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2006 Property Tax Burdens in the Ocean State

Property taxes are creating financial hardships for many Rhode Island families - especially those on fixed incomes and those trying to purchase their first home. A recent poll commissioned by RIPEC asked “which tax (property, income or sales) would you want to see permanently reduced?”; nearly 58.0 percent said the property tax. The results were consistent among demographic sub-groups of voters (income, age, party preference, and ideology). As the survey data shows, property tax relief is a key concern among Rhode Island citizens.

The following RIPEC report presents property tax trends in Rhode Island, including property value and levy trends, tax rates, and tax burden measures by city and town. The report includes several methods of measuring property tax burdens including the estimated property tax on a \$350,000 home in each municipality. Highlights include:

- Since FY 1996, the full market value of property statewide has been growing at an average annual rate of 8.5 percent (unadjusted). Since FY 2000, the estimated full value statewide has doubled – primarily driven by residential markets.
- Since FY 1996, the total property tax levy statewide has grown at an average annual rate of 4.2 percent (unadjusted). In FY 2006, 55.8 percent of the levy was allocated to support education – up from 51.7 percent in FY 1996.
- In FY 2006, estimated effective tax burdens on a home worth \$350,000 ranged from 1.74 percent in Coventry to 0.29 percent in New Shoreham.
- In FY 2006, effective tax burdens on a \$1.2 million commercial property ranged from 3.71 percent in Central Falls to 0.28 percent in New Shoreham.
- Residential property tax burdens are highest among suburban and rural communities, while commercial tax burdens are highest among urban communities, reflecting an ability to shift the burden to non-residential property.

	Property Tax	Sales Tax	Income Tax
Republican	60	15	22
Democrat	53	20	22
Other	61	20	14
Liberal	53	23	21
Moderate	68	15	11
Conservative	57	17	22
18 – 44	58	22	19
45 – 64	58	16	23
65 +	57	17	22
Less than \$50,000	56	25	14
\$50,000 - \$100,000	59	14	26
\$100,000 +	60	20	20
All	58%	20%	19%

Source: Opinion Dynamics, Inc. 2006

Statewide Property Value

Full value of property represents what the estimated market price of the property tax base would be in each fiscal year. The State Office of Municipal Affairs (OMA) calculates the full value of property in each community based on recent sales data and market conditions. However, this calculation is based on data three years prior as part of the state aid to education formula, which means the latest data available are for FY 2004, based on property values as of December 31, 2002. Data for property values in 2005 and 2006 are RIPEC forecasts based on current revaluations and statistical updates, general market trends, and the most recent ratio of assessment studies available. As required by Rhode Island law, property values are updated every three years by a statistical update and every ninth year by a full revaluation of the property in order to more accurately capture the true market values of the properties.

Estimated full values continue to grow in the Ocean State, doubling since FY 2000. From FY 2005 to FY 2006, the estimated full value of property in Rhode Island increased 12.0 percent, compared to approximately 22.3 percent growth in value in the prior year. The less robust growth rate in FY 2006 may be due to the softening of the residential market. Although housing prices continue to increase, home sales have shown signs of flagging in the past year. Continued migration of overall market value from the urban communities is primarily driven by rapid residential growth in suburban and rural towns that have little commercial value. In FY 1996, commercial and industrial property represented 20.6 percent of the property tax base in Rhode Island. Today, the State's commercial and industrial base represents only 16.0 percent of the total property tax base.

Table 2
Local Property Value in Rhode Island
(Billions)

Fiscal Year	Certified Full Value (1)	Change in Value	Adjusted Full Value (2)	Change in Value	Percent Urban	Percent Non-Urban
1996	\$56.2	-0.6%	\$68.8	-3.8%	47.7%	52.3%
1997	56.3	0.0%	66.6	-3.2%	47.1%	52.9%
1998	56.5	0.4%	66.1	-0.7%	46.6%	53.4%
1999	57.5	1.9%	66.3	0.3%	46.3%	53.7%
2000	59.9	4.1%	67.4	1.6%	45.8%	54.2%
2001	63.1	5.4%	69.4	3.0%	45.3%	54.7%
2002	68.2	8.0%	74.0	6.6%	44.7%	55.3%
2003	80.3	17.8%	85.5	15.5%	44.3%	55.7%
2004	92.6	15.3%	96.3	12.6%	43.6%	56.4%
2005	113.2	22.3%	115.2	19.7%	43.3%	56.7%
2006	126.8	12.0%	126.8	10.0%	42.9%	57.1%
1996-2006	\$70.5	125.4%	\$58.0	84.3%		

1) Certified Full Value provided by RI Office of Municipal Affairs and projected by RIPEC.

2) Certified Full Value adjusted by CPI - Bureau of Economic Analysis

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

From FY 1996 through FY 2006, estimated full market value increased at an average annual rate of 8.5 percent, which was primarily driven by rapid growth since FY 2002. From FY 1996 through FY 2001, the average annual rate of growth in estimated full market value was 2.3 percent, whereas the average annual growth rate since FY 2002 has been 13.2 percent. Adjusting for inflation, from FY 1996 through FY 2006, the estimated full market value increased at an average annual rate of 6.3 percent. From FY 1996 through FY 2001, the average annual rate of growth in estimated full market value was 0.2 percent, while the average annual growth rate since FY 2002 has been 11.4 percent.

Statewide Property Tax Levy

Growth in property tax revenue can result from a number of different factors: increases in the property tax rate, growth in the property values on existing land or structures due to market changes, or new construction that adds to the tax base. Table 3 shows the statewide estimated property tax levy from FY 1996 to FY 2006. It should be noted that the data is self-reported by municipalities, and does not include levies associated with special purpose districts such as fire and water, which understates property taxes paid by Rhode Islanders in some municipalities. From FY 1996 to FY 2006, the statewide levy increased 50.3 percent. However, adjusting for inflation (2006 dollars), property tax levies increased only 22.9 percent. From FY 1996 through FY 2006, the statewide levy grew at an average annual rate of 4.2 percent (2.1 percent adjusted for inflation).

Table 3
Local Property Tax Levies in Rhode Island
(Millions)

Fiscal Year	Certified Tax Levy (1)	Change in Levy	Adjusted Levy (2)	Change in Levy	Percent Education	Percent Municipal
1996	\$1,151.1	4.6%	\$1,408.1	1.6%	51.7%	48.3%
1997	1,204.2	4.6%	1,425.8	1.3%	52.6%	47.4%
1998	1,250.6	3.9%	1,464.4	2.7%	52.3%	47.7%
1999	1,299.1	3.9%	1,497.9	2.3%	52.7%	47.3%
2000	1,335.6	2.8%	1,502.5	0.3%	53.5%	46.5%
2001	1,368.1	2.4%	1,505.0	0.2%	54.3%	45.7%
2002	1,428.6	4.4%	1,551.4	3.1%	54.7%	45.3%
2003	1,487.3	4.1%	1,584.0	2.1%	55.3%	44.7%
2004	1,587.4	6.7%	1,650.9	4.2%	55.0%	45.0%
2005	1,651.2	4.0%	1,680.9	1.8%	56.1%	43.9%
2006	1,730.1	4.8%	1,730.1	2.9%	55.8%	44.2%
1996-2006	\$578.9	50.3%	\$322.0	22.9%		

1) Does not include ad valorem taxes levied by special districts.
Certified Tax Levy is the tax roll reported by municipalities as of December 31 of each year.

