Rates Per Municipality, FY 2021

Municipality	Fire District	Fire Services Provided	Fire District Rates (Per $1K of Assessed Value)			
			Residential	Commercial	Tangible	Motor Vehicle
Burrillville	Harrisville	Fire services	$1.8500	$1.8500	$1.8500	$ -
	Nasonville	Fire services	1.3400	1.3400	1.3400	-
	Oakland-Mapleville	Fire services	2.3300	2.3300	2.3300	-
	Pascoag	Fire services	1.9500	1.9500	1.9500	-
Charlestown	Charlestown	Fire services	0.4910	0.4910	-	-
	Dunn's Corner	Fire services	0.4550	0.4550	-	-
	Quonochontaug	Fire services provided by another district	1.3130	1.3130	-	-
	Shady Harbor	Fire services provided by another district	1.4710	1.4710	1.4710	-
Coventry	Central Coventry	Fire services	1.9300	2.8900	1.9300	-
	Coventry	Fire services	2.4500	3.6700	3.6700	-
	Hopkins Hill	Fire services	2.2000	3.3000	2.2000	-
	Western Coventry	Fire services	1.6300	1.6300	1.6300	-
Cumberland	Cumberland	Fire services	1.8790	1.8790	1.8790	-
Exeter	Exeter	Fire services	1.8700	1.8700	1.8700	-
Glocester	Chepachet	Fire services	0.8200	0.8200	0.8200	-
	Harmony	Fire services	1.5800	1.5800	1.5800	-
	West Glocester	Fire services	1.5500	1.6500	1.6500	-
Hopkinton	Ashaway	Fire services	1.2300	1.2300	-	-
	Hope Valley/Wyoming[1]	Fire services	1.0200	1.0200	1.0200	-
Lincoln	Albion[2]	Fire services	1.4300	1.9200	3.0000	1.1000
	Lime Rock	Fire services	2.3800	2.3800	2.3800	1.6000
	Manville	Fire services	1.4700	1.4700	1.4700	1.7000
	Quinnville	Fire services	1.3400	1.3400	1.3400	1.4000
	Saylesville[2]	Fire services	1.3800	1.9000	3.1500	2.5000
Narragansett	Bonnet Shores	None	0.6551	0.6551	-	-
North Kingstown	Pojac Point	None	1.5200	1.5200	-	-
Portsmouth	Portsmouth Water & Fire	None (water services only)	0.2300	0.2300	-	-
Richmond	Hope Valley/Wyoming[1]	Fire services	1.0200	1.0200	1.0200	-
	Richmond-Carolina	Fire services	1.0550	1.0550	1.0550	-
South Kingstown	Indian Lake Shores	Fire services provided by another district	1.3300	1.3300	-	-
	Kingston	Fire services	0.9400	0.9400	0.9400	-
	Union	Fire services	0.7600	0.7600	0.7600	-
Tiverton	North Tiverton	None (water services only)	0.9200	0.9200	0.9200	-
	Stone Bridge	None (water services only)	0.6000	0.6000	0.6000	-
Warwick	Buttonwoods	None	1.7600	1.7600	-	-
Westerly	Bradford	Fire services provided by another district	0.5500	0.5500	-	-
	Dunn's Corners	Fire services	0.4550	0.4550	-	-
	Misquamicut	Fire services	0.9300	0.9300	-	-
	Shelter Harbor	Fire services provided by another district	1.2500	1.2500	-	-
	Watch Hill	Fire services	0.6250	0.6250	-	-
	Weekapaug	Fire services provided by another district	0.7200	0.7200	-	-
	Westerly	Fire services	0.7200	0.7200	-	-

(1) Boundaries for Hope Valley/Wyoming overlap both Richmond and Hopkinton

(2) The Albion and Saylesville Fire Districts merged into the New Lincoln Fire District on November 1, 2021 (FY 2022)

Source: R.I. Division of Municipal Finance, Report on Rhode Island Fire Districts, 2014; R.I. Division of Municipal Finance, Breakdown of RI Fire Districts by City/Town, Tax Rates for 2020; Fire District websites

