

## FY 2002 Property Tax Burdens in Rhode Island

The following report presents an overview of property tax trends within the Ocean State, including local property value and levy trends as well as tax rates and tax burden measures by city and town. The report includes two new features to measure property tax burdens among the cities and towns – the estimated property tax on a \$150,000 home and a composite ranking of four measures of property tax burden. While there are additional findings within the report, the following highlights some of RIPEC's key findings:

- Rhode Island's property tax collections per \$1,000 of personal income of \$46.45 ranked 6<sup>th</sup> highest in the U.S. and were 43.0 percent above the U.S. average (1999 data);
- Rhode Island localities derived 55.6 percent of their revenues from property taxes compared with the national average of 25.3 percent;
- FY 2002 property tax collection of \$1.4 billion represent the single largest source of State and local tax revenue in the State – nearly equal to the \$1.6 billion in combined collections from State personal income and sales taxes anticipated to be collected in FY 2002 (November 2001 Revenue Estimating Conference).
- While adjusted statewide property value decreased from \$83.4 billion in FY 1992 to an estimated \$65.4 billion in FY 2002 (a 21.6 percent decrease), adjusted statewide property tax levies increased from \$1.3 billion to \$1.4 billion (a 10.6 percent increase);
- Nearly 73.0 percent of the property value decline occurred in urban Rhode Island, while non-urban communities experienced the 27.0 percent decline balance;
- In 1992 approximately 52.3 percent of the property tax levy statewide was allocated to support schools. This has since increased to 55.0 percent in FY 2002;
- Based on the full value of property and the FY 2002 levy, FY 2002 effective tax rates ranged from \$7.09 in Little Compton to \$31.77 in Providence;
- Based on a home valued at \$150,000, the estimated FY 2002 tax bills ranged from \$1,052 in Little Compton to \$4,523 in West Warwick; and
- RIPEC's composite index shows West Warwick to have the highest effective property tax while Little Compton reflects the lowest property tax burden.

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## I. Overview of Property Tax Burdens

Property taxes serve as the largest single source of revenue for the Ocean State's municipalities, playing a critical role in financing local public services. The following looks at how Rhode Island's dependence on the property tax compares with other states in the region and the nation as a whole. RIPEC uses data (unadjusted for inflation) collected by the U.S. Bureau of the Census in the following analysis.

Overall, local revenue from all sources in Rhode Island increased from \$1.9 billion in FY 1995 to \$2.3 billion in FY 1999, representing a 20.4 percent increase (\$391.3 million). This rate of growth was slower than both the New England region (27.9 percent) and the nation as a whole (33.5 percent).

**Table 1**  
**Distribution of Local Revenue Only**  
(Millions)

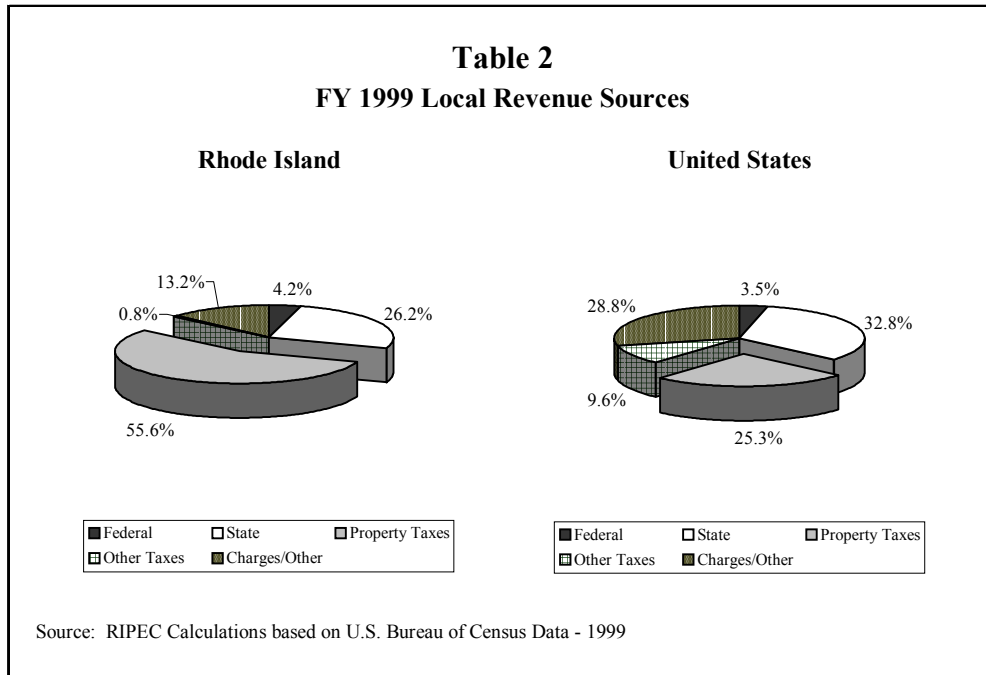
Revenue Source	Rhode Island			New England			United States		
	FY 1995 Amount	FY 1999 Amount	Percent of Total	FY 1995 Amount	FY 1999 Amount	Percent of Total	FY 1995 Amount	FY 1999 Amount	Percent of Total
<b>Intergovernmental</b>	<b>\$628.1</b>	<b>\$702.3</b>	<b>30.4%</b>	<b>\$9,895.8</b>	<b>\$13,641.0</b>	<b>36.2%</b>	<b>\$259,093.2</b>	<b>\$327,579.3</b>	<b>36.3%</b>
Federal Funds	104.3	96.7	4.2%	1,484.0	1,484.0	3.9%	26,286.2	31,686.9	3.5%
State Funds	523.8	605.5	26.2%	8,411.8	12,157.0	32.2%	232,807.0	295,892.4	32.8%
<b>Own Source</b>	<b>\$1,289.5</b>	<b>\$1,606.6</b>	<b>69.6%</b>	<b>\$19,587.4</b>	<b>\$24,062.1</b>	<b>63.8%</b>	<b>\$417,267.6</b>	<b>\$575,493.5</b>	<b>63.7%</b>
Property Taxes	1,129.3	1,284.5	55.6%	15,528.6	17,657.3	46.8%	193,932.9	228,452.6	25.3%
Sales and Gross Receipts	1.0	1.4	0.1%	66.3	111.6	0.3%	40,417.9	51,625.7	5.7%
Individual/Corp Income	0.0	0.0	0.0%	0.2	0.4	0.0%	14,651.3	19,701.3	2.2%
Motor Vehicles License	0.0	0.0	0.0%	6.6	19.8	0.1%	1,080.7	1,258.7	0.1%
Other Taxes	13.2	16.2	0.7%	219.1	292.8	0.8%	11,347.0	14,795.2	1.6%
<i>Subtotal - Taxes</i>	<i>1,143.5</i>	<i>1,302.1</i>	<i>56.4%</i>	<i>15,820.8</i>	<i>18,081.9</i>	<i>48.0%</i>	<i>261,429.8</i>	<i>315,833.5</i>	<i>35.0%</i>
Charges	107.0	231.3	10.0%	2,850.0	4,536.4	12.0%	107,279.8	195,618.6	21.7%
Other	39.0	73.2	3.2%	916.6	1,443.8	3.8%	48,558.0	64,041.4	7.1%
<b>Total - All Sources</b>	<b>\$1,917.6</b>	<b>\$2,308.9</b>		<b>\$29,483.2</b>	<b>\$37,703.2</b>		<b>\$676,360.8</b>	<b>\$903,072.9</b>	

Source: Bureau of the Census, General State and Local Finances, 1999 & 1995

Of all local revenue sources, the local property tax continues to represent the largest source in Rhode Island. In FY 1999, local property taxes represented 55.6 percent of all local revenue sources, which includes state and federal aid. Rhode Island's local property tax collections increased from \$1.1 billion in FY 1995 to \$1.3 billion in FY 1999 - an increase of 13.7 percent - or \$155.2 million. Given that all local revenue sources increased by \$391.3 million, the growth in local property taxes in Rhode Island represented 40 cents of every new \$1.00 raised since FY 1995.