2) Certified Tax Levy adjusted by CPI - Bureau of Economic Analysis

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

In FY 2006, 55.8 percent of the levy was allocated to support education - up from 51.7 percent in FY 1996, demonstrating that the increasing demand on property taxes has been principally from the educational side of the budget. This trend is in part dictated by the level of State education aid to cities and towns. Overall education spending has increased from \$1.1 billion in FY 1996 to \$2.0 billion in FY 2006 – a \$922.8 million increase – representing an average annual rate of growth of 6.4 percent. Direct State education aid has increased from \$400.7 million in FY 1996 to \$657.6 million in FY 2006 – a \$256.9 million increase, representing an average annual rate of 5.1 percent during this ten-year period. Because state aid has provided approximately 28.0 percent of the net growth in school spending since FY 1996 and property taxes provided the balance, the State’s share of public school spending declined from 40.3 percent in FY 1996 to approximately 36.0 percent in FY 2006.

Rhode Island FY 2006 Property Tax Rates

Table 4 shows whether a community has performed a revaluation or statistical update for FY 2006, if they have a homestead exemption provision and the FY 2006 tax rates by class of property. Actual residential tax rates ranged from \$3.98 per \$1,000 of assessed value in New Shoreham to \$30.23 per \$1,000 of assessed value in Providence. However, because some municipalities are at different stages in reassessment cycles, have a homestead exemption (rates of which vary from place to place), or employ classification structures, inter-jurisdictional comparisons are difficult to make. For example, although the residential property tax rate in Providence is \$30.23 per \$1,000, where the homestead exemption is applicable, the actual applied rate is \$15.12 per \$1,000. Thus, examining tax rates does not provide a complete picture of the relative tax burdens in each community.

Table 4
FY 2006 Rhode Island Property Tax Rates - By Class

Community	Implemented Update/Reval	Homestead Provision	Tax Rates by Class				MV
			Residential	Commercial	Personalty	Inventory	
Barrington			\$19.75	\$19.75	\$19.75	\$6.66	\$42.00
Bristol	update		10.25	10.25	10.25	5.22	17.35
Burrillville			13.05	13.05	13.05	no tax	40.00
Central Falls		Yes	13.04	34.85	51.33	14.60	48.65
Charlestown	revaluation		6.80	6.80	6.80	4.04	13.08
Coventry	update		14.94	18.00	14.94	5.81	18.75
Cranston			23.23	30.80	34.84	9.55	42.44
Cumberland	revaluation		10.75	10.75	21.49	8.02	19.87
East Greenwich		Yes	18.33	18.33	18.33	7.11	22.88
East Providence		Yes	16.19	20.61	47.49	11.59	37.10
Exeter			15.55	15.55	15.55	9.61	32.59
Foster			14.75	14.75	14.75	5.54	36.95
Glocester	update		13.56	15.55	29.65	7.55	24.37
Hopkinton			18.64	18.64	18.64	6.22	21.18
Jamestown			9.09	9.09	9.09	4.54	14.42
Johnston		Yes	16.99	16.99	46.54	10.40	41.46
Lincoln		Yes	19.18	23.40	27.62	7.37	30.66
Little Compton			4.78	4.78	9.56	no tax	13.90
Middletown (1)			16.35	18.50	18.50	4.98	16.05
Narragansett			10.89	16.34	16.34	5.05	16.46
New Shoreham			3.98	3.98	3.98	no tax	9.75
Newport			14.29	17.00	17.00	7.11	23.45
North Kingstown			14.85	14.85	14.85	no tax	22.04
North Providence	revaluation	Yes	16.55	22.50	60.65	13.16	41.95
North Smithfield			14.83	14.83	38.73	9.32	37.62
Pawtucket			17.91	26.87	52.09	15.63	53.30
Portsmouth	update		10.35	10.35	10.35	6.89	22.50
Providence		Yes	30.23	37.72	50.46	23.02	76.78
Richmond	update		12.44	12.44	12.44	6.82	22.64
Scituate			23.29	29.28	34.87	no tax	30.20
Smithfield			14.68	14.68	43.25	11.70	39.00
South Kingstown			13.13	13.13	13.13	5.81	18.71
Tiverton			15.15	15.15	15.15	5.77	19.14
Warren			15.62	15.62	15.62	5.89	26.00
Warwick			15.46	23.18	30.91	9.55	34.60
West Greenwich	update	Yes	16.25	16.25	19.52	5.84	19.02
West Warwick (2)			17.74	25.42	28.87	8.83	28.47
Westerly			10.30	10.30	10.30	3.79	29.67
Woonsocket		Yes	23.85	38.25	46.58	13.97	46.58

1) Middletown has a rate of \$16.35 for residential tangible property

2) West Warwick has a rate of \$24.34 for 2 family, non owner residential, \$25.42 for 6 or more residential units

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

Differences in Local Tax Burdens

Although it is useful to examine actual local property tax rates, homestead provisions, and classification structures, these data do not provide a full picture of actual tax burdens. Further, the actual tax data do not provide a picture of the tax base in each community and how this translates into an ability to provide essential services. There are a number of ways to examine relative tax burdens among municipalities: effective tax rates, total levy as a percent of full value, and taxpayer profiles - each providing ways to analyze relative property tax burdens.

One of the mechanisms by which communities divert the pressure of increasing property values away from homeowners is the use of homestead exemptions. Homestead exemptions provide a different net tax burden on residential v. non-residential taxpayers by reducing the taxable value of homesteads before applying the tax rate. As of FY 2006, nine communities employ a homestead exemption as part of their taxation structure; East Greenwich and Newport have enabling legislation but do not currently employ homestead exemptions.

Like homestead exemptions, classification structures have been implemented in response to rapid growth in residential property values compared to commercial and industrial property values and are intended to shift some of the burden from homeowners to commercial and industrial real property. Application of property tax classifications continues to spread throughout the state; for FY 2006, 19 communities used some form of classification for real property.

Both the inventory and motor vehicle taxes are being phased out as per legislation enacted by the General Assembly. The 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. Local motor vehicle taxes have been frozen and the state reimburses communities for not taxing the first \$5,000 in taxable value on vehicles.

From FY 2005 to FY 2006, the total levy for the state of Rhode Island increased 4.8 percent – as compared to the average annual rate of growth in the levy since FY 1996 of 4.2 percent. In terms of total levy, no community in the state saw overall property taxes decrease, although there was a wide range of increases; from 0.2 percent in Central Falls to a 9.3 percent increase in Westerly.

Community-Wide Effective Tax Rates - Effective tax rates (ETRs) are designed to reflect a rate that represents the total property tax levy as it relates to the estimated full value of the property. Effective tax rates include the effects of local assessment practices and statutory tax provisions so more meaningful cross-jurisdictional comparisons can be made within property classifications. Table 5 shows the community-wide ETRs in Rhode Island as a function of full market value and the total levy. Using ETR to evaluate relative property tax burdens, Providence has the highest tax burden in the State with an ETR of \$21.94 per \$1,000 of value, compared to the statewide average of \$13.65 per \$1,000; New Shoreham has the lowest, with an ETR of \$2.84 per \$1,000.

