

May 15, 2025

The Honorable Marvin L. Abney
Chair, House Committee on Finance
State House
Providence, RI 02903

**Re: 2025 H-5285- AN ACT RELATING TO TAXATION –
PROPERTY SUBJECT TO TAXATION**

Dear Chair Abney:

The Division of Municipal Finance (“DMF”) writes to provide information that may be of assistance to the Committee as it considers House Bill 5285, An Act Relating to Taxation-Property Subject to Taxation. This letter is not intended as a position in support of or opposition to the bill, but only as recommendations on drafting to provide clarity in the bill and to aid municipal tax administration.

As you know, this bill would amend Chapter 44-3 of the General Laws to add a new § 44-3-70, entitled “Municipal taxation on an endowment of a private institution of higher education,” to enable municipalities to impose a tax of not more than two percent (2%) on the endowment of a private institution of higher education that is in excess of one billion dollars (\$1,000,000,000). The bill would require municipalities to deposit all tax revenues in a restricted receipt account to be used for its public school district. The bill is set to be effective upon passage.

The DMF respectfully requests that the bill be amended to provide clarity on how municipalities should treat the revenues generated through this new tax with respect to the following two provisions:

- R.I. Gen. Laws § 45-13-2. The bill is unclear as to whether or not the tax revenues should be included in the definition of a tax levy under this section. The inclusion would have several implications including, but not limited to, on the calculation of a municipality’s maximum levy increase controlled by R.I. Gen Laws § 44-5-2. Language should be included to specify whether it should be included or excluded.
- R.I. Gen. Laws § 16-7-23. The bill is unclear as to whether or not the tax revenues should be included or excluded from the calculation of a municipality’s contribution of local funds for its schools controlled by this section. Language should be included to specify whether it should be included or excluded.

The DMF takes no position with respect to the remainder of the proposed legislation. Rather, the DMF is concerned solely with the issues of clarity and municipal tax administration.

Thank you for your consideration.

The Honorable Marvin L. Abney
May 15, 2025
2025 H-5285
Page 2

Sincerely,

A handwritten signature in dark ink, appearing to read "Stephen E. Coleman Jr.", with a stylized, cursive script.

Stephen E. Coleman Jr.
Chief

Cc: The Honorable Members of the House Committee on Finance
The Honorable David Morales
Nicole McCarty, Esq., Chief Legal Counsel to the Speaker
Thomas A. Verdi, Director, Department of Revenue