On average, New England localities generated 46.8 percent of their local revenues from the property taxes, increasing from \$15.5 billion in FY 1995 to \$17.7 billion in FY 1999. This represented a 13.7 percent increase over this period of time. The \$2.1 billion increase represented 26 cents of every new \$1.00 raised in new revenue since FY 1995.

Across the country (U.S. average), localities generated 25.3 percent of their net local revenues from the property tax. Nationally, property taxes generated \$228.5 billion in tax revenue in FY 1999 – which represented an increase of 17.8 percent since FY 1995. The \$34.5 billion increase represented approximately 15 cents of every new \$1.00 raised in new revenue since FY 1995.



Another major component of local finance is state aid. Local revenues generated by property taxes are influenced by State aid. In FY 1999, Rhode Island localities generated 26.2 percent of their net total revenues from state aid (down slightly from 27.3 percent in FY 1995). This resource increased by 15.6 percent from FY 1995 to FY 1999. State aid provided 21.0 cents of every new \$1.00 in new revenue generated during this period.

New England States provided 32.2 percent of total local revenue (up from 28.5 percent in FY 1995), and increased state aid by 44.5 percent from FY 1995 to FY 1999. Nationally, state aid provided 32.8 percent of total new revenue sources (down from 34.4 percent in FY 1995). State aid increased by 27.1 percent during this period.

The other New England states and on average - the Nation as a whole, rely more on various charges and fees than Rhode Island. In FY 1999, Rhode Island generated 10.0 percent of its total local revenue from charges and fees. New England generated 12.0 percent and the localities nationally collected nearly 22.0 percent. It should be noted that Rhode Island's municipalities generated an additional \$124.3 million in charges and fees during this period – nearly the same amount that was generated in property taxes (\$155.2 million). The increase in Rhode Island's local charges and fees represented 32.0 percent of the net increase in total revenues for municipalities during this period.

There are some additional observations worth noting from this data. For example, as noted above, Rhode Island property taxes generated \$155.2 million of the \$391.3 million increase in total local revenues from FY 1995 to FY 1999 while State aid increased by \$81.7 million. In other words, property tax proceeds grew at a faster rate than State aid. Conversely, New England States' state aid increases were approximately 1.75 times the contribution from property taxes, and nationally, state aid increases were 1.8 times the contribution from property taxes.

While overall property tax collection growth in Rhode Island was consistent with its New England neighbors and slightly less than the U.S. average, growth in State aid was not. When comparing Rhode Island to the New England average, it is clear what role state aid has played. From FY 1995 to FY 1999, Rhode Island state aid as a percentage of total local revenues declined from 27.3 percent to 26.2 percent. The New England average increased from 28.5 percent to 32.2 percent over the same period of time.

Looking at total collections only provides a general picture of what is happening with property tax collections. The following looks at how property tax collections compare when expressing the data on a per \$1,000 of personal income and per capita basis.

Property Tax Collections Per \$1,000 of Personal Income: Table 3 shows property tax collections per \$1,000 of personal income from FY 1990 to FY 1999. Property tax collections per \$1,000 of personal income is calculated by dividing the total property taxes collected by the total personal income of the state.

<b>State</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
United States	\$35.62	\$36.03	\$37.20	\$36.95	\$36.78	\$36.02	\$34.35	\$33.47	\$33.22	\$32.52
New England	41.28	43.01	44.17	45.19	46.33	46.61	44.11	43.72	42.80	41.62
Connecticut	43.41	44.65	45.86	47.39	47.80	47.83	44.76	44.83	43.13	42.22
Maine	44.64	46.51	47.45	49.18	50.35	52.50	54.18	57.56	58.83	52.70
Massachusetts	35.68	36.63	38.09	38.83	40.43	40.85	38.05	36.69	36.43	35.58
New Hampshire	56.89	64.03	62.36	65.16	65.74	61.97	60.10	60.05	56.53	57.24
<b>Rhode Island</b>	<b>45.09</b>	<b>46.74</b>	<b>48.94</b>	<b>47.70</b>	<b>49.45</b>	<b>52.00</b>	<b>48.75</b>	<b>49.21</b>	<b>47.29</b>	<b>46.45</b>
Vermont	49.85	53.04	53.43	52.72	54.50	55.32	54.80	55.24	55.39	52.27
<b>Rhode Island Rank</b>	<b>12</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>8</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>
<i>RI - Percent of U.S.</i>	<i>126.6%</i>	<i>129.7%</i>	<i>131.6%</i>	<i>129.1%</i>	<i>134.4%</i>	<i>144.4%</i>	<i>141.9%</i>	<i>147.0%</i>	<i>142.4%</i>	<i>142.8%</i>
<i>RI - Percent of NE</i>	<i>109.2%</i>	<i>108.7%</i>	<i>110.8%</i>	<i>105.6%</i>	<i>106.7%</i>	<i>111.6%</i>	<i>110.5%</i>	<i>112.6%</i>	<i>110.5%</i>	<i>111.6%</i>

Source: Calculations based on U.S. Department of Commerce, Government Finances - various years

Rhode Island's FY 1999 property tax collections per \$1,000 of personal income of \$46.45 ranked 6<sup>th</sup> highest nationally, exceeding the national average of \$32.52 by 43.0 percent. Rhode Island's property tax burden exceeded the New England average of \$41.62 by 11.6 percent. Property taxes collected per \$1,000 of personal income were higher in

Maine (\$52.70), New Hampshire (\$57.24), and Vermont (\$52.27). It should be noted that Rhode Island's property tax collections per \$1,000 of personal income peaked at \$52.00 in FY 1995 – ranking 5<sup>th</sup> highest in the Nation.

Property Tax Collections Per Capita: Table 4 displays how Rhode Island's property tax burden per capita compares to the nation and other New England states. Property tax collections per capita is calculated by dividing the total property taxes collected by the total population of the state.