Community-Wide Percent of Levy – A second way to compare property tax burdens is the levy as a percent of the full market value, as shown in Table 6. Providence is the only community in Rhode Island where the percent of levy as a percent of total market value exceeds 2.0 percent. The State average would be 1.4 percent of full market value. It should be noted that if Rhode Island had a provision such as Proposition 2½ in Massachusetts, a key element of which is the prohibition of property tax levies above 2½ percent of the full and fair cash value of the local tax base, no community would exceed the threshold in 2006.

Table 5
FY 2006 Rhode Island Estimated Effective Tax Rates

Community	Estimated Full Value (1)	FY 2006 Levy	Actual Rates			Effective Tax Rates	
			FY 2005	FY 2006	Change	Rate	Rank
Barrington	\$2,886,298,578	\$43,086,859	\$18.99	\$19.75	\$0.76	\$14.93	10
Bristol*	2,989,327,748	29,350,483	16.85	10.25	(6.60)	9.82	31
Burrillville	1,551,649,852	19,162,222	12.55	13.05	0.50	12.35	22
Central Falls	628,801,707	9,477,934	13.04	13.04	0.00	15.07	9
Charlestown*	2,554,952,752	16,823,683	12.59	6.80	(5.79)	6.58	37
Coventry*	3,729,643,505	50,446,107	25.63	14.94	(10.69)	13.53	18
Cranston	7,578,691,889	145,337,455	23.23	23.23	0.00	19.18	2
Cumberland*	4,233,901,623	44,961,635	16.73	10.75	(5.98)	10.62	29
East Greenwich	2,437,152,017	34,691,160	17.91	18.33	0.42	14.23	15
East Providence	4,178,312,286	72,631,325	15.20	16.19	0.99	17.38	4
Exeter	850,841,954	9,996,307	14.70	15.55	0.85	11.75	25
Foster	673,809,342	7,843,650	14.11	14.75	0.64	11.64	26
Glocester*	1,241,853,111	15,647,919	20.91	13.56	(7.35)	12.60	20
Hopkinton	1,007,128,773	14,019,545	17.71	18.64	0.93	13.92	16
Jamestown	1,855,412,204	15,215,000	11.58	9.09	(2.49)	8.20	34
Johnston	3,107,732,042	52,022,784	16.40	16.99	0.59	16.74	5
Lincoln	2,888,513,147	42,923,047	18.64	19.18	0.54	14.86	11
Little Compton	1,865,227,932	8,109,180	4.53	4.78	0.25	4.35	38
Middletown	2,816,025,224	33,631,581	15.85	16.35	0.50	11.94	23
Narragansett	4,900,370,463	36,186,903	10.57	10.89	0.32	7.38	36
New Shoreham	2,043,232,071	5,802,143	3.77	3.98	0.21	2.84	39
Newport	6,610,773,316	53,298,045	13.72	14.29	0.57	8.06	35
North Kingstown	4,030,180,075	54,015,438	14.38	14.85	0.47	13.40	19
North Providence*	3,165,224,914	50,609,828	28.71	16.55	(12.16)	15.99	7
North Smithfield	1,319,744,672	19,562,352	14.26	14.83	0.57	14.82	13
Pawtucket	4,822,196,589	73,296,650	17.25	17.91	0.66	15.20	8
Portsmouth*	3,533,691,029	34,128,893	16.20	10.35	(5.85)	9.66	32
Providence	11,850,218,459	259,991,095	29.65	30.23	0.58	21.94	1
Richmond*	945,363,566	11,112,169	18.83	12.44	(6.39)	11.75	24
Scituate	1,957,271,182	20,086,630	22.08	23.29	1.21	10.26	30
Smithfield	2,608,379,529	37,721,249	13.95	14.68	0.73	14.46	14
South Kingstown	4,709,160,731	54,722,909	12.58	13.13	0.55	11.62	27
Tiverton	2,090,596,174	23,623,340	14.36	15.15	0.79	11.30	28
Warren	1,260,861,766	17,177,949	14.82	15.62	0.80	13.62	17
Warwick	10,633,702,112	171,526,009	14.81	15.46	0.65	16.13	6
West Greenwich*	971,046,407	12,187,033	18.50	16.25	(2.25)	12.55	21
West Warwick	2,410,283,727	42,061,061	17.31	17.74	0.43	17.45	3
Westerly	5,374,202,074	50,780,778	9.64	10.30	0.66	9.45	33
Woonsocket	2,477,283,017	36,794,838	23.85	23.85	0.00	14.85	12
Total (Median)	\$126,789,057,560	\$1,730,063,188				13.65	-

Notes

- (1) Full valuation represents RIPEC estimate based on FY 2006 data
- (2) Percent of assessment to full value is based on the most recent Tax Equalization study and RIPEC forecast.
- (3) 2006 Effective Tax Rates - Based on Estimated full value based on 12/31/04 data and FY 2006 levy.
- (4) Changes in rate may be a function of revaluation, statistical updates, and/or changes in levy.

*Revaluation or Statistical Update Completed and implemented for 12/31/04

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

**Table 6
Property Tax Levy as Percent of Value**

Community	FY 2005 Local Levy	FY 2006 Local Levy	Levy Change	Percent Change	Levy as % of Full Value	Rank
Barrington	\$40,853,698	\$43,086,859	\$2,233,161	5.5%	1.5%	10
Bristol*	28,077,337	29,350,483	1,273,146	4.5%	1.0%	31
Burrillville	18,174,466	19,162,222	987,756	5.4%	1.2%	22
Central Falls	9,457,677	9,477,934	20,257	0.2%	1.5%	9
Charlestown*	16,063,648	16,823,683	760,035	4.7%	0.7%	37
Coventry*	48,191,589	50,446,107	2,254,518	4.7%	1.4%	18
Cranston	142,694,201	145,337,455	2,643,254	1.9%	1.9%	2
Cumberland*	42,764,307	44,961,635	2,197,328	5.1%	1.1%	29
East Greenwich	32,745,057	34,691,160	1,946,103	5.9%	1.4%	15
East Providence	67,265,041	72,631,325	5,366,284	8.0%	1.7%	4
Exeter	9,325,439	9,996,307	670,868	7.2%	1.2%	25
Foster	7,352,142	7,843,650	491,508	6.7%	1.2%	26
Glocester*	14,949,359	15,647,919	698,560	4.7%	1.3%	20
Hopkinton	12,998,099	14,019,545	1,021,446	7.9%	1.4%	16
Jamestown	14,150,969	15,215,000	1,064,031	7.5%	0.8%	34
Johnston	50,503,367	52,022,784	1,519,417	3.0%	1.7%	5
Lincoln	40,460,657	42,923,047	2,462,390	6.1%	1.5%	11
Little Compton	7,548,572	8,109,180	560,608	7.4%	0.4%	38
Middletown	32,315,763	33,631,581	1,315,818	4.1%	1.2%	23
Narragansett	34,488,026	36,186,903	1,698,877	4.9%	0.7%	36
New Shoreham	5,519,972	5,802,143	282,171	5.1%	0.3%	39
Newport	50,799,038	53,298,045	2,499,007	4.9%	0.8%	35
North Kingstown	51,656,182	54,015,438	2,359,256	4.6%	1.3%	19
North Providence*	46,952,889	50,609,828	3,656,939	7.8%	1.6%	7
North Smithfield	18,389,047	19,562,352	1,173,305	6.4%	1.5%	13
Pawtucket	69,570,402	73,296,650	3,726,248	5.4%	1.5%	8
Portsmouth*	31,774,391	34,128,893	2,354,502	7.4%	1.0%	32
Providence	256,688,743	259,991,095	3,302,352	1.3%	2.2%	1
Richmond*	10,309,392	11,112,169	802,777	7.8%	1.2%	24
Scituate	18,703,213	20,086,630	1,383,417	7.4%	1.0%	30
Smithfield	35,369,460	37,721,249	2,351,789	6.6%	1.4%	14
South Kingstown	51,148,277	54,722,909	3,574,632	7.0%	1.2%	27
Tiverton	22,067,372	23,623,340	1,555,968	7.1%	1.1%	28
Warren	16,063,594	17,177,949	1,114,355	6.9%	1.4%	17
Warwick	161,867,391	171,526,009	9,658,618	6.0%	1.6%	6
West Greenwich*	11,184,674	12,187,033	1,002,359	9.0%	1.3%	21
West Warwick	40,283,276	42,061,061	1,777,785	4.4%	1.7%	3
Westerly	46,449,356	50,780,778	4,331,422	9.3%	0.9%	33
Woonsocket	36,028,797	36,794,838	766,041	2.1%	1.5%	12
State	\$1,651,204,880	\$1,730,063,188	\$78,858,308	4.8%	1.4%	-