V. Typical Tax Burden

While Section IV showed how property wealth and policy choices combine to produce significantly different property tax rates, exemptions, and collections across the state, this section focuses on the implications these differences have for taxpayers, the economy, and housing, comparing the tax burden across municipalities for resident and nonresident homeowners, as well as for businesses, for FY 2022. Every calculation below factors in fire district property tax for those municipalities in which all property owners are subject to a fire district tax.[81] Because fire district property tax rates for FY 2022 are not available, RIPEC's analysis uses FY 2021 rates.

Click here for interactive versions of Figures 14 and 16.

Resident Homeowners

Figure 14 shows the tax burden for FY 2022 for resident homeowners across the state with assessed real estate value of $319,000, the median price of a single-family home sold in Rhode Island in 2020.[82] Figure 14 also shows the state median, and incorporates fire district tax and homestead exemptions as applicable.[83]

The tax burden for resident homeowners with $319,000 in assessed value ranged widely in FY 2022, from $1,927 in Little Compton to $7,337 in West Warwick; a difference of $5,410. The eight municipalities with a resident homeowner tax burden more than $1,000 below the state median of $5,464 are also those communities with the eight highest gross assessed value per capita in the state.[84] Conversely, the five cities and towns with resident homeowner tax burdens more than $1,000 above the statewide median range the spectrum in terms of property wealth.[85]

[81] The fire district taxes for neighborhoods in Warwick, Narragansett, and North Kingstown are not applied because they are not applicable to the majority of residents in those municipalities. For municipalities with two or more fire districts, an average fire district tax rate is used for each class of property. It would be more accurate to apply a weighted average that factored in the population of each fire district, but neither the federal census nor local or state governments collect population estimates for fire districts.

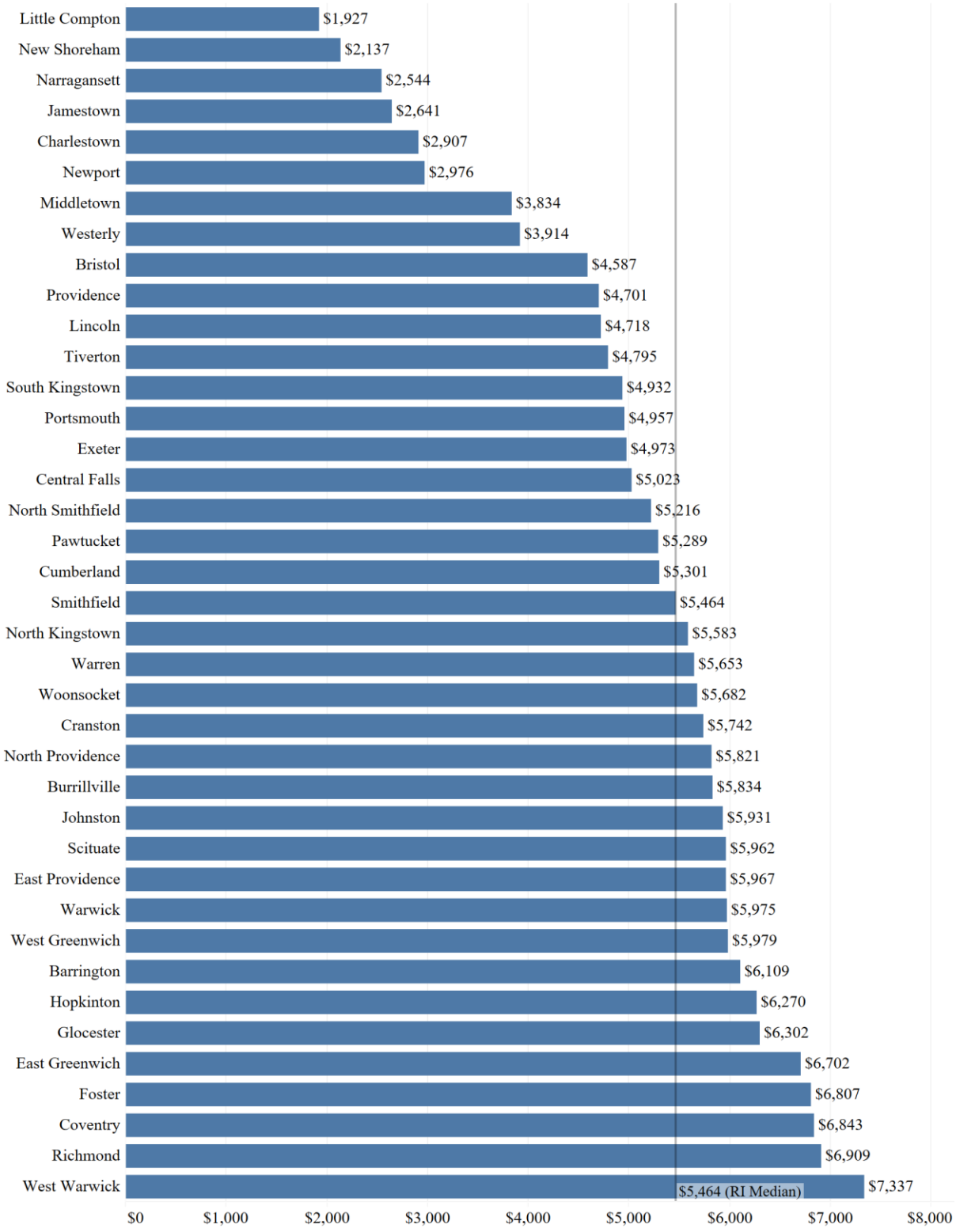
[82] R.I. Association of Realtors, Year End 2020 and 2019 Comparison, Single-Family Home Sales. Median single-family home sale prices vary widely across municipalities, from $230,000 in Providence to $1.2 million in New Shoreham in 2020. The state's median value is used rather than the median value of each city and town because it shows how the levy on the same property value differs across the state. The actual median tax bill of residents living in single-family homes depends on the median assessed value of single-family homes in their specific community. Data for 2021 are not yet available.