<b>State</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
United States	\$626	\$666	\$702	\$736	\$757	\$774	\$789	\$825	\$851	\$881
New England	877	954	999	1,053	1,115	1,171	1,205	1,261	1,301	1,340
Connecticut	1,056	1,138	1,197	1,288	1,337	1,389	1,422	1,502	1,533	1,577
Maine	722	796	823	891	945	1,022	1,088	1,229	1,313	1,235
Massachusetts	778	830	876	914	985	1,040	1,063	1,087	1,136	1,182
New Hampshire	1,151	1,341	1,349	1,403	1,442	1,453	1,520	1,565	1,545	1,677
<b>Rhode Island</b>	<b>806</b>	<b>880</b>	<b>939</b>	<b>966</b>	<b>1,052</b>	<b>1,149</b>	<b>1,162</b>	<b>1,236</b>	<b>1,258</b>	<b>1,297</b>
Vermont	822	925	956	983	1,052	1,103	1,155	1,232	1,289	1,289
<b>Rhode Island Rank</b>	<b>11</b>	<b>9</b>	<b>9</b>	<b>8</b>	<b>7</b>	<b>6</b>	<b>5</b>	<b>5</b>	<b>7</b>	<b>5</b>
<i>RI - Percent of U.S.</i>	<i>128.8%</i>	<i>132.1%</i>	<i>133.8%</i>	<i>131.3%</i>	<i>139.0%</i>	<i>148.4%</i>	<i>147.3%</i>	<i>149.8%</i>	<i>147.8%</i>	<i>147.2%</i>
<i>RI - Percent of NE</i>	<i>91.9%</i>	<i>92.2%</i>	<i>94.0%</i>	<i>91.7%</i>	<i>94.3%</i>	<i>98.1%</i>	<i>96.4%</i>	<i>98.0%</i>	<i>96.7%</i>	<i>96.8%</i>

Source: Calculations based on U.S. Department of Commerce, Government Finances - various years

Rhode Island's FY 1999 per capita property tax collections of \$1,297 ranked 5<sup>th</sup> highest nationally, exceeding the national average of \$881 by 47.2 percent. Rhode Island's FY 1999 per capita property tax collections were 3.2 percent less than the New England average (\$1,340 per capita), with the per capita property tax burden higher in Connecticut (\$1,577) and New Hampshire (\$1,677). In FY 1999 all six New England States were ranked among the ten highest property tax collections per capita in the country.

## II. Property Taxes in Rhode Island

As noted above, Rhode Island's dependence on the property tax is significantly greater than most states. While the U.S. Census data is helpful in understanding Rhode Island's relative dependence on property taxes to fund local services, the following analysis provides additional insight in the various trends in local property values and taxation trends within Rhode Island and among the State's 39 cities and towns.

Statewide Property Value: If tax rates remain constant, growth in property tax revenue can result from increased property values on existing land and structures due to market changes within the jurisdiction and/or new construction that adds value to the tax base. One should note that the State Office of Municipal Affairs (OMA) calculates full value of property in each community based on recent sales data and market conditions. As required by law, the OMA calculates full value based on data three years prior as part of the State aid to education formula, which means the latest available is for FY 2000. Therefore, RIPEC estimated full value based on the most recent ratios of assessment available, general market trends, and recent revaluations and statistical updates.

<b>Fiscal Year</b>	<b>Certified Full Value (2)</b>	<b>Change in Value</b>	<b>Adjusted Full Value (3)</b>	<b>Change in Value</b>	<b>Percent Urban</b>	<b>Percent Non-Urban</b>
1992	63,939,332,733	1.1	83,444,702,947	-1.0%	50.6%	49.4%
1993	61,111,531,669	-4.4	77,436,134,592	-7.2%	49.7%	50.3%
1994	58,648,186,928	-4.0	72,459,399,639	-6.4%	49.2%	50.8%
1995	56,609,728,052	-3.5	68,013,393,742	-6.1%	48.4%	51.6%
1996	56,243,575,821	-0.6	65,635,428,507	-3.5%	47.7%	52.3%
1997	56,263,370,147	0.0	64,185,813,545	-2.2%	47.1%	52.9%
1998	56,465,184,556	0.4	63,428,069,277	-1.2%	46.6%	53.4%
1999	57,510,867,596	1.9	63,206,721,830	-0.3%	46.3%	53.7%
2000	59,881,664,473	4.1	63,672,083,420	0.7%	45.1%	54.9%
2001	61,421,678,289	2.6	63,502,593,420	-0.3%	45.4%	54.6%
2002	65,383,760,179	6.5	65,383,760,179	3.0%	44.5%	55.5%
<b>1992-2002</b>	<b>\$1,444,427,446</b>	<b>2.3%</b>	<b>(\$18,060,942,768)</b>	<b>-21.6%</b>		

1) Certified Full Value provided by RI Office of Municipal Affairs  
 2) Certified Full Value is calculated by the OMA. FY 2001 and FY 2002 full value figures are RIPEC estimates based on recent data and revaluations/updates.  
 3) Adjusted Full Value is a RIPEC calculation adjusting Certified Full Value by inflation (2002 dollars)

Source: Compiled by RIPEC based on Office of Municipal Affairs Data

As shown on Table 5, from FY 1992 to FY 2002 estimated full value increased by 2.3 percent (\$1.4 billion). If one adjusts full value by inflation (2002 dollars), there was a 21.6 percent decrease in property value over this ten-year period. This translates into a \$18.1 billion decrease statewide in adjusted full value (2002 dollars). During this ten-year period, the State experienced its largest decrease in adjusted full value between FY 1992 and FY 1993.

While the overall adjusted full property value in the State declined by 21.6 percent (\$18.1 billion) over a ten-year period, urban communities experienced a 31.1 percent decline (\$13.1 billion) in adjusted full value while non-urban communities experienced a 12.0 percent decline (\$4.9 billion). In other words, of the \$18.1 billion in net loss in adjusted property values statewide, nearly 73.0 percent of the loss occurred in the urban communities and 27.0 percent in the non-urban communities.

Therefore, while both urban and non-urban communities experienced declines in the overall tax-base, the rate of decline has resulted in a shift in the location of net property wealth in the State. In FY 1992, approximately 50.6 percent of the total value was located in the State's ten urban communities and the 49.4 percent balance was in the 29 non-urban communities. In FY 2002, 44.5 percent of the statewide-full value is estimated to be located in the urban communities and 55.5 percent in non-urban communities.

Statewide Property Tax Levy: Table 6 shows the statewide tax levy needed to support local programs. It should be noted that Table 6 does not include levies associated with special purpose districts (fire, water, etc.). Therefore, the property tax levy shown understates property taxes actually paid by some Rhode Island property owners.

<b>Fiscal Year</b>	<b>Certified Tax Levy</b>	<b>Change in Levy</b>	<b>Adjusted Levy</b>	<b>Change in Levy</b>	<b>Percent Education</b>	<b>Percent Municipal</b>
1992	990,116,820	8.1	1,292,162,436	5.8	52.3%	47.7%
1993	1,012,819,157	2.3	1,283,371,541	-0.7	53.3%	46.7%
1994	1,059,370,156	4.6	1,308,843,965	2.0	54.3%	45.7%
1995	1,100,528,715	3.9	1,322,223,148	1.0	51.6%	48.4%
1996	1,151,142,463	4.6	1,343,366,380	1.6	51.7%	48.3%
1997	1,204,184,172	4.6	1,373,745,308	2.3	52.6%	47.4%
1998	1,250,577,827	3.9	1,404,790,185	2.3	52.3%	47.7%
1999	1,299,138,674	3.9	1,427,804,869	1.6	52.7%	47.3%
2000	1,335,565,299	2.8	1,420,104,566	-0.5	53.5%	46.5%
2001	1,368,144,745	2.4	1,414,496,346	-0.4	54.3%	45.7%
2002	1,428,574,477	4.4	1,428,574,477	1.0	54.7%	45.3%
<b>1992-2002</b>	<b>\$438,457,657</b>	<b>44.3%</b>	<b>\$136,412,041</b>	<b>10.6%</b>		

1) Does not include ad valorem taxes levied by special districts.  
 2) Certified Tax Levy is the tax roll reported by municipalities as of December 31 of each year.  
 3) Adjusted Levy is a RIPEC calculation adjusting the Certified Tax Levy by inflation (2002 dollars)

Source: Compiled by RIPEC based on Office of Municipal Affairs Data

From FY 1992 to FY 2002, the statewide levy increased by 44.3 percent (\$438.5 million). However, adjusting for inflation (2002 dollars), property tax levies increased by 10.6 percent (\$136.4 million) during this ten-year period. What is interesting is that the State's overall property tax levy has continued to grow while the property tax base (adjusted for inflation) has experienced real declines during the same period.