*Revaluation or Statistical Update Completed and implemented for 12/31/04

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

Taxpayer Profiles - Property taxes on a selected class of property may be relatively high or low due to policies designed to redistribute property tax burdens across the classes of property through different tax rates, exemptions, or other classification systems. Thus, statistics such as ETR and levy as a percent of total value, while providing useful information on the effects of assessment practices and other provisions, do not give a full picture of relative property tax burdens among the Ocean State's 39 cities and towns.

Another method used to analyze property tax burdens is through taxpayer profiles, which look at projected property tax bills under hypothetical scenarios. This analysis examines the relative burdens for a \$350,000 home, the median selling price in each community, and a hypothetical commercial property with \$1.0 million in real estate value and \$200,000 in tangible property value. In each taxpayer profile, factors that effect property tax burdens in each community – such as homestead exemptions, special district taxes, varying ratios of assessment, and different tax rates across classes – are included to capture the variance in property tax structures across Rhode Island in order to more accurately assess relative tax burdens. For this analysis, rankings are reported as the estimated effective tax rate - the net tax bill divided by the *market value* of the property.

Where communities are in their reassessment cycles will effect comparisons between municipalities because the actual market value captured in each year will vary depending on how recent the assessment was and what type of assessment was performed. The ratio of assessment –what a property would be assessed at as a percentage of its market value – is used to accommodate for rapid market change in each community and provide a more complete picture of actual property tax rates paid by residents as a proportion of the total value of their home. In other words, a house that was assessed for tax purposes a year ago at \$291,000 but recently sold for \$350,000 will remain on the tax rolls at \$291,000 until the town updates values in its next statistical update or revaluation.

Table 7 provides an example of how the estimated effective tax rate is calculated, using the Town of Lincoln as an example. The ratio of assessment is applied to the assumed market value to get the assessed value. As Lincoln has a homestead exemption, the rate of the exemption (35.0 percent) is applied to the assessed value. This amount is then subtracted from the assessed value to arrive at the net taxable value of \$188,825. The residential rate and fire district rate are applied to the net taxable value, and added together to arrive at the total tax bill, which is then divided by \$350,000 to calculate the estimated effective tax rate.

Table 7	
FY 2006 Estimated Residential	
Effective Tax Rate	
Town of Lincoln	
Calculation of Base:	
Market Value	\$350,000
Ratio of Assessment	83.0%
Assessed Value	\$290,500
Homestead Rate	-35.0%
Homestead Value	(\$101,675)
<i>Net Taxable Value</i>	\$188,825
Calculation of Tax Bill:	
Residential Rate	\$19.18
Estimated Tax Bill	\$3,622
Fire District Rate	\$1.35
Estimated Fire Tax	\$255
<i>Total Tax Bill</i>	\$3,877
Effective Tax Rate (ETR)	1.11%
ETR = total taxes divided by total market value	
Source: RIPEC calculations based on RI Office of Municipal Affairs Data	

Based on RIPEC analysis, communities that have conducted a statistical update have, on average, assessed values reflecting 96.7 percent of market values. When a full revaluation of property values is implemented, assessed values reflect approximately 98.2 percent of market values. However, in communities where neither a full revaluation nor a statistical update was performed as of 12/31/04 (FY 2006), residential property ratios of assessment ranged from 53.0 percent in Newport to 85.3 percent in Burrillville for FY 2006.¹ In general, the ratio of assessment is lower the further away a community is from its last update. Thus, while reassessments attempt to account for market change, real estate markets change rapidly and assessments of property values become outdated quickly.

Residential – A \$350,000 home was used in this report as it most closely approximates the statewide median housing price. The tax bill and effective tax burdens for a median-priced single family home (as reported by Rhode Island Living²) are also included in the analysis to reflect actual market conditions in each community. It is important to note that although total bills for a median-priced home differ necessarily from total bills for a \$350,000 home, *effective tax burdens* do not change. The one exception is Central Falls due to the type of homestead exemption used.

In communities that have independent fire districts, the highest fire tax rate within the community was used. As shown on Tables 8 and 9, fifteen municipalities have a fire district tax, which increases total property tax bills in those communities by \$151 on average. Although there is wide variability in fire district tax rates, it should be noted that most communities' relative ranking does not change much, even when this additional tax burden is taken into account.

The highest property tax burden in the State was in the Town of Coventry where the estimated tax on a \$350,000 home was \$6,106, with an effective tax burden of 1.74 percent. The lowest tax burden in Rhode Island was in the Town of New Shoreham, where the estimated tax burden would be \$1,015, an effective burden of 0.29 percent.

Using median effective rates, the Town of Exeter was found to represent a typical Rhode Island community, ranking 19th in relative property tax burden out of the 39 communities in the State. The median housing price in Exeter was \$390,000, and the estimated total property tax burden was \$4,657, representing the median effective tax burden of 1.19 percent.

It should be noted that as housing prices vary throughout the State, property tax bills will be higher in communities with higher home values. For example, using median prices, the highest tax bill would be \$8,275 in the Town of East Greenwich where the median price of a home was \$527,200. However, East Greenwich has an estimated effective

¹ It should be noted that Scituate has a ratio of assessment of 50% for all real property, and thus the current assessment actually reflects 85% of market value; Ratios of assessment provided by the State Office of Municipal Affairs

² Rhode Island Living. "Year-End 2005 Existing Single Family Home Sales Statistics: January through December".

burden of 1.57 percent, which would be the same regardless of the value of the home. Conversely, the Town of Coventry's effective tax burden of 1.74 percent is higher than the effective burden in East Greenwich by 9.8 percent - even with a tax bill of only \$4,523 for a median-priced home in Coventry. Thus, higher property values may mask relative tax burdens in some communities when the total bill is the sole measure of property tax burdens.

