

Rhode Island

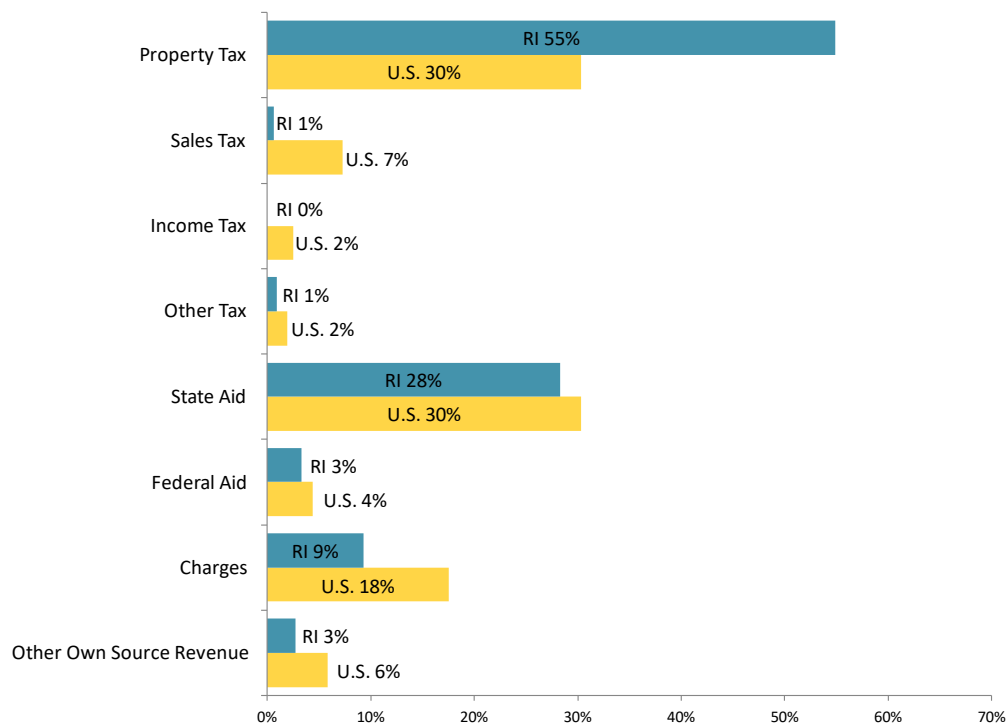
Highlights

Municipal governments in Rhode Island are heavily reliant on the property tax for revenue. In 2020, property taxes accounted for 55 percent of local government revenue (figure RI-1).

Rhode Island has among the highest property tax burdens in the United States. Property tax revenues represented 4.2 percent of personal income in the state in 2020. This placed the state eighth highest in the nation (table RI-1).

Each of the state’s 39 cities and towns is allowed to use a property tax classification system when levying property taxes. State law specifies property classes that may be used and grants cities and towns the ability to set different tax rates for each class, with some restrictions. Class 1 includes residential property with fewer than five units and open space; state law authorizes municipalities to provide homestead exemptions within this class or to divide this class into owner occupied and non-owner occupied, imposing separate tax rates in lieu of homestead exemption. Class 2 includes commercial and industrial property as well as residential property with more than five units. Class 3 includes tangible personal property.

Figure RI-1
Sources of Local General Revenue, Rhode Island and U.S., 2020



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

Rhode Island relies heavily on the property tax to generate revenue for state and local government operations. In 2020, the property tax accounted for 20 percent of combined state and local government revenues, the ninth-highest percentage in the United States (table RI-1).

Table RI-1
Selected Rhode Island Property Tax Statistics, 2020¹

	Rhode Island	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$2,449	\$1,810	9
Property tax percentage of personal income	4.2%	3.1%	8
Total property tax as percentage of state-local revenue	20.3%	16.6%	9
Median owner-occupied home value ²	\$276,600	\$229,800	15
Median real estate taxes paid for owner-occupied home ²	\$4,345	\$2,551	8
Effective tax rate, median owner-occupied home ³	1.6%	1.1%	10

Sources: [U.S. Census via Significant Features of the Property Tax](#), American Community Survey

¹ All revenue numbers in this table include the state government as well as local governments.

² The statistics for [median owner-occupied home value](#) and [median real estate taxes paid for owner-occupied home](#) are five-year average statistics for years 2016–2020.

³ Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

Each municipal government is responsible for assessing property values; a full revaluation of all real property must be done every nine years, and statistical updates must occur three and six years after the most recent full revaluation. All real property is assessed at 100 percent of its full and fair (i.e., market) value with the exception of farmland, forest, and open space land, which is assessed at its current use value. Tangible personal property is subject to taxation, but inventory and tangible property used for manufacturing is exempt. Motor vehicles are subject to an excise tax in lieu of the personal property tax.

