

March 4, 2025

The Honorable Stephen M. Casey
Chair, House Committee on Municipal Government and Housing
State House
Providence, RI 02903

**Re: 2025 H-5696- AN ACT RELATING TO TAXATION -- LEVY AND ASSESSMENT
OF LOCAL TAXES**

Dear Chair Casey:

The Division of Municipal Finance (“DMF”) writes to provide information that may be of assistance to the Committee as it considers House Bill 5696, An Act Relating to Taxation-Levy and Assessment of Local Taxes. 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 R.I. Gen. Laws § 44-5-11.6 to restrict municipalities, when conducting revaluations on and after December 31, 2025, from increasing the value of property by more than twenty percent (20%) from the last previous revaluation. A potential unintended consequence of placing a cap on a property’s increase in valuation is that it could create a disparity in valuation among taxpayers and cause taxpayers whose property isn’t subject to the 20% cap to bear more of the tax burden than taxpayers whose property is subject to the valuation cap (e.g. Commercial and Tangible taxpayers). The purpose of revaluations is to distribute tax burden amongst the taxpayers of a municipality as fairly and as equitably as possible (based on market activity). If there is an assessment cap than this could not occur as effectively.

Also, a municipality is already limited from taking full advantage of increased assessments by the property tax levy cap of 4% mandated by R.I. Gen. Laws § 44-5-2. If there is a large increase in assessments due to a revaluation, then a municipality would only be able to take advantage of a portion of the increased assessment due to this cap. In this situation, there is no exemption under current law allowing a municipality to exceed the property tax levy cap due to increased assessments, which results in the municipality having to decrease tax rates.

Additionally, many municipalities are subject to a tax classification structure which may limit the tax rate differential between classes of property. Imposing an assessment cap may create a compliance issue for those municipalities.

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 Stephen M. Casey
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Sincerely,

A handwritten signature in dark ink, appearing to read "Stephen E. Coleman Jr.", with a stylized flourish at the end.

Stephen E. Coleman Jr.
Chief

Cc: The Honorable Members of the House Committee on Municipal Government and
Housing
The Honorable Ramon A. Perez
Nicole McCarty, Esq., Chief Legal Counsel to the Speaker
Thomas A. Verdi, Director, Department of Revenue