Table 8
FY 2006 Rhode Island Estimated Property Tax Burdens - \$350,000 Home

Community	\$350,000 Single Family	Ratio of Assessment (1)	Assessed Value	Homestead Exemption (2)	Net Taxable Value	Residential Rate	Estimated Tax Burden	Rank	Estimated Fire Rate (3)	Estimated Fire Tax	Estimated Total Burden	Estimated Effective Rate	Rank
Barrington	\$350,000	64.70%	\$226,450	0	\$226,450	\$19.75	\$4,472	10	\$0.00	\$0	\$4,472	1.28%	11
Bristol	350,000	96.70%	338,450	0	338,450	10.25	3,469	29	0.00	0	3,469	0.99%	29
Burrillville	350,000	85.30%	298,550	0	298,550	13.05	3,896	21	1.61	481	4,377	1.25%	14
Central Falls	350,000	78.70%	275,450	25,000	250,450	13.04	3,266	31	0.00	0	3,266	0.93%	31
Charlestown	350,000	98.20%	343,700	0	343,700	6.80	2,337	37	1.59	546	2,884	0.82%	34
Coventry	350,000	96.70%	338,450	0	338,450	14.94	5,056	2	3.10	1,049	6,106	1.74%	1
Cranston	350,000	64.60%	226,100	0	226,100	23.23	5,252	1	0.00	0	5,252	1.50%	3
Cumberland	350,000	98.20%	343,700	0	343,700	10.75	3,695	25	2.20	756	4,451	1.27%	12
East Greenwich	350,000	77.40%	270,900	0	270,900	18.33	4,966	5	1.95	528	5,494	1.57%	2
East Providence	350,000	82.10%	287,350	43,103	244,248	16.19	3,954	18	0.00	0	3,954	1.13%	22
Exeter	350,000	70.40%	246,400	0	246,400	15.55	3,832	22	1.41	347	4,179	1.19%	19
Foster	350,000	76.50%	267,750	0	267,750	14.75	3,949	19	0.00	0	3,949	1.13%	23
Glocester	350,000	96.70%	338,450	0	338,450	13.56	4,589	8	1.55	525	5,114	1.46%	5
Hopkinton	350,000	76.90%	269,150	0	269,150	18.64	5,017	4	0.74	199	5,216	1.49%	4
Jamestown	350,000	76.60%	268,100	0	268,100	9.09	2,437	36	0.00	0	2,437	0.70%	37
Johnston	350,000	79.70%	278,950	0	278,950	16.99	4,739	7	0.00	0	4,739	1.35%	8
Lincoln	350,000	83.00%	290,500	101,675	188,825	19.18	3,622	26	1.35	255	3,877	1.11%	25
Little Compton	350,000	80.80%	282,800	0	282,800	4.78	1,352	38	0.00	0	1,352	0.39%	38
Middletown	350,000	66.50%	232,750	0	232,750	16.35	3,805	24	0.00	0	3,805	1.09%	26
Narragansett	350,000	64.40%	225,400	0	225,400	10.89	2,455	35	0.65	147	2,601	0.74%	36
New Shoreham	350,000	72.90%	255,150	0	255,150	3.98	1,015	39	0.00	0	1,015	0.29%	39
Newport	350,000	53.00%	185,500	0	185,500	14.29	2,651	34	0.00	0	2,651	0.76%	35
North Kingstown	350,000	83.90%	293,650	0	293,650	14.85	4,361	13	0.00	0	4,361	1.25%	16
North Providence	350,000	98.20%	343,700	68,740	274,960	16.55	4,551	9	0.00	0	4,551	1.30%	9
North Smithfield	350,000	92.80%	324,815	0	324,815	14.83	4,817	6	0.00	0	4,817	1.38%	7
Pawtucket	350,000	62.90%	220,150	0	220,150	17.91	3,943	20	0.00	0	3,943	1.13%	24
Portsmouth	350,000	96.70%	338,450	0	338,450	10.35	3,503	28	0.26	88	3,591	1.03%	28
Providence	350,000	80.90%	283,150	141,575	141,575	30.23	4,280	14	0.00	0	4,280	1.22%	17
Richmond	350,000	96.70%	338,450	0	338,450	12.44	4,210	15	0.98	332	4,542	1.30%	10
Scituate	350,000	42.50%	148,750	0	148,750	23.29	3,464	30	0.00	0	3,464	0.99%	30
Smithfield	350,000	81.50%	285,250	0	285,250	14.68	4,187	16	0.00	0	4,187	1.20%	18
South Kingstown	350,000	83.20%	291,200	0	291,200	13.13	3,823	23	1.05	306	4,129	1.18%	20
Tiverton	350,000	66.90%	234,150	0	234,150	15.15	3,547	27	0.90	211	3,758	1.07%	27
Warren	350,000	80.10%	280,350	0	280,350	15.62	4,379	11	0.00	0	4,379	1.25%	13
Warwick	350,000	80.70%	282,450	0	282,450	15.46	4,367	12	0.00	0	4,367	1.25%	15
West Greenwich	350,000	96.70%	338,450	91,382	247,069	16.25	4,015	17	0.00	0	4,015	1.15%	21
West Warwick	350,000	81.10%	283,850	0	283,850	17.74	5035	3	0	0	5035	1.44%	6
Westerly	350,000	81.00%	283,500	0	283,500	10.30	2,920	33	1.17	332	3,252	0.93%	32
Woonsocket	350,000	69.50%	243,250	109,463	133,788	23.85	3,191	32	0.00	0	3,191	0.91%	33
Estimated Average	\$350,000		\$279,579	\$14,896	\$264,683	\$14.38	\$3,806	-	\$0.53	\$139	\$3,945	1.13%	-

(1) Ratio of Assessment is Office of Municipal Affairs estimate based on market data

(2) Homestead provisions represent current law for FY 2006.

(3) Estimated Fire District Tax represents the highest tax rate in the community in FY 2006.