In 1992 approximately 52.3 percent of the property tax levy statewide was allocated to support schools and the 47.7 percent balance supported municipal services. However, in FY 2002 there has been a slight shift in how the local property tax levy is allocated. Nearly 55.0 percent of the FY 2002 local property tax levy was allocated to support schools and the 45.0 percent balance was allocated to support municipal services.

Current Property Tax Rates: Table 7 shows which communities have homestead provisions and the FY 2002 tax rates by class of property for each community. Actual residential tax rates per \$1,000 assessed valuation ranged from \$7.01 per \$1,000 of assessed value in Little Compton to \$40.20 per \$1,000 of assessed value in Foster. Because of classification, homestead exemptions and recent initiatives to phase-out certain property taxes (motor vehicles and inventory), all 39 municipalities essentially have some form of classified property tax structure, which makes inter-jurisdictional comparison difficult.

**Table 7  
FY 2002 Rhode Island Tax Rates - By Class**

Community	Homestead Provision	Tax Rates by Class				MV
		Residential	Commercial	Personalty	Inventory	
Barrington	N	\$25.40	\$25.40	\$25.40	\$15.54	\$42.00
Bristol	N	20.60	20.60	20.60	12.21	17.35
Burrillville	N	18.90	18.90	18.90	no tax	40.00
Central Falls	Yes	21.27	35.46	48.65	34.06	48.65
Charlestown	N	15.85	15.85	15.85	no tax	13.08
Coventry	N	23.22	23.22	23.22	13.56	18.75
Cranston	Yes	32.59	32.59	32.59	22.22	42.44
Cumberland	N	20.92	20.92	20.92	16.05	19.87
East Greenwich	Yes	27.59	27.59	27.59	16.59	22.88
East Providence	Yes	23.66	23.66	38.93	26.97	37.10
Exeter	N	32.82	32.82	32.82	22.25	32.59
Foster	N	40.20	40.20	40.20	25.85	36.95
Glocester	N	26.71	26.71	26.71	17.60	24.37
Hopkinton	N	22.52	22.52	22.52	14.53	21.18
Jamestown	N	12.83	12.83	12.83	10.59	14.42
Johnston	N	23.79	23.79	37.82	24.25	41.46
Lincoln	Yes	23.98	23.98	23.98	17.19	30.66
Little Compton	N	7.01	7.01	7.01	no tax	13.90
Middletown	N	20.45	20.45	20.45	11.62	16.05
Narragansett	N	18.24	18.24	18.24	11.80	16.46
New Shoreham	N	11.82	11.82	11.82	no tax	9.75
Newport	N	25.10	25.10	25.10	16.58	23.45
North Kingstown	N	21.94	21.94	21.94	no tax	22.04
North Providence	Yes	29.78	31.85	45.34	30.70	41.95
North Smithfield	N	19.88	19.88	34.59	21.76	37.62
Pawtucket	N	23.80	29.75	52.09	36.46	53.30
Portsmouth	N	22.81	22.81	22.81	16.09	22.50
Providence	Yes	34.07	34.07	49.96	53.74	76.78
Richmond	N	25.13	25.13	25.13	15.92	22.64
Scituate	N	27.75	27.75	27.75	no tax	30.20
Smithfield	N	18.66	18.66	39.00	27.30	39.00
South Kingstown	N	17.90	17.90	17.90	13.57	18.71
Tiverton	N	20.34	20.34	20.34	13.40	19.14
Warren	N	23.07	23.07	23.07	13.78	26.00
Warwick	N	25.81	34.41	34.41	22.28	34.60
West Greenwich	N	21.31	21.31	21.31	13.64	19.02
West Warwick	N	30.15	30.15	30.15	20.59	28.47
Westerly	N	13.32	13.32	13.32	8.80	29.67
Woonsocket	Yes	29.00	41.50	46.58	32.61	46.58

Source: Rhode Island Office of Municipal Affairs and Tax Certification Reports

Thirty-four municipalities apply the same property tax rate for all real property (residential, commercial and industrial). Central Falls, North Providence, Pawtucket, Warwick and Woonsocket apply a different rate for commercial and industrial than for residential property. But this does not take into consideration any homestead exemption provisions in local property tax structures. A homestead exemption will essentially provide a different net tax burden on residential taxpayers than on non-residential taxpayers by lowering the taxable value of the residence prior to applying the tax rate. As of FY 2002, eight communities employ a homestead exemption as part of their property tax structure. When taking both different rates and homestead provisions into account, ten communities essentially apply a lower tax burden per \$1,000 of assessed value on residential property than on commercial or industrial real property.

The General Assembly also enacted multi-year programs to phase-out inventory and motor vehicle taxes. The ten-year phase out of the inventory tax requires each community to reduce its property tax rate on inventories by 10 percent each year until completely phased-out. The phase-out of the local motor vehicle tax requires that the tax rates imposed by communities in FY 1998 remain frozen (the reimbursement formula includes an annual adjustment on the rates for inflation). The taxable value of motor vehicles is decreased by an increasing amount annually until all motor vehicle value is exempt from taxation in FY 2007.

Looking at actual local property tax rates, homestead provisions and classified tax structures only provide one picture of the differences among the State's 39 cities and towns. This data, while useful, does not provide a full picture of how these differences translate into actual tax burdens, nor does the actual tax rate data clearly demonstrate the differences in the communities' tax base and ability to pay for essential services. Therefore, the remainder of the analysis looks at various ways to evaluate the differences in local property tax burdens.

Effective Property Tax Rates: Even with the changes occurring in the property tax structure, one is able to estimate the effective property tax rates for all municipalities for FY 2002. Effective tax rates reflect what each community's tax rate would have been if all property were assessed at 100 percent of its full value as estimated by RIPEC based on recent data provided by the Office of Municipal Affairs. The effective tax rate is the total levy divided by the estimated full market value of property within the community, adjusting for various exemptions and credits provided by the community. The effective tax rate provides a tool to compare the overall property tax burden in each community.

Based on the estimated full value of property and the FY 2002 levy, FY 2002 effective tax rates ranged from \$3.55 per \$1,000 of value in Little Compton to \$31.77 per \$1,000 of value in Providence. As shown on Table 8, eight of the ten urban communities are among those with the ten highest effective tax rates in the State.

Although Table 8 is useful in gaining a general idea of property tax burden differences among communities, it does have limited utility. The effective tax rate only compares the overall effective property tax rate by community, not taking into account the various

classification systems, homestead exemptions and other taxing authorities (e.g., fire districts) levying property taxes in Rhode Island. All these factors impact property tax burden and rate comparisons among the communities. Therefore, effective tax rates should be considered one of several tools to evaluate relative property tax burdens.