[83] For Johnston and Woonsocket, which apply different exemption levels to resident homeowners depending on the number of units in a home, the exemption for a single family home is assumed.

[84] Little Compton, New Shoreham, Narragansett, Jamestown, Charlestown, Newport, Middletown, and Westerly.

[85] East Greenwich, Foster, Coventry, Richmond, and West Warwick.

Figure 14
Tax Burden for Resident Homeowners with $319,000 in Assessed Property Value, FY 2022

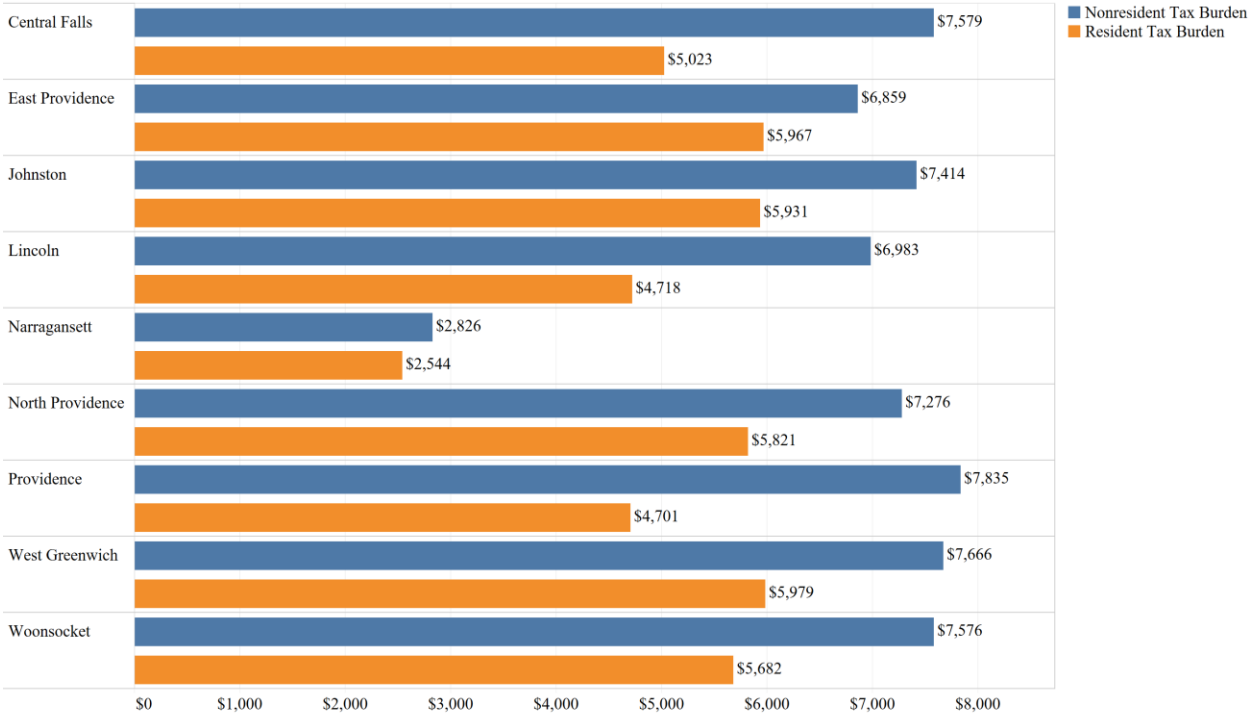


Source: R.I. Division of Municipal Finance; RIPEC calculations

Nonresident Homeowners

Figure 15 compares the tax burden in FY 2021 for resident and nonresident homeowners in the nine Rhode Island municipalities with homeowner exemptions in place (the tax burden is the same for resident and nonresident homeowners in every other municipality). The tax burden between these two groups can be stark. Providence—which has the state's most generous homeowner exemption—had a resident homeowner tax burden of $4,701 on a property valued at $319,000 (ranked 30th highest in Rhode Island), while its nonresident homeowner tax burden of $7,835 was the highest in the state and $3,134 higher than its resident tax burden.

Figure 15
Property Tax Burden for Resident and Nonresident Homeowners with $319,000 in Assessed Value, FY 2022



Source: R.I. Division of Municipal Finance; RIPEC calculations

Importantly, the nonresident homeowner tax burden applies to vacation and rental properties, and consequently is borne not only by individuals with second homes and landlords but, indirectly, by renters. Moreover, while Figure 15 shows the increased tax burden placed on renters in residential units in the nine municipalities with homestead exemptions, a higher tax burden is also placed on renters in apartment buildings with more than five (or in some cases more than three) units in communities that apply a higher rate to commercial property than residential property. In Providence, for instance, a five-unit dwelling valued at $1 million would have had an FY 2022 tax bill of $14,736 if owned by a resident and $24,560 if owned by a nonresident, while a six-unit dwelling, classified as commercial property, of the same valuation would have had a $36,700 tax bill.