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

**Table 9
FY 2006 Rhode Island Estimated Property Tax Burdens - Median-Priced Home**

Community	Median Price Single Family	Ratio of Assessment (1)	Assessed Value	Homestead Exemption (2)	Net Taxable Value	Residential Rate	Estimated Tax Burden	Rank	Estimated Fire Rate (3)	Estimated Fire Tax	Estimated Total Burden	Estimated Effective Rate	Rank
Barrington	\$420,000	64.70%	\$271,740	0	\$271,740	\$19.75	\$5,367	2	\$0.00	\$0	\$5,367	1.28%	11
Bristol	354,500	96.70%	342,802	0	342,802	10.25	3,514	23	0.00	0	3,514	0.99%	29
Burrillville	274,000	85.30%	233,722	0	233,722	13.05	3,050	30	1.61	376	3,426	1.25%	14
Central Falls	195,900	78.70%	154,173	25,000	129,173	13.04	1,684	40	0.00	0	1,684	0.86%	33
Charlestown	389,900	98.20%	382,882	0	382,882	6.80	2,604	35	1.59	609	3,212	0.82%	34
Coventry	259,250	96.70%	250,695	0	250,695	14.94	3,745	16	3.10	777	4,523	1.74%	1
Cranston	260,000	64.60%	167,960	0	167,960	23.23	3,902	11	0.00	0	3,902	1.50%	3
Cumberland	324,950	98.20%	319,101	0	319,101	10.75	3,430	24	2.20	702	4,132	1.27%	12
East Greenwich	527,200	77.40%	408,053	0	408,053	18.33	7,480	1	1.95	796	8,275	1.57%	2
East Providence	260,000	82.10%	213,460	32,019	181,441	16.19	2,938	32	0.00	0	2,938	1.13%	22
Exeter	390,000	70.40%	274,560	0	274,560	15.55	4,269	7	1.41	387	4,657	1.19%	19
Foster	389,950	76.50%	298,312	0	298,312	14.75	4,400	5	0.00	0	4,400	1.13%	23
Glocester	315,000	96.70%	304,605	0	304,605	13.56	4,130	9	1.55	472	4,603	1.46%	5
Hopkinton	303,500	76.90%	233,392	0	233,392	18.64	4,350	6	0.74	173	4,523	1.49%	4
Jamestown	556,000	76.60%	425,896	0	425,896	9.09	3,871	12	0.00	0	3,871	0.70%	37
Johnston	270,000	79.70%	215,190	0	215,190	16.99	3,656	19	0.00	0	3,656	1.35%	8
Lincoln	341,000	83.00%	283,030	99,061	183,970	19.18	3,529	22	1.35	248	3,777	1.11%	25
Little Compton	595,000	80.80%	480,760	0	480,760	4.78	2,298	38	0.00	0	2,298	0.39%	38
Middletown	389,450	66.50%	258,984	0	258,984	16.35	4,234	8	0.00	0	4,234	1.09%	26
Narragansett	432,105	64.40%	278,276	0	278,276	10.89	3,030	31	0.65	181	3,211	0.74%	36
New Shoreham	800,000	72.90%	583,200	0	583,200	3.98	2,321	37	0.00	0	2,321	0.29%	39
Newport	449,000	53.00%	237,970	0	237,970	14.29	3,401	25	0.00	0	3,401	0.76%	35
North Kingstown	415,000	83.90%	348,185	0	348,185	14.85	5,171	3	0.00	0	5,171	1.25%	16
North Providence	259,900	98.20%	255,222	51,044	204,177	16.55	3,379	26	0.00	0	3,379	1.30%	9
North Smithfield	325,000	92.80%	301,613	0	301,613	14.83	4,473	4	0.00	0	4,473	1.38%	7
Pawtucket	231,875	62.90%	145,849	0	145,849	17.91	2,612	34	0.00	0	2,612	1.13%	24
Portsmouth	376,000	96.70%	363,592	0	363,592	10.35	3,763	15	0.26	95	3,858	1.03%	28
Providence	210,000	80.90%	169,890	84,945	84,945	30.23	2,568	36	0.00	0	2,568	1.22%	17
Richmond	315,000	96.70%	304,605	0	304,605	12.44	3,789	13	0.98	299	4,088	1.30%	10
Scituate	338,000	42.50%	143,650	0	143,650	23.29	3,346	27	0.00	0	3,346	0.99%	30
Smithfield	309,950	81.50%	252,609	0	252,609	14.68	3,708	18	0.00	0	3,708	1.20%	18
South Kingstown	374,500	83.20%	311,584	0	311,584	13.13	4,091	10	1.05	327	4,418	1.18%	20
Tiverton	309,450	66.90%	207,022	0	207,022	15.15	3,136	28	0.90	186	3,323	1.07%	27
Warren	298,250	80.10%	238,898	0	238,898	15.62	3,732	17	0.00	0	3,732	1.25%	13
Warwick	244,700	80.70%	197,473	0	197,473	15.46	3,053	29	0.00	0	3,053	1.25%	15
West Greenwich	329,900	96.70%	319,013	86,134	232,880	16.25	3,784	14	0.00	0	3,784	1.15%	21
West Warwick	245,750	81.10%	199,303	0	199,303	17.74	3,536	21	0.00	0	3,536	1.44%	6
Westerly	335,000	81.00%	271,350	0	271,350	10.30	2,795	33	1.17	317	3,112	0.93%	31
Woonsocket	236,750	69.50%	164,541	74,044	90,498	23.85	2,158	39	0.00	0	2,158	0.91%	32
Estimated Average	\$350,044		\$277,261	\$11,596	\$265,665	\$13.54	\$3,597	-	\$0.53	\$140	\$3,737	1.07%	-

(1) Ratio of Assessment is Office of Municipal Affairs estimate based on market data

(2) Homestead provisions represent current law for FY 2006.

(3) Estimated Fire District Tax represents the highest tax rate in the community in FY 2006.

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

Commercial – As discussed above, communities often vary in their tax treatment of residential and commercial property, frequently employing different rates, or mechanisms such as homestead exemptions to shift the burden to businesses. Additionally, many communities tax real and tangible property at different rates. Table 11 outlines how each community in the Ocean State taxes a hypothetical commercial property valued at \$1.0 million in real property, and \$200,000 in tangible goods.

Using effective rates, the Town of Central Falls ranks the highest in the State with an estimated tax of \$44,558 on a \$1.2 million property, which equates to an effective rate of 3.71 percent. The next two highest Rhode Island municipalities were Providence and Woonsocket, which have estimated burdens of \$40,230 (effective rate: 3.35 percent) and \$37,506 (effective rate: 3.13 percent) respectively. For each of the three highest towns, the tax on tangible goods accounted for approximately 25.0 percent of the total property tax burden. The Town of North Providence, ranked 5th highest in the State, had the highest tangible tax bill of \$12,130, which accounted for 35.4 percent of their total tax burden.

In April, RIPEC published a report entitled *50 State Property Tax Comparison in Urban America*, which analyzed Providence’s tax climate compared to 52 other cities across the United States. The report found that Providence’s property tax on a \$1.2 million commercial property was the 3rd highest in the Nation with a tax burden over 50.0 percent higher than the national average and over 37.0 percent higher than the New England average. Table 10 shows Providence’s tax burden compared to other cities in the region.