Limits on Property Taxation

Since 1985, Rhode Island has placed limits on the growth of property taxes (table RI-2). In 2006, it significantly strengthened these limitations with the enactment of SB 3050. This legislation caps the percentage growth of a local government's total property tax levy at 4 percent above the previous year's levy. The property tax cap includes exemptions for specified circumstances that allow a 4/5 supermajority of the governing body of a city or town to exceed the property tax levy limit.

Property Tax Relief and Incentives

Rhode Island has a statewide property tax circuit breaker program that offers tax credits to individuals age 65 years or older and to disabled residents. In addition, local governments have the ability to offer property tax credits or exemptions to military veterans, the elderly, and the disabled.

The state has enacted an exemption of the first \$50,000 of business property from the municipal tangible property tax beginning on the assessment date of December 31, 2023.

Rhode Island has three main property tax incentive programs designed to encourage economic development in the state: tax stabilization agreements for manufacturing and commercial property, tax exemption for idle manufacturing or mill property, and tax increment financing (TIF). Each of the three programs is authorized by the state government, but the individual cities and towns determine program specifics within the guidelines of state law.

Rhode Island also has property tax programs designed to encourage the renovation of historic structures in the state. Under the program, municipalities may opt to allow the owners of historic properties that incur substantial maintenance or rehabilitation costs to receive a property tax reduction of up to 20 percent for up to five years.

Table RI-2
Property Tax Features of State Governments, United States, 2021

Feature	Rhode Island	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	No	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	17
Circuit breaker property tax relief program	Yes	31

Sources: Significant Features of the Property Tax

Key Property Tax History

In 1985, Rhode Island enacted legislation that limited the rate of growth for the overall property tax levy or the property tax rate to 5.5 percent annually. Although this law had some success in limiting the growth of property taxes in the state, many communities applied the 5.5 percent property tax cap to their tax rates rather than to the overall levy. As a result, overall property tax levies continued to grow rapidly throughout the 1990s and early 2000s.

In 2006, Rhode Island enacted SB 3050, referred to locally as the property tax cap, which amended the 1985 limit. One feature of this amendment was to make the tax cap a pure levy limit by applying the cap only to increases in property tax revenues. The amendment first went into effect on January 1, 2007, and restricts the annual growth of property tax levies to 4 percent above the previous year's levy. The cap on annual levy growth was phased in over several years, starting at 5.25 percent in fiscal year 2008 until reaching the current cap of 4 percent in fiscal year 2013.

The property tax cap does provide exemptions from the cap if debt service expenditures increase rapidly, non-property tax revenues are lost, public employee fringe benefit costs triple from the previous year, or in the event of rapid growth of the tax base that requires significant expenditures on infrastructure or schools. In each case, a four-fifths supermajority of the governing body of the municipality must vote in favor of the levy exceeding the cap. The Division of Property Taxation and Municipal Finance in the Department of Revenue monitors city and town compliance with the tax cap (Rhode Island Department of Revenue, Division of Municipal Finance 2018).

Recent Developments

Rhode Island expanded its circuit breaker program in 2022, adding \$4 million in funding for the program. The new law raises the income ceiling from \$30,000 to \$35,000 and the maximum property tax credit from \$400 to \$600. It also increases the exemption for pension income when calculating eligibility (House Bill 7123, Substitute A of 2022) (Rhode Island Office of the Governor 2022).

Local governments may not revalue land based on the presence of renewable energy with the passage of House Bill 8820 Substitute A in 2022. Under the new law, jurisdictions may only tax renewable energy as personal property and may only assess the land value as real property. In addition, farmland that is developed with renewable energy may not be reclassified and any farmland that was reclassified will revert to its assessed value before developed for renewables. The governor let the controversial bill become law without his signature over opposition from local governments (Gregg 2022).

The Rhode Island Supreme Court upheld the City of Providence's practice of reassessing properties at market value upon expiration of tax stabilization agreements, a type of development incentive under which the city exempts some portion of new value for up to 20 years. The court rejected a lower court ruling in favor of the plaintiffs that found the revaluation was selective and illegal. The Rhode Island Supreme Court ruled in *Athena Providence Place v. Pare* that upon "the expiration of the TSA, the city was entitled, and indeed required, to tax the property at its full and fair cash value" (Hodges 2021).

In 2022, cities and towns across Rhode Island pursued a variety of policies to counter or delay the anticipated effects of rapidly rising home values on taxpayers. Some municipalities petitioned the legislature to delay revaluation by a year, while others enacted differentiated property tax rates to shift the local property tax burden away from full-time residents (Dunning 2022; Sacharczyk 2022). Under one such policy, which received legislative approval in 2022, the City of Newport extended a lower residential property tax rate to city residents who occupy their home in Newport at least seven months out of the year and apply for the reduced rate (Newport Daily News 2022).