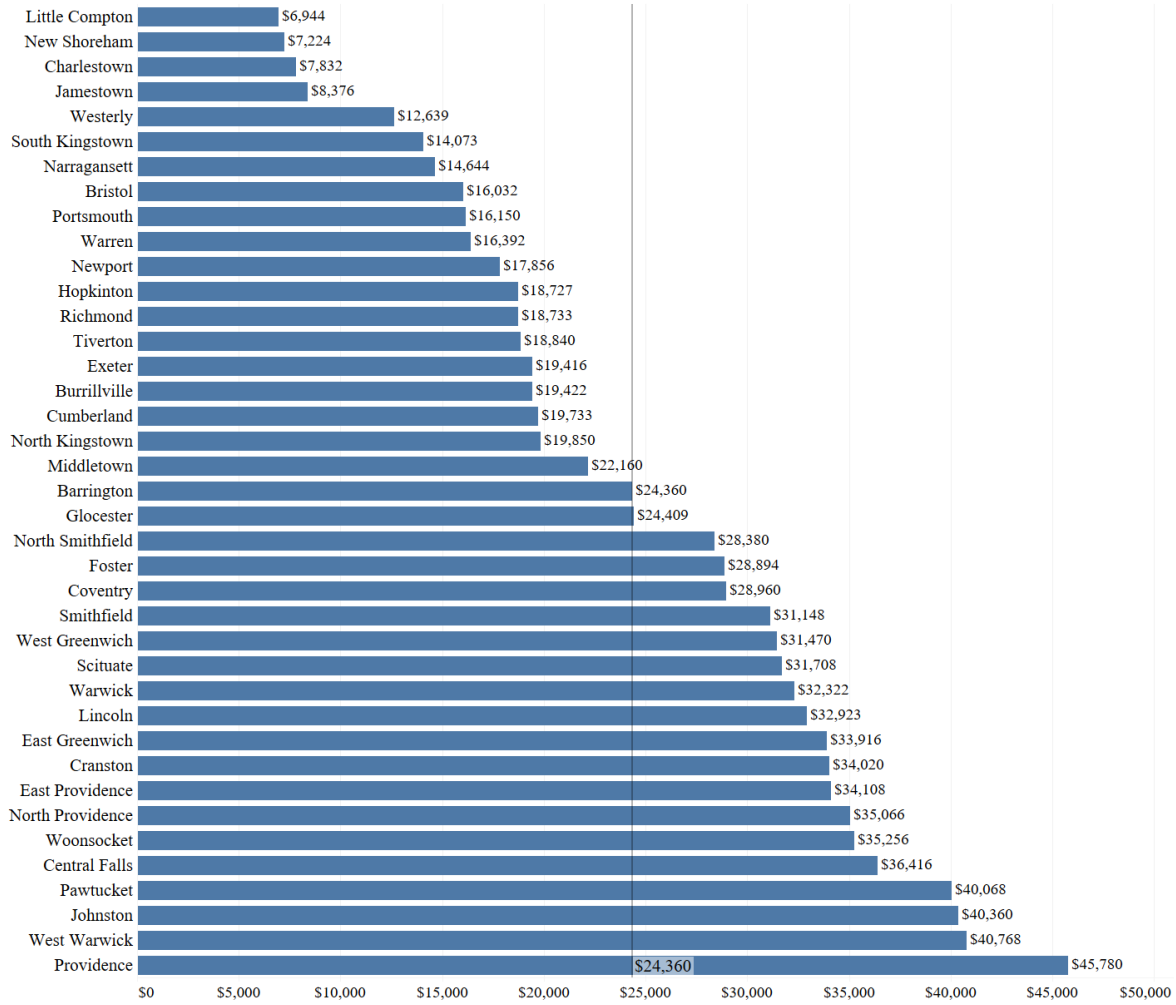
Businesses

Figure 16 shows the FY 2022 property tax burden for business owners with $1 million in assessed commercial real estate value and $200,000 in assessed tangible personal property value for each municipality and the Rhode Island median.[86] Figure 16 applies fire district tax and assessed value tangible exemptions when applicable.[87] While there are active business property tax incentives in most Rhode Island cities and towns, Figure 16 assumes that there is no active TSA or other incentive applicable for the hypothetical commercial taxpayer whose tax burden is being calculated.

The Rhode Island median tax burden for businesses with $1 million in assessed commercial real estate value and $200,000 in assessed tangible property value for FY 2022 was $24,360, but the tax burden ranged widely (by over $38,000) across the state. The municipalities with the greatest tax burden for businesses also have relatively low property wealth, while those with the lowest burden have relatively high property wealth. In fact, all but one of the municipalities with the six highest business tax bills for a hypothetical business for FY 2022 also had the six lowest gross assessed value per capita in FY 2019.[88] Likewise, the municipalities with the lowest hypothetical business tax bills also have among the state's highest gross assessed value per capita.

