

April 22, 2025

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

**Re: 2025 H-6162- 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 6162, 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 § 44-5-2 by adding a new subsection (g). Per the Explanation by the Legislative Council, the intent of the bill is to “permit the City of Providence a one-year levy cap for fiscal year 2026 not to exceed eight percent (8%).”

Generally, § 44-5-2 prohibits municipalities from levying a tax more than four percent (4%) in excess of the total amount levied and certified for their previous fiscal year (the “4% maximum levy cap”). Subsection 44-5-2(d) sets forth four (4) situations where municipalities may exceed the 4% maximum levy cap if they obtain state certification (either through the DMF or the Auditor General depending on the reason for the exemption). Subsection 44-5-2(e) also mandates criteria for additional local approval of any state certified levy above the 4% maximum levy cap.

The specific language of proposed § 44-5-2(g) provides that “[n]otwithstanding anything to the contrary, the City of Providence is permitted a one-year levy cap exemption for fiscal year 2026 not to exceed eight percent (8%).” This language may be interpreted to permit the City of Providence up to an 8% exemption above the 4% maximum levy cap, which would allow the City to enact a Fiscal Year 2026 levy that is up to 12% higher than its Fiscal Year 2025 levy. It is unclear if this is the intent of the bill, particularly given the bill’s Explanation by the Legislative Council quoted above. Language should be added to clarify whether the Fiscal Year 2026 exemption will allow for a total levy of up to 8% or 12% higher than the Fiscal Year 2025 levy.

Additionally, it is unclear if the City of Providence is required to obtain state certification to utilize this exemption, as is required for all other exemptions to the 4% maximum levy cap, and if the criteria for additional local approval set forth in § 44-5-2(e) applies to this exemption. Language should be added to clarify whether this exemption is intended to follow the usual

The Honorable Stephen M. Casey
April 22, 2025
2025 H-6162
Page 2

approval process for exemptions to the 4% maximum levy cap or if the City of Providence will be allowed to deviate from it for Fiscal Year 2026.

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.

Sincerely,

A handwritten signature in black ink, appearing to read "Shu L R", is positioned above the printed name of the sender.

Stephen E. Coleman Jr.
Chief

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