RIPEC

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March 4, 2025

The Honorable Stephen Casey
Chairperson, House Committee on Municipal Government & Housing
Room 101
Rhode Island State House
Providence, RI 02903

RE: Testimony on House Bill 5696 – An Act Relating to Taxation – Levy and Assessment of Local Taxes

Dear Chairperson Casey,

I am writing on behalf of the Rhode Island Public Expenditure Council (RIPEC) in opposition to House Bill 5696 – An Act Relating to Taxation – Levy and Assessment of Local Taxes. Under state law, municipalities must conduct a full property assessment revaluation every nine years and statistical revaluations in the third and sixth year after a full revaluation, and property must be assessed at its "full and fair cash value, or at a uniform percentage of its value." The proposed legislation would cap property assessment revaluation increases at 20 percent. While such legislation may be well-intentioned to provide relief to property taxpayers, placing a cap on assessment increases would uncouple fair market value from assessed value and lead to inequitable outcomes among taxpayers.

Assessment caps are often promoted as a means of constraining property tax increases, but such policies do not require municipalities to decrease or limit their property tax levies, and consequently merely shift a portion of the tax burden from one group of taxpayers to another. Specifically, House Bill 5696 would shift a portion of the tax burden away from property owners that experience greater growth in the real value of their property and toward owners with relatively lower levels of growth in the real value of their property, as well as new construction. It would do so, moreover, with no regard for why the value of property increased, including the sale of a home or substantial improvements to it. If this policy were to take effect, the relationship between fair market value and assessed value would only become more distant over time, and result in neighbors with homes of the same fair market value paying significantly different tax bills.[1]

Property tax policy experts agree that assessment caps have significant unintended consequences and are far from the best means of alleviating property tax burden. For instance, deeming assessment limits "the most problematic form of property tax limitation," subject matter experts at the Lincoln Institute of Land Policy point out that assessment caps "shift the tax burden toward poorer neighborhoods, create large disparities in tax bills for owners of similar properties, lead to 'lock-in effects' that discourage mobility, and introduce new complexities into the property tax system."[2] Similarly, the Tax Foundation's State Tax Competitiveness Index Ranking "penalizes states for imposing assessment limitations because they distort property taxation … and [influence] decisions about property utilization."[3]

A positive feature of the property tax is that it is a progressive tax—a tax based on the taxpayer's ability to pay, with individuals with lower valued property receiving lower tax bills. Unfortunately, Rhode Island has already enabled municipalities to enact policies—such as classification ratios and homestead exemptions—that make property tax less progressive, shifting the tax burden from resident homeowners to renters who are least able to afford to pay. The proposed legislation would only exacerbate the extent to which Rhode Island's property tax system has fallen out of balance.

Given the evidence provided above, I respectfully urge the Committee to reject House Bill 5696.

Sincerely,

Michael DiBiase
President & CEO
Rhode Island Public Expenditure Council

RIPEC is a nonpartisan and nonprofit public policy research organization dedicated to providing objective research and analysis that addresses the critical challenges surrounding public finance and economic opportunity in Rhode Island.

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[1] For example, a study in California, where an assessment cap has been in place since 1978, found that homeowners with homes of fair market value between $575,000 and $625,000 paid annual property taxes ranging from $1,350 to $7,500. Another study found that most of the tax relief associated with California's assessment cap went to higher-income Californians. Mac Taylor, "Common Claims about Proposition 13," California Legislative Analyst's Office, September 2016.

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

[3] A minority of states (18) enable assessment limits. Tax Foundation, *2025 State Tax Competitiveness Index*, October 2024.