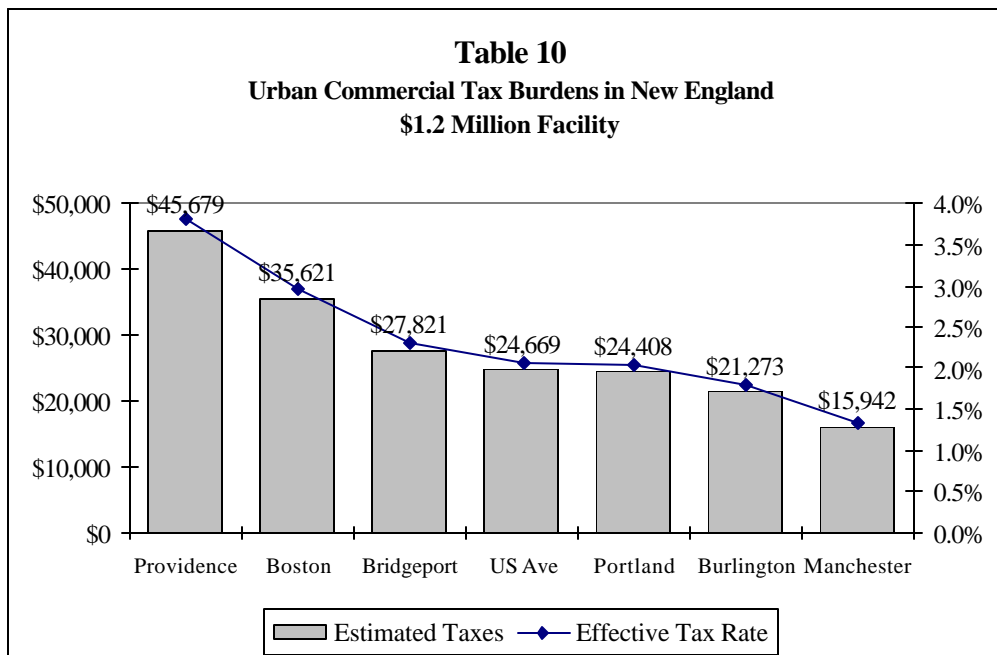


Table 11
FY 2006 Rhode Island Estimated Property Tax Burdens - Commercial Property

Community	\$1,000,000 Real Estate	Ratio of Assessment ⁽¹⁾	Net Taxable Value	Commercial Rate	Estimated Tax Burden	Rank	Estimated Fire Tax Rate	Estimated Fire Tax	\$200,000 Tangible	Tangible Rate	Estimated Tangible	Rank	Estimated Total Burden	Estimated Effective Rate	Overall Rank
Barrington	\$1,000,000	104.10%	\$1,041,000	\$19.75	\$20,560	6	\$0.00	\$0	\$200,000	\$19.75	\$3,950	17	\$24,510	2.04%	12
Bristol	1,000,000	96.70%	967,000	10.25	9,912	30	0.00	0	200,000	10.25	2,050	35	11,962	1.00%	35
Burrillville	1,000,000	82.90%	829,000	13.05	10,818	26	1.61	1,335	200,000	13.05	2,610	31	14,763	1.23%	27
Central Falls	1,000,000	98.40%	984,000	34.85	34,292	1	0.00	0	200,000	51.33	10,266	3	44,558	3.71%	1
Charlestown	1,000,000	98.20%	982,000	6.80	6,678	36	1.59	1,561	200,000	6.80	1,360	38	9,599	0.80%	36
Coventry	1,000,000	96.70%	967,000	18.00	17,406	13	5.00	4,835	200,000	14.94	2,988	27	25,229	2.10%	11
Cranston	1,000,000	66.20%	662,000	30.80	20,390	7	0.00	0	200,000	34.84	6,968	11	27,358	2.28%	9
Cumberland	1,000,000	98.20%	982,000	10.75	10,557	27	2.51	2,465	200,000	21.49	4,298	16	17,319	1.44%	20
East Greenwich	1,000,000	57.40%	574,000	18.33	10,521	28	1.95	1,119	200,000	18.33	3,666	21	15,307	1.28%	24
East Providence	1,000,000	87.50%	875,000	20.61	18,034	11	0.00	0	200,000	47.49	9,498	5	27,532	2.29%	8
Exeter	1,000,000	75.24%	752,386	15.55	11,700	21	1.41	1,061	200,000	15.55	3,110	25	15,870	1.32%	22
Foster	1,000,000	78.89%	788,908	14.75	11,636	22	0.00	0	200,000	14.75	2,950	29	14,586	1.22%	28
Glocester	1,000,000	96.70%	967,000	15.55	15,037	17	1.55	1,499	200,000	29.65	5,930	13	22,466	1.87%	14
Hopkinton	1,000,000	59.10%	591,000	18.64	11,016	24	0.74	437	200,000	18.64	3,728	19	15,182	1.27%	26
Jamestown	1,000,000	61.20%	612,000	9.09	5,563	37	0.00	0	200,000	9.09	1,818	37	7,381	0.62%	37
Johnston	1,000,000	105.40%	1,054,000	16.99	17,907	12	0.00	0	200,000	46.54	9,308	7	27,215	2.27%	10
Lincoln (1)	1,000,000	86.40%	864,000	23.40	20,218	8	3.50	3,024	200,000	27.62	5,524	15	28,766	2.40%	6
Little Compton	1,000,000	89.20%	892,049	4.78	4,264	38	0.00	0	200,000	9.56	1,912	36	6,176	0.51%	38
Middletown	1,000,000	85.20%	852,000	18.50	15,762	15	0.00	0	200,000	18.50	3,700	20	19,462	1.62%	18
Narragansett	1,000,000	60.60%	606,000	16.34	9,902	31	0.65	394	200,000	16.34	3,268	23	13,564	1.13%	30
New Shoreham	1,000,000	64.80%	648,000	3.98	2,579	39	0.00	0	200,000	3.98	796	39	3,375	0.28%	39
Newport	1,000,000	54.36%	543,578	17.00	9,241	33	0.00	0	200,000	17.00	3,400	22	12,641	1.05%	31
North Kingstown	1,000,000	62.00%	620,000	14.85	9,207	34	0.00	0	200,000	14.85	2,970	28	12,177	1.01%	34
North Providence	1,000,000	98.20%	982,000	22.50	22,095	4	0.00	0	200,000	60.65	12,130	1	34,225	2.85%	4
North Smithfield	1,000,000	61.90%	619,000	14.83	9,180	35	0.00	0	200,000	38.73	7,746	9	16,926	1.41%	21
Pawtucket	1,000,000	69.20%	692,000	26.87	18,594	9	0.00	0	200,000	52.09	10,418	2	29,012	2.42%	5
Portsmouth	1,000,000	96.70%	967,000	10.35	10,008	29	0.26	251	200,000	10.35	2,070	33	12,330	1.03%	33
Providence	1,000,000	79.90%	799,000	37.72	30,138	2	0.00	0	200,000	50.46	10,092	4	40,230	3.35%	2
Richmond	1,000,000	96.70%	967,000	12.44	12,029	19	0.98	948	200,000	12.44	2,488	32	15,465	1.29%	23
Scituate	1,000,000	49.80%	498,000	29.28	14,581	18	0.00	0	200,000	34.87	6,974	10	21,555	1.80%	15
Smithfield	1,000,000	81.60%	816,000	14.68	11,979	20	0.00	0	200,000	43.25	8,650	8	20,629	1.72%	16
South Kingstown	1,000,000	82.80%	828,000	13.13	10,872	25	1.05	869	200,000	13.13	2,626	30	14,367	1.20%	29
Tiverton	1,000,000	76.11%	761,100	15.15	11,531	23	0.90	685	200,000	15.15	3,030	26	15,246	1.27%	25
Warren	1,000,000	103.50%	1,035,000	15.62	16,167	14	0.00	0	200,000	15.62	3,124	24	19,291	1.61%	19
Warwick	1,000,000	78.50%	785,000	23.18	18,196	10	0.00	0	200,000	30.91	6,182	12	24,378	2.03%	13
West Greenwich	1,000,000	96.70%	967,000	16.25	15,714	16	0.00	0	200,000	19.52	3,904	18	19,618	1.63%	17
West Warwick	1,000,000	86.90%	869,000	25.42	\$22,090	5	0.00	\$0	200,000	28.87	5,774	14	27,864	2.32%	7
Westerly	1,000,000	90.10%	901,000	10.30	9,280	32	1.17	1,054	200,000	10.30	2,060	34	12,394	1.03%	32
Woonsocket	1,000,000	73.70%	737,000	38.25	28,190	3	0.00	0	200,000	46.58	9,316	6	37,506	3.13%	3
Estimated Average	\$1,000,000		\$817,360	\$17.69	\$14,458	-	\$0.64	\$521	200,000	\$24.70	\$4,940		\$19,397	1.94%	-