In *Newport & New Rd. LLC v. Hazard*, the Rhode Island Supreme Court upheld a trial court's ruling that a taxpayer had not filed a timely court petition arguing that property tax assessments were illegal and excessive. The Supreme Court, in its June 2023 decision, held that such assessment challenges in a court are subject to a three-month statute of limitations and not the 10-year general statute of limitations for civil actions (Long 2023). Rhode Island Governor Dan McKee signed the fiscal year 2024 budget, which includes an exemption for the first \$50,000 of business property from the municipal tangible personal property tax starting on the assessment date of December 31, 2023. The state will reimburse municipalities for the lost revenue beginning in fiscal year 2025 (Valdez 2023).

Resources

Dunning, Savana. 2022. "Newport Takes Step Toward Giving Full-Time Residents a Property Tax Break. Here's How." *Newport Daily News*, April 18. <https://www.newportri.com/story/news/local/2022/04/18/newport-ri-city-council-oks-bill-would-offer-split-tax-system/7317190001/>.

Gregg, Katherine. 2022. "McKee Allows Solar Developers' Tax Break to Become Law Despite Opposition by Cities, Towns." *Providence Journal*, July 8. <https://www.providencejournal.com/story/news/local/2022/07/07/gov-mckee-allows-solar-developers-tax-break-become-law/10006171002/>.

Hodges, Amy. 2021. "State Supreme Court OKs Higher Condo Valuations." *State Tax Notes*. November 15. <https://www.taxnotes.com/tax-notes-state/appraisals-and-valuations/state-supreme-court-oks-higher-condo-valuations/2021/11/15/7clnf>.

Long, Melissa A. 2023. "Rhode Island Supreme Court Rejects Assessment Challenge." *Tax Notes State*. June 22. <https://www.taxnotes.com/tax-notes-today-state/appraisals-and-valuations/rhode-island-supreme-court-rejects-assessment-challenge/2023/06/26/7gx0y>.

Newport Daily News. 2022. "Two-Tier Residential Tax Program Set to Launch in Newport." (December 13). <https://www.newportri.com/story/news/local/2022/12/13/newport-prepares-to-move-to-two-tier-residential-tax-program/69724078007/>.

Rhode Island Department of Revenue, Division of Municipal Finance. 2018. "Report on the Property Tax Cap: Fiscal Year 2019." (December). www.municipalfinance.ri.gov/documents/data/property-tax-cap/FY19-Property-Tax-Cap-Report.pdf.

Rhode Island Department of Revenue, Division of Taxation. 2018. "Tax Change Takes Effect on Monday, October 1." Advisory 201-38. (September 4, revised September 13). www.tax.ri.gov/Advisory/ADV_2018_38.pdf.

———. 2021. *Rhode Island Tax News*. (January/February/March). http://www.tax.ri.gov/newsletter/Rhode_Island_Division_of_Taxation_Newsletter_First_Quarter_2021.pdf.

Rhode Island Office of the Governor. 2022. “Governor McKee Signs Legislation to Support Rhode Island Seniors.” (August 17). <https://governor.ri.gov/press-releases/governor-mckee-signs-legislation-support-rhode-island-seniors-0>.

Rhode Island Public Expenditure Council. 2007. “Proposed Changes to the Revaluation Cycle in Rhode Island: Is It Time to Turn the Clock Back?.” *Comments on Your Government*. www.ripec.org/pdfs/2007-Property-Tax-Revaluation.pdf.

———. 2021. “How Rhode Island Compares.” (March 8). <https://ripec.org/how-rhode-island-compares/>.

Sacharczyk, Tamara. 2022. “On Your Dime: Delayed Property Tax Revaluations Freeze Prices for Some Homeowners.” *NBC 10 News*. June 16. <https://turnto10.com/i-team/on-your-dime/providence-rhode-island-delayed-property-tax-revaluations-prices-homeowner-housing-affordability-financial-homeowning>.

Significant Features of the Property Tax. www.lincolninst.edu/research-data/data-toolkits/significant-features-property-tax. Lincoln Institute of Land Policy and George Washington Institute of Public Policy.

Valdez, Benjamin. 2023. “Rhode Island Enacts Budget With Business Property Tax Relief.” *Tax Notes State*. June 26. <https://www.taxnotes.com/tax-notes-state/budgets/rhode-island-enacts-budget-business-property-tax-relief/2023/06/26/7gwfr>.

Publication Date

October 2023