

May 28, 2025

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

**Re: 2025 H-6362- 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 6362, 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 town of Little Compton a one-year levy cap for fiscal year 2026 not to exceed twelve percent (12%).”

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 town of Little Compton is permitted a one-year levy cap exemption for fiscal year 2026 not to exceed twelve percent (12%), and subject to approval by the Little Compton Financial Town Meeting.” This language may be interpreted to permit the Town of Little Compton up to a 12% exemption above the 4% maximum levy cap, which would allow the Town to enact a Fiscal Year 2026 levy that is up to 16% 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 12% or 16% higher than the Fiscal Year 2025 levy.

Additionally, it is unclear if the Town of Little Compton 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 all of the criteria for additional local approval set forth in § 44-5-2(e) applies to this exemption, rather than only the approval of the Little Compton Financial Town Meeting.

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Language should be added to clarify whether this exemption is intended to follow the usual approval process for exemptions to the 4% maximum levy cap or if the Town of Little Compton 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,



Stephen E. Coleman Jr.  
Chief

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