[86] These assessment levels are adopted from those used to compare the commercial property tax burden in Lincoln Institute of Land Policy and the Minnesota Center for Fiscal Excellence, "50-State Property Tax Comparison Study for 2020," June 2021.
[87] Because Figure 16 assumes $200,000 in assessed tangible property value, it only factors in assessed value tangible exemptions for the five municipalities that apply the exemption to all tangible accounts: Charlestown, East Greenwich, East Providence, Middletown, and Narragansett. The remaining four communities with assessed value tangible exemptions—Bristol, Cranston, Providence, and West Greenwich—would not discount the tax bill of a business with $200,000 in assessed tangible property.
[88] Central Falls, Providence, Woonsocket, Pawtucket, West Warwick, and North Providence.

Figure 16
Tax Burden for Businesses with $1 Million in Assessed Commercial Property Value and $200,000 in Assessed Tangible Property Value, FY 2022



Source: R.I. Division of Municipal Finance; RIPEC calculations

VI. RIPEC Comments

As the primary source of local revenue in Rhode Island, property taxes are essential to municipal governments across the state and to the services those governments provide. Indeed, while taxes on property are significant to revenue systems throughout the country, property taxes are particularly important in Rhode Island, where property taxes comprise a larger portion of state and local revenue than among U.S. states overall.

Rhode Island's property tax systems, however, are out of balance, raising serious questions as to overall equity and adequacy of education funding, and hindering economic development and affordable housing. Most fundamentally, this imbalance results from the inherent wide disparities in property wealth among municipalities. The inbalance is also caused and exacerbated by policy choices to favor owners of residential properties, and particularly resident homeowners, and to disfavor businesses and renters.

Rhode Island's least affluent communities simply do not have the property wealth to adequately fund municipal services—particularly K-12 education. This severe lack of property wealth has led these communities to impose relatively high tax burdens on residents and renters least able to afford to pay, and to levy even higher tax burdens on businesses, which discourages economic development. This lack of property wealth has even more serious consequences for school funding, as these communities are challenged to provide sufficient resources for their students. Even with increased state education aid under Rhode Island's school funding formula, communities with low levels of property wealth have relatively fewer resources available to fund their schools than more affluent municipalities.

Layered over these wide disparities of property wealth are tax policy choices—chiefly classification differences and homestead exemptions—that function to shift the tax burden away from resident homeowners and toward businesses and renters. Besides the obvious equity issue inherent in imposing a higher tax burden on renters—who typically have fewer economic resources than resident homeowners—higher nonresident tax burdens, and the higher commercial rates applied to apartment buildings, make housing less affordable to those most in need of affordable places to live and discourage the development of more affordable, higher-density housing.

Shifting the tax burden to commercial businesses also raises equity issues, but more importantly can discourage economic development since businesses in our post-industrial society are mobile and have choices as to where to locate and expand their businesses. The use of business property tax incentives have proliferated as municipalities provide relief from relatively high commercial taxes to incentivize new investment, but these incentive programs necessarily create inequities between new and existing companies, and fail to address the crux of the issue—the particularly high tax rates imposed on businesses.

Similarly, taxes on tangible property in Rhode Island are often levied at rates even higher than those applied to commercial real estate, resulting in further disincentives for investment. Perhaps

even more significant, since the bulk of tangible property taxes are paid by a small number of taxpayers, in particular large utilities, the tangible property tax imposes a significant tax compliance burden on taxpayers who actually generate relatively little tax revenue. While nine municipalities have responded to provide financial and administrative relief to these small taxpayers through assessed value tangible exemptions that effectively remove from the tax rolls a sizable number of accounts, exemptions are applied inequitably in four of those municipalities (only to accounts that fall under a dollar threshold), and no exemptions exist in the remaining 30 communities.

Given these findings, RIPEC offers the following considerations for state and local policymakers:

State policymakers should consider how the state's education funding formula may be reformed to better respond to disparities in property wealth. The state's education funding formula already factors in student poverty and community property wealth, and has increased the proportion of state funding for less affluent communities, but simply has not adequately accounted for the lack of property wealth and the limitations on raising property taxes in less affluent urban communities.[89] State policymakers should consider how the state's education funding formula may be reformed to better respond to inequities in property wealth across the state.