**Table 8**  
**FY 2002 Rhode Island Estimated Effective Tax Rates**

Community	Assessed Value (1)	FY 2002 Spending	Actual Rates			Effective Tax Rates	
			FY 2002	FY 2001	Change	Rate	Rank
Providence*	\$7,102,130,200	\$225,626,210	\$34.07	\$34.94	(\$0.87)	\$31.77	1
West Warwick*	1,284,743,798	36,239,314	30.15	30.15	0.00	28.21	2
Central Falls*	346,792,530	9,637,616	21.27	26.25	(4.98)	27.79	3
Pawtucket	2,459,737,262	66,252,469	23.80	23.43	0.37	26.93	4
Woonsocket	1,248,964,367	33,375,355	29.00	29.00	0.00	26.72	5
Warwick	5,455,559,299	149,304,181	25.81	24.84	0.97	25.79	6
North Providence	1,482,502,579	38,346,342	29.78	28.80	0.98	25.24	7
Johnston*	1,848,526,415	45,368,735	23.79	27.06	(3.27)	24.54	8
Cranston	4,198,109,639	105,644,501	32.59	31.74	0.85	24.25	9
Barrington	1,425,068,300	35,895,009	25.40	24.20	1.20	24.19	10
East Greenwich	1,107,787,410	28,495,352	27.59	26.79	0.80	24.13	11
East Providence	2,564,831,861	60,036,697	23.66	22.55	1.11	22.54	12
Glocester	560,460,938	13,667,435	26.71	26.12	0.59	22.11	13
Coventry	1,848,887,086	38,905,763	23.22	22.01	1.21	21.59	14
Newport	1,939,055,228	47,052,966	25.10	24.29	0.81	21.16	15
North Kingstown*	2,248,374,032	46,885,673	21.94	24.65	(2.71)	20.85	16
North Smithfield*	824,340,510	17,145,613	19.88	22.29	(2.41)	20.80	17
Hopkinton	457,970,103	9,784,131	22.52	20.91	1.61	20.40	18
Warren	638,659,913	13,985,955	23.07	22.33	0.74	20.21	19
Portsmouth	1,409,753,547	29,774,731	22.81	21.86	0.95	20.08	20
Lincoln*	1,706,267,316	33,687,061	23.98	24.55	(0.57)	19.74	21
Smithfield*	1,444,451,544	28,422,159	18.66	22.40	(3.74)	19.68	22
Middletown	1,369,541,417	26,843,349	20.45	19.40	1.05	19.60	23
West Greenwich	405,925,272	8,204,130	21.31	21.31	0.00	19.21	24
Burrillville*	851,237,534	16,033,549	18.90	22.00	(3.10)	18.84	25
Foster	179,350,661	6,619,905	40.20	37.45	2.75	18.46	26
Richmond	365,187,525	8,496,107	25.13	24.17	0.96	18.37	27
Cumberland	1,903,222,488	36,508,273	20.92	20.33	0.59	18.27	28
Exeter	241,874,625	7,480,365	32.82	31.76	1.06	18.20	29
Bristol	1,234,146,601	23,863,022	20.60	19.13	1.47	17.94	30
South Kingstown*	2,407,183,642	43,002,755	17.90	20.75	(2.85)	17.86	31
Tiverton	969,365,482	18,765,009	20.34	20.54	(0.20)	17.66	32
Narragansett	1,694,915,043	30,673,991	18.24	17.67	0.57	17.56	33
Charlestown	902,388,620	13,740,998	15.85	14.62	1.23	14.27	34
Westerly*	2,746,918,366	37,110,175	13.32	14.06	(0.74)	13.51	35
Scituate*	590,207,719	15,386,941	27.75	31.53	(3.78)	13.04	36
Jamestown*	928,542,302	11,756,189	12.83	16.25	(3.42)	12.66	37
New Shoreham	398,001,725	4,635,556	11.82	11.41	0.41	8.26	38
Little Compton*	834,781,356	5,920,595	7.01	14.55	(7.54)	7.09	39
<b>Total (Median)</b>	<b>\$61,625,764,255</b>	<b>\$1,428,574,177</b>	<b>\$23.07</b>	<b>\$22.55</b>	<b>\$0.52</b>	<b>\$20.08</b>	<b>-</b>

Notes

- (1) Assessed valuation represents values as reported in the 2001 municipal tax certifications for FY 2002 (12/31/00)
- (2) Percent of assessment to full value is based on most recent Tax Equalization study.
- (3) 2002 Effective Tax Rates - Based on Estimated full value based on 12/31/00 data and fiscal year 2002 levy.
- (4) Changes in rate may be a function of revaluation, statistical updates, and/or changes in levy.
- (5) Table 7 of this report shows each municipality's 2002 tax rate by class. \*Revaluation or Statistical Update Completed

Source: RIPEC calculations based on Rhode Island Office of Municipal Affairs data.

Tax Capacity and Effort Index: Another method to evaluate relative property tax burdens is the “Equity Index” recently developed by the Office of Municipal Affairs, which considers the property tax base and levy of each municipality relative to the State average. The results produce an Index for each municipality.

*Methodology* - The Index uses the adjusted weighted equalized assessed value (EWAV includes an adjustment for Median Family Income) of each community and the gross levy reported by each community. The Index calculates the average state property tax rate and uses the rate to generate a hypothetical per capita tax yield per community and then compares it with the actual per capita property tax yield by community.

The Index then estimates the “gap” between the actual yield and the potential yield if the state average tax rate were used, based on each community’s tax base. The following outlines the differences (excluding New Shoreham) in relative capacity and effort and the composite index based on these factors (Table 9).

- *Tax Capacity* - In FY 2002 tax capacity ranged from a high of 376 in Little Compton to a low of 16 in Central Falls. In other words, Little Compton’s relative property tax capacity is estimated to be nearly four times the State average, while Central Falls is only one-fifth of the State average.
- *Tax Effort* - In FY 2002 tax effort among the communities ranged from a high in Providence (230) to a low in Little Compton (29). In other words, Providence makes 2.3 times the effort compared to the State average to generate local resources from the property tax while on the other end of the spectrum, Little Compton's property tax effort is 60.0 percent less than the State average.
- *Composite Equity Index* – The Index is calculated by dividing each community’s relative capacity by its relative effort. In general, those communities that have an Equity Index of 1.00 or less are considered to evidence some level of fiscal stress relative to the rest of the State because of their relative fiscal capacity and tax effort.

FY 2002 Indices ranged from 0.08 in Central Falls to 32.78 in New Shoreham. Nine communities had Indices less than 1.00, 19 communities had Indices between 1.00 and 2.00, and the remaining eleven communities had Indices of 2.00 or higher. As one will note, 7 of the 10 communities with Indices of less than 1.00 are among the State’s urban communities.

