

**Testimony from Brian M. Daniels, Executive Director**  
**Relating to Levy and Assessment of Local Taxes, H 5407**  
**House Committee on Municipal Government & Housing – March 4, 2021**

Thank you, Mr. Chairman and members of the committee, for the opportunity to testify. We appreciate Representative Cortvriend's sponsorship of this bill, which is a priority of the League and all our members. It aims to address the fallout of a Supreme Court decision in 2018 relating to the Town of Portsmouth, but which has statewide implications.

As you know, state law requires property revaluations or updates every three years. Since the three-year cycle was initiated in 1997, property tax appeals have been based on the value determined at the last municipal revaluation or update. However, in the Rhode Island Supreme Court's *Balmuth v. Portsmouth* case, the plaintiff argued, during a steep decline in property values during the 2008 recession, that there was authority to appeal the value of the property based upon the reduced market value, rather than the three-year figure, as was common practice. The Court decided on a 3-2 vote in favor of the plaintiffs, which opens the door to more frequent, costly appeals – not only in Portsmouth, but in all cities and towns. Municipal tax assessors are now facing the prospect of annual appeals when property values decline but without recourse to raise values when market values are appreciating. In other words, under the *Balmuth* decision, cities and towns get all of the downside and none of the upside of a rapidly changing real estate market.

The League supports Representative Cortvriend's bill (H 5407) to restore the previous standard of using the three-year valuation as the basis for property tax appeals. Addressing this issue is even more important and timely because of the uncertainty caused by the COVID-19 recession. If commercial property market values go down, cities and towns will be flooded with appeals. Not only will those appeals drive up legal costs, but any reduction in taxes collected from successful appeals will need to be made up elsewhere – likely by shifting the property tax burden to residential property at a time when many Rhode Islanders are struggling.

In the longer term, the state needs to review its approach to property valuation and taxation. The League has endorsed past efforts of Governor McKee to establish a study commission to review existing valuation practices and recommend improvements, including the possibility of annual updates, as is the practice in Massachusetts. In the meantime, we urge the committee to pass H 5407 to restore the longstanding tax appeals practice used in cities and towns. Thank you for your consideration of our views.