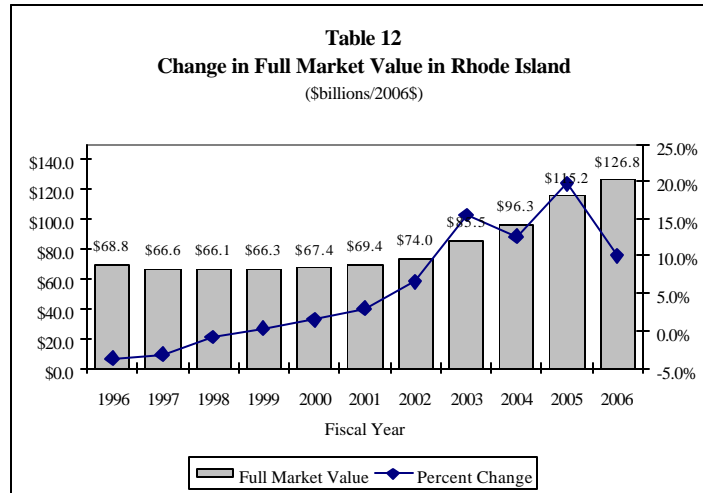
(1) Assessed value of house is based on calendar year 2000 Ratio Study - Office of Municipal Affairs

(2) Estimated Fire District Tax represents the highest tax rate in the community in FY 2006

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

RIPEC Comments

In FY 1996 commercial and industrial property represented 20.6 percent of the property tax base in the State and residential property represented 69.6 percent. Today residential property equals 74.0 percent and the State’s commercial and industrial base approximately 16.0 percent. These trends are reflected in the overall change in full market value of property in the State. While some of the growth in value may be attributable to better revaluation and statistical update procedures, the numbers also show market changes that have occurred in Rhode Island over the past ten years. In FY 1996, adjusted full market value was \$68.8 billion, and in FY 2006, that number increased to \$126.8 billion; an increase of 84.3 percent. Since FY 1996, the annual rate of growth has been 6.3 percent; however, since FY 2002, the average annual rate of growth has been 11.4 percent. As with median housing prices, rates of growth are slowing in full market value, however, growth remains strong, with rates above 10.0 percent in FY 2006.

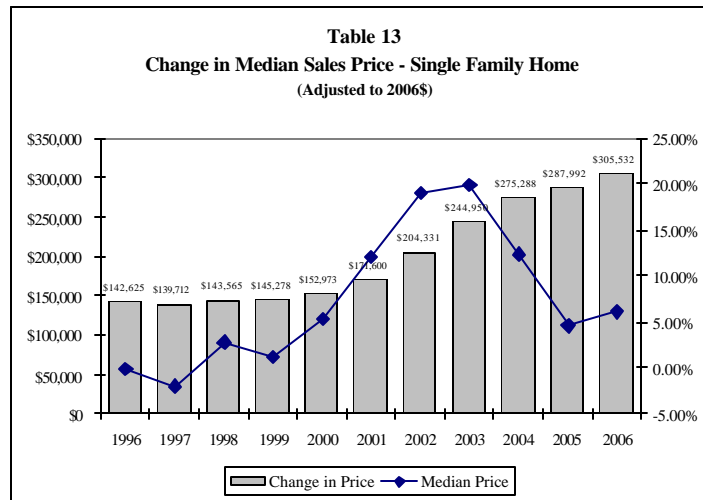


As this data shows, growth in Rhode Island residential property values continues to outstrip increases in commercial and industrial property values. In the past ten years, the median price for a single-family home in Rhode Island – adjusted to 2006 dollars – has increased from \$142,625 in 1996 to a projected \$305,532 in 2006, an increase of 114.2 percent.³ As Table 12 shows, the majority of the growth occurred from 2000-2004 when property values increased at an average rate of 12.5 percent, and the rapid increases Rhode Islanders saw in property value appears to be abating.

However, even if the median price of housing were to grow at an average annual rate of 6.0 percent – approximately half the rate of growth from 2000-2005 – the median housing price in Rhode Island would be approximately \$386,000 by the end of the decade. Thus, while the rate of increase in residential property values may be slowing, residents of the Ocean State have experienced, and will continue to experience, high rates of growth in the value of their property, masking reductions in effective tax rates.

³ Median price projections for 2006 are based on the RIPEC publication *Rhode Island 2010; Charting a New Course*.

In order to alleviate some of the pressure homeowners have experienced due to increases in the relative value of their homes, many communities in the state have been looking toward implementing provisions in their property tax structure that are designed to shift the property tax burden away from homeowners and onto property with slower growth rates – specifically commercial and industrial real estate. As mentioned earlier in this report, many communities have accomplished this by using different tax rates for different classes of property, implementing homestead provisions, or through a combination of both.



The State’s statutes currently limit classification of real property so that no class of property can have an effective tax burden greater than 150 percent of the effective burden on any other class of property, excluding tangible property. However, some municipalities have implemented amendments to these parameters to widen the permissible effective tax rate between classes of property.

One of the main catalysts for developing classified property tax structures is the increase in residential property values, which is particularly noticeable after the implementation of statistical updates or revaluations. Thirty communities will conduct either a statistical update or full revaluation in the next two years, creating an environment where there will be a strong impetus to implement or expand existing classification structures. It is imperative that community leaders examine the relative gains and pitfalls that result from such proposals; while property tax classification may mitigate the impact of rapid growth in the residential sector, business-owned property is bearing an increasing share of the burden. This issue is particularly significant with regard to the State’s ability to attract and retain business investment. Although there are a number of factors that make the Ocean State attractive for businesses, the trend of shifting the property tax burden onto business-owned property has the potential to offset the advantages to locating in the State.

Relatively high residential property taxes are more of a burden for suburban and rural communities when compared to their urban core neighbors. This trend is in part dictated by how the State distributes education aid to cities and towns. Since FY 1996, direct education aid has increased by \$256.9 million - an average annual rate of 5.1 percent during this ten-year period. However, nearly \$168.7 million (65.7 percent) of the net increase in State education aid since FY 1996 was allocated to the State's five urban core school districts (Central Falls, Newport, Pawtucket, Providence and Woonsocket). Therefore