**Table 9**  
**FY 2002 - Rhode Island Tax Capacity and Tax Effort Index**

Rank	Community	Adjusted EWAV	12/31/00 Levy (Gross)	State Ave Rate	Hypothetical Municipal Yield	2000 Population	Municipal Yield Per Capita	State Ave Yield Per Capita	Relative Capacity	Relative Effort	AEWAV Index	Equity Index
1	Central Falls	\$165,496,013	\$10,369,034	28.82	\$4,769,635	18,928	\$252	\$1,528	16	217	1,318	0.08
2	Providence	3,972,139,818	263,222,527	28.82	114,478,017	173,618	659	1,528	43	230	533	0.19
3	Woonsocket	995,917,055	39,178,558	28.82	28,702,567	43,224	664	1,528	43	136	314	0.32
4	Pawtucket	1,790,831,094	72,464,255	28.82	51,612,179	72,958	707	1,528	46	140	303	0.33
5	West Warwick	1,094,949,644	38,117,157	28.82	31,556,710	29,581	1,067	1,528	70	121	173	0.58
6	North Providence	1,337,487,846	47,546,855	28.82	38,546,719	32,411	1,189	1,528	78	123	158	0.63
7	Cranston	3,925,689,014	140,279,547	28.82	113,139,294	79,269	1,427	1,528	93	124	133	0.75
8	East Providence	2,278,226,125	66,421,427	28.82	65,659,021	48,688	1,349	1,528	88	101	115	0.87
9	Johnston	1,538,330,309	48,838,072	28.82	44,335,047	28,195	1,572	1,528	103	110	107	0.93
10	Coventry	1,672,610,701	44,528,430	28.82	48,205,040	33,668	1,432	1,528	94	92	99	1.01
11	Warren	589,307,678	14,850,706	28.82	16,983,988	11,360	1,495	1,528	98	87	89	1.12
12	Warwick	5,301,031,699	158,604,237	28.82	152,776,999	85,808	1,780	1,528	117	104	89	1.12
13	Hopkinton	425,684,111	10,676,027	28.82	12,268,318	7,836	1,566	1,528	102	87	85	1.18
14	Glocester	587,774,609	15,476,376	28.82	16,939,804	9,948	1,703	1,528	111	91	82	1.22
15	Burrillville	875,083,671	21,035,295	28.82	25,220,120	15,796	1,597	1,528	105	83	80	1.25
16	Bristol	1,150,744,426	25,000,937	28.82	33,164,729	22,469	1,476	1,528	97	75	78	1.28
17	Lincoln	1,513,940,861	43,923,529	28.82	43,632,137	20,898	2,088	1,528	137	101	74	1.36
18	Richmond	423,874,696	9,472,874	28.82	12,216,170	7,222	1,692	1,528	111	78	70	1.43
19	Newport	1,833,060,016	48,311,555	28.82	52,829,227	26,475	1,995	1,528	131	91	70	1.43
20	Middletown	1,119,033,184	27,456,501	28.82	32,250,803	17,334	1,861	1,528	122	85	70	1.43
21	Exeter	363,789,616	7,897,086	28.82	10,484,504	6,045	1,734	1,528	114	75	66	1.51
22	Cumberland	1,947,501,081	42,222,456	28.82	56,127,446	31,840	1,763	1,528	115	75	65	1.53
23	South Kingstown	1,898,267,029	45,007,773	28.82	54,708,509	27,921	1,959	1,528	128	82	64	1.56
24	Tiverton	957,740,945	19,980,462	28.82	27,602,323	15,260	1,809	1,528	118	72	61	1.64
25	Smithfield	1,369,684,107	30,052,215	28.82	39,474,623	20,613	1,915	1,528	125	76	61	1.65
26	North Smithfield	785,892,025	18,247,596	28.82	22,649,596	10,618	2,133	1,528	140	81	58	1.73
27	Foster	316,759,412	6,960,935	28.82	9,129,082	4,274	2,136	1,528	140	76	55	1.83
28	North Kingstown	2,111,058,361	49,347,856	28.82	60,841,206	26,326	2,311	1,528	151	81	54	1.87
29	Portsmouth	1,478,432,902	32,488,775	28.82	42,608,789	17,149	2,485	1,528	163	76	47	2.13
30	West Greenwich	412,863,839	8,410,394	28.82	11,898,834	5,085	2,340	1,528	153	71	46	2.17
31	Westerly	2,156,102,142	40,099,622	28.82	62,139,378	22,966	2,706	1,528	177	65	36	2.74
32	Barrington	1,913,306,120	38,246,260	28.82	55,141,939	16,819	3,279	1,528	215	69	32	3.09
33	Narragansett	1,698,771,925	30,945,315	28.82	48,959,012	16,361	2,992	1,528	196	63	32	3.10
34	East Greenwich	1,570,105,835	32,375,762	28.82	45,250,825	12,948	3,495	1,528	229	72	31	3.20
35	Scituate	994,647,657	16,179,445	28.82	28,665,983	10,324	2,777	1,528	182	56	31	3.22
36	Charlestown	840,309,720	14,542,226	28.82	24,217,927	7,859	3,082	1,528	202	60	30	3.36
37	Jamestown	911,614,006	11,983,246	28.82	26,272,933	5,622	4,673	1,528	306	46	15	6.71
38	Little Compton	716,330,898	6,051,807	28.82	20,644,827	3,593	5,746	1,528	376	29	8	12.83
39	New Shoreham	534,203,163	4,686,991	28.82	15,395,863	1,010	15,243	1,528	998	30	3	32.78
<b>Total</b>		<b>\$55,568,593,353</b>	<b>1,601,500,121</b>	<b>28.82</b>	<b>1,601,500,121</b>	<b>1,048,319</b>	<b>1,528</b>	<b>1,528</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>1.00</b>

Source: RIPEC calculations based on Rhode Island Office of Municipal Affairs data

March 25, 2002

Percent of Levy: Rhode Island's 1985 Property Tax Relief and Replacement Act was designed to restrict the growth in property taxes and to expand the State's role in funding public education. The Act placed a 5.5 percent cap on property tax levy growth in each city or town. The cap may be applied to either the actual levy or the growth in tax rates.

**Table 10**  
**FY 2002 Estimated Levy as a Percent of Full Value**

<b>Community</b>	<b>Estimated Full Value</b>	<b>FY 2002 Spending</b>	<b>Levy as % of Full Value</b>	<b>Rank</b>
Providence	\$7,102,130,200	\$225,626,210	3.2%	1
West Warwick	1,284,743,798	36,239,314	2.8%	2
Central Falls	346,792,530	9,637,616	2.8%	3
Pawtucket	2,459,737,262	66,252,469	2.7%	4
Woonsocket	1,248,964,367	33,375,355	2.7%	5
Warwick	5,789,006,047	149,304,181	2.6%	6
North Providence	1,519,113,207	38,346,342	2.5%	7
Johnston	1,848,526,415	45,368,735	2.5%	8
Cranston	4,355,789,208	105,644,501	2.4%	9
Barrington	1,483,982,401	35,895,009	2.4%	10
East Greenwich	1,180,884,138	28,495,352	2.4%	11
East Providence	2,663,376,803	60,036,697	2.3%	12
Glocester	618,269,099	13,667,435	2.2%	13
Coventry	1,802,209,851	38,905,763	2.2%	14
Newport	2,223,942,227	47,052,966	2.1%	15
North Kingstown	2,248,374,032	46,885,673	2.1%	16
North Smithfield	824,340,510	17,145,613	2.1%	17
Hopkinton	479,499,637	9,784,131	2.0%	18
Warren	692,089,199	13,985,955	2.0%	19
Portsmouth	1,483,014,461	29,774,731	2.0%	20
Lincoln	1,706,267,316	33,687,061	2.0%	21
Smithfield	1,444,451,544	28,422,159	2.0%	22
Middletown	1,369,541,417	26,843,349	2.0%	23
West Greenwich	427,109,924	8,204,130	1.9%	24
Burrillville	851,237,534	16,033,549	1.9%	25
Foster	358,701,322	6,619,905	1.8%	26
Richmond	462,496,866	8,496,107	1.8%	27
Cumberland	1,998,343,646	36,508,273	1.8%	28
Exeter	411,071,762	7,480,365	1.8%	29
Bristol	1,330,472,834	23,863,022	1.8%	30
South Kingstown	2,407,183,642	43,002,755	1.8%	31
Tiverton	1,062,551,224	18,765,009	1.8%	32
Narragansett	1,746,434,872	30,673,991	1.8%	33
Charlestown	962,958,724	13,740,998	1.4%	34
Westerly	2,746,918,366	37,110,175	1.4%	35
Scituate	1,180,415,438	15,386,941	1.3%	36
Jamestown	928,542,302	11,756,189	1.3%	37
New Shoreham	561,356,453	4,635,556	0.8%	38
Little Compton	1,669,562,712	5,920,595	0.4%	39
<b>Total (Median)</b>	<b>\$65,280,403,291</b>	<b>\$1,428,574,177</b>	<b>2.2%</b>	<b>-</b>

Source: RIPEC calculations based on Rhode Island Office of Municipal Affairs data.