Municipalities should seek to minimize the use and impact of property tax classification and homestead exemptions. In shifting the tax burden towards renters and businesses, these policies raise troubling equity issues and hinder both economic development and affordable housing solutions. State policymakers should consider guiderails to narrow the differences between tax rates of different classes and to limit the differential tax treatment between resident and nonresident homeowners.

The state should promote tangible reform, reducing municipal reliance on tangible property tax collections. State policymakers should not only pass broad assessed value tangible exemption enabling legislation, but should require that some relatively low level of tangible assessed value be made exempt from taxation across municipalities. This exemption should be made available to all taxpayers regardless of the size of the tax bill. Over the long term, policymakers should consider means of phasing out the tangible property tax altogether, perhaps by pairing increased exemptions with lower rate caps over time, in similarity to the motor vehicle tax phaseout. The state's total tangible levy comprises a relatively small portion of the property tax levy (8.1 percent in FY 2022) and some foregone municipal revenues potentially could be recouped through reform of the state's public service corporation tax on the tangible personal property of utility companies.[90]

[89] The state's education funding formula accounts for local property wealth using adjusted equalized weighted assessed value (AEWAV). However, AEWAV only appears in the calculation of the state's share of the core foundational cost, which is only a portion of overall education spending. Large inequalities in per pupil expenditures are primarily a result of disparities in the local share of education funding, which is not determined by statute and relates directly to the ability of municipalities to raise additional revenues from property tax. R.I. Gen. Laws § 16-7-21.

[90] The public service corporation tax is a state-run tax on "the lines, cables, conduits, ducts, pipes, machines and machinery, equipment, motor vehicles and other tangible personal property within the state of telegraph, cable, telecommunications corporations and express corporations." The public service corporation tax rate is annually

While some of the reforms suggested above have the potential to impact municipal revenues, the American Rescue Plan Act (ARPA) provides short-term fiscal flexibility to cities and towns. Under ARPA, local governments in Rhode Island were allocated $536.9 million in fiscal recovery funds.[91] These flexible funds are temporary, but they provide municipal budget makers with significant headroom, enabling municipalities to use funds to offset a reduction in taxes and providing the runway necessary to restructure their property tax systems to the benefit of equity, efficiency, and economic development.[92]

determined by the Department of Revenue and the calculation is based on the state's average assessment ratio and average property tax rate. To avoid double taxation, these forms of tangible property are exempt at the municipal level. The state collects the funds on behalf of the municipalities and distributes all revenue collected to the municipalities, minus 0.75 percent for administrative expenses, based on population. The FY 2022 Budget as Enacted anticipates the state will collect $12.6 million from the Public Service Corporation tax, down from an anticipated $13.2 million in FY 2021. R.I. Gen. Laws, §44-13-13; R.I. House Fiscal Advisory Staff, FY 2022 Budget as Enacted, Section VI: Special Reports.

[91] U.S. Dept. of Treasury, State and Local Fiscal Recovery Funds Allocation, Allocation for Counties, Allocation for Metropolitan Cities.

[92] All Coronavirus State and Local Fiscal Recovery Funds may be used "for the provision of services to the extent of the reduction in revenue due to the COVID-19 public health emergency," but while state fiscal recovery funds may not be used to "directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation," the U.S. Treasury explicitly exempts local government recovery funds from this restriction. The U.S. Treasury has provided a relatively generous rule for claiming revenue loss. Municipalities can either claim a standard of $10 million and forego a full revenue loss calculation, or else calculate full revenue loss by shortfall in relation to a presumed year-over-year 5.2 percent increase. Under this rule, any Rhode Island municipality receiving under $10 million can claim the full amount as revenue loss. U.S. Dept. of Treasury, Coronavirus State and Local Fiscal Recovery Funds, Final Rule, January 2022.