In 1980 Massachusetts voters approved an initiative designed to reduce property taxes by 40.0 percent. While Proposition 2½ had a number of provisions worth noting, the key to the program was to prohibit property tax levies from exceeding 2½ percent of the full and fair cash value of the local tax base. This was designed to limit the net growth in property tax levies based on the market value of property in the community. There is currently no such provision in Rhode Island's property tax cap structure.

Should such a provision exist, Table 10 displays how communities would compare if the Massachusetts provision existed in Rhode Island. Six communities would exceed the 2½ percent standard - Providence, West Warwick, Central Falls, Pawtucket, Woonsocket and Warwick. The City of Providence's levy as a percentage of full value (3.2 percent) is the highest among the 39 cities and towns. As the table shows, 17 communities would fall within 2.0 and 2.5 percent of full market value, while the remaining 16 communities will fall below 2.0 percent of full market value.

Taxpayer Profiles: In order to provide another method of determining relative property tax burden, RIPEC developed the following analysis in consultation with the Office of Municipal Affairs. The following table (Table 11) calculates the estimated property tax bill on a house currently valued at \$150,000. The value of the house is adjusted in each community by the ratio of assessment, which estimates what a single family home would actually be assessed at as a percentage of its actual market value (in this case \$150,000). The ratio will differ among communities principally due to the timing of the most recent revaluation of property.

The estimated tax on the home is calculated based on existing homestead provisions and FY 2002 residential property tax rates. For those communities that have local property taxes assessed by fire districts, the analysis uses the highest fire tax rate within the community. As the table shows, the relative burden does change when fire districts are taken into account.

RIPEC estimates that the average FY 2002 property tax bill on a \$150,000 home in the State is approximately \$3,050 – approximately 2.2 percent of net assessed value. The estimated property tax bill ranges from a high of \$4,523 in West Warwick to a low of \$1,052 in Little Compton. West Warwick's estimated property tax bill on a home valued at \$150,000 is nearly 1.5 times the State average.

While the majority of the State's urban communities continue to have estimated residential property tax burdens that are among the top third in the State, several suburban communities are now represented in the top 10 when measured by residential property tax burden. This may result because the State's suburban and rural communities rely more heavily on residential property wealth to generate property taxes than urban communities due to other non-residential property wealth. In addition, the structure of State aid programs, which generally target more resources to urban Rhode Island, may also have an impact on relative burdens on residential property.

**Table 11**  
**FY 2002 Rhode Island Estimated Property Tax Burdens - \$150,000 Home**

Community	\$150,000 Single Family	Ratio of Assessment	Assessed Value	Homestead Exemption	Net Taxable Value	Residential Rate	Estimated Tax Burden	Rank	Estimated Fire Tax Rate	Estimated Fire Tax	Estimated Total Burden
West Warwick	\$150,000	100.00%	\$150,000	\$0	\$150,000	\$30.15	\$4,523	1	\$0.00	\$0	\$4,523
East Greenwich	150,000	93.81%	140,709	0	140,709	27.59	3,882	2	2.33	328	4,210
Coventry	150,000	102.59%	153,880	0	153,880	23.22	3,573	6	3.10	477	4,050
Glocester	150,000	90.68%	136,026	0	136,026	26.71	3,633	5	1.72	234	3,867
Barrington	150,000	96.03%	144,041	0	144,041	25.40	3,659	3	0.00	0	3,659
Warwick	150,000	94.24%	141,363	0	141,363	25.81	3,649	4	0.00	0	3,649
Pawtucket	150,000	100.00%	150,000	0	150,000	23.80	3,570	7	0.00	0	3,570
Johnston	150,000	100.00%	150,000	0	150,000	23.79	3,569	8	0.00	0	3,569
North Providence	150,000	97.59%	146,389	29,278	117,111	29.78	3,488	9	0.00	0	3,488
Hopkinton	150,000	95.51%	143,260	0	143,260	22.52	3,226	16	1.09	156	3,382
Cranston	150,000	98.38%	147,577	44,273	103,304	32.59	3,367	10	0.00	0	3,367
Cumberland	150,000	95.24%	142,857	0	142,857	20.92	2,989	21	2.48	354	3,343
Providence	150,000	100.00%	150,000	52,500	97,500	34.07	3,322	11	0.00	0	3,322
Portsmouth	150,000	95.08%	142,625	0	142,625	22.81	3,253	15	0.35	50	3,303
North Kingstown	150,000	100.00%	150,000	0	150,000	21.94	3,291	12	0.00	0	3,291
Newport	150,000	87.19%	130,780	0	130,780	25.10	3,283	13	0.00	0	3,283
Woonsocket	150,000	100.00%	150,000	37,500	112,500	29.00	3,263	14	0.00	0	3,263
Warren	150,000	92.28%	138,413	0	138,413	23.07	3,193	17	0.00	0	3,193
Burrillville	150,000	100.00%	150,000	0	150,000	18.90	2,835	28	1.97	296	3,131
Richmond	150,000	78.98%	118,477	0	118,477	25.13	2,977	23	1.22	145	3,122
Middletown	150,000	100.00%	150,000	0	150,000	20.45	3,068	18	0.00	0	3,068
West Greenwich	150,000	95.04%	142,559	0	142,559	21.31	3,038	19	0.00	0	3,038
Foster	150,000	50.00%	75,000	0	75,000	40.20	3,015	20	0.00	0	3,015
North Smithfield	150,000	100.00%	150,000	0	150,000	19.88	2,982	22	0.00	0	2,982
Tiverton	150,000	91.23%	136,838	0	136,838	20.34	2,783	30	1.05	144	2,927
East Providence	150,000	96.30%	144,445	21,667	122,778	23.66	2,905	24	0.00	0	2,905
Exeter	150,000	58.84%	88,253	0	88,253	32.82	2,896	25	0.00	0	2,896
Central Falls	150,000	100.00%	150,000	15,000	135,000	21.27	2,871	26	0.00	0	2,871
Bristol	150,000	92.76%	139,139	0	139,139	20.60	2,866	27	0.00	0	2,866
South Kingstown	150,000	100.00%	150,000	0	150,000	17.90	2,685	31	1.13	170	2,855
Narragansett	150,000	97.05%	145,576	0	145,576	18.24	2,655	32	1.24	181	2,836
Smithfield	150,000	100.00%	150,000	0	150,000	18.66	2,799	29	0.00	0	2,799
Charlestown	150,000	93.71%	140,568	0	140,568	15.85	2,228	34	3.45	485	2,713
Lincoln	150,000	100.00%	150,000	52,500	97,500	23.98	2,338	33	1.80	176	2,514
Westerly	150,000	100.00%	150,000	0	150,000	13.32	1,998	36	1.88	282	2,280
Scituate	150,000	50.00%	75,000	0	75,000	27.75	2,081	35	0.00	0	2,081
Jamestown	150,000	100.00%	150,000	0	150,000	12.83	1,925	37	0.00	0	1,925
New Shoreham	150,000	70.90%	106,349	0	106,349	11.82	1,257	38	0.00	0	1,257
Little Compton	150,000	100.00%	150,000	0	150,000	7.01	1,052	39	0.00	0	1,052
<b>Estimated Average</b>	<b>\$150,000</b>	<b>92.65%</b>	<b>\$138,978</b>	<b>\$6,480</b>	<b>\$132,498</b>	<b>\$22.45</b>	<b>\$2,974</b>	<b>-</b>	<b>\$0.64</b>	<b>\$84</b>	<b>\$3,058</b>

- (1) Assessed value of house is based on calendar year 2000 Ratio Study - Office of Municipal Affairs  
(2) Homestead provisions represent current law for FY 2002.  
(3) Estimated Fire District Tax represents the highest tax rate in the community in FY 2002.

Source: RIPEC calculations based on Rhode Island Office of Municipal Affairs data.

**March 25, 2002**

### III. RIPEC Comments

Table 12 shows the average ranking among Rhode Island communities based on the four measures discussed above. When measured by effective property tax rates, the Equity Index, or property tax levies as a percentage of market value, urban communities tend to evidence the highest property tax burdens in the Ocean State. However, when property tax burdens are measured by taxes paid on a home valued at \$150,000, the tax burden in several suburban communities exceeds that paid by many urban homeowners.

**Table 12**  
**Measures of FY 2002 Property Tax Burdens**  
**Relative Rankings**

Community	Effective Tax	Equity Index	Percent of Levy	\$150,000 Home	Average Rank
West Warwick	2	5	2	1	2.5
Providence	1	2	1	13	4.3
Pawtucket	4	4	4	7	4.8
North Providence	7	6	7	9	7.3
Warwick	6	12	6	6	7.5
Woonsocket	5	3	5	17	7.5
Johnston	8	9	8	8	8.3
Central Falls	3	1	3	28	8.8
Cranston	9	7	9	11	9.0
Coventry	14	10	14	3	10.3
Glocester	13	14	13	4	11.0
Barrington	10	32	10	5	14.3
East Greenwich	11	34	11	2	14.5
East Providence	12	8	12	26	14.5
Hopkinton	18	13	18	10	14.8
Newport	15	19	15	16	16.3
Warren	19	11	19	18	16.8
North Kingstown	16	28	16	15	18.8
Portsmouth	20	29	20	14	20.8
Burrillville	25	15	25	19	21.0
North Smithfield	17	26	17	24	21.0
Middletown	23	20	23	21	21.8
Cumberland	28	22	28	12	22.5
Richmond	27	18	27	20	23.0
Lincoln	21	17	21	34	23.3
West Greenwich	24	30	24	22	25.0
Smithfield	22	25	22	32	25.3
Foster	26	27	26	23	25.5
Bristol	30	16	30	29	26.3
Exeter	29	21	29	27	26.5
Tiverton	32	24	32	25	28.3
South Kingstown	31	23	31	30	28.8
Narragansett	33	33	33	31	32.5
Westerly	35	31	35	35	34.0
Charlestown	34	36	34	33	34.3
Scituate	36	35	36	36	35.8
Jamestown	37	37	37	37	37.0
New Shoreham	38	39	38	38	38.3
Little Compton	39	38	39	39	38.8

Source: RIPEC rankings based on RIPEC calculations and Office of Municipal Affairs data

As shown on Table 12, RIPEC developed an average ranking by community based on the four measures of property tax burden discussed in this report. While some measures of property tax burden may be better than other measures, the average ranking may provide a picture of how one might interpret the various measures of property tax burden.

West Warwick, regardless of the measure used continues to emerge as the community with the highest property tax burden among the State's cities and towns. Little Compton consistently demonstrates that it has the lowest property tax burden among the State's municipalities. And given these average relative rankings, 8 of the State's 10 urban communities are among the 10 highest average property tax burdens in the State.

While the property tax burden among the State's 39 cities and towns vary, it is clear that Rhode Island as a whole relies more on the property tax than the majority of other states. With an estimated property tax burden that continues to rank among the 10 highest in the nation, Rhode Island must continue to find ways to address the State's tax structure to bring greater balance to the State-local tax system.

While Rhode Island relies heavily on the property tax, it certainly has taken a number of key steps to begin addressing the issue. This includes administrative reforms such as more frequent revaluations of property to property tax relief programs, and the phase out of the excise tax on motor vehicles and taxes on wholesale and retail inventories. There are a number of additional steps that can be taken to improve upon these programs that will serve to ensure effective property tax administration and permanent property tax relief to most Rhode Islanders. The following highlights RIPEC's recommendations to continue addressing the Ocean State's over-reliance on the property tax and modernizing the State's administration of the largest single tax source.

#### ***Continue Property Tax Replacement Programs***

A fiscal priority should be to implement recently enacted property tax reduction programs. Implementing the various property tax relief programs currently underway will bring balance into the State-local fiscal system. Implementing these programs will provide property tax relief to homeowners and businesses, shifting how local services are financed and improving property tax fairness. (See *A System Out of Balance: Permanent Property Tax Relief and Replacement in Rhode Island, RIPEC - May 2001*).

#### ***Implement a New Education Funding System***

A critical component of the State-local fiscal structure is how Rhode Island funds schools. While the State invests over \$700 million in education aid, localities continue to foot nearly 60.0 percent of the \$1.4 billion education bill using local property taxes.

Given the State's annual, ad-hoc approach to financing schools since FY 1995, Rhode Island lacks a predictable school financing system that can support the fiscal needs of local communities while meeting the education needs of all students. In addition, the system of funding schools does not put any controls on spending levels. Therefore, there is a need to develop a specific method of financing public schools in Rhode Island that addresses student need, municipal tax capacity and affordability.

RIPEC will be publishing a proposal to transition Rhode Island to a new education funding system in the summer of 2002. This proposal will be student need driven, control costs, provide predictable amounts and sources of funding, limit the portion of school budgets financed by the local property taxes, provide equitable treatment of property taxpayers in all cities and towns, and integrate the State's education reform agenda.

As part of this program, RIPEC will also develop a program to tighten the State's current property tax cap (5.5 percent growth on tax levies or rates) as a means of controlling growth in property taxes. Tighter property tax caps may also serve to dampen expenditure growth to a level that is more consistent with regional patterns of inflation.

### ***Modernize Property Tax Administration***

With the range of changes occurring in the State's property tax structure, there is a need to clarify both the process and administration of these complicated taxing systems. Some progress has been made in recent years. For example, the State now requires more frequent revaluation of property (every nine years, with statistical updates every 3<sup>rd</sup> and 6<sup>th</sup> year) and has established parameters for property tax classification.

The 1996 Property Tax Study prepared by Almy, Gloudemans & Jacobs (*Toward a Fairer, More Understandable and Less Costly Property Tax for Rhode Island-August, 1996*) continues to provide relevant proposals to improving the administration of the State's property tax structure and should serve as a "field guide" to modernize Rhode Island's property tax structure.

It is critical to have an effective State presence in property tax administration. Therefore, the Office of Municipal Affairs should be positioned to provide local assessing officials with meaningful technical assistance and to publish guidelines that specify standards and procedures for effective and consistent assessing practices. The incoming Administration should enhance the Office of Municipal Affairs with a clearly defined mission, professional stature, appropriate authority, and adequate staffing and training to implement and monitor property tax administration.

## **RIPEC Preview!**

RIPEC will release a comprehensive study of the effect population migration has had on property wealth and land use in April 2002.

*Report found that residential property wealth generated \$0.76 of every \$1.00 increase in property wealth generated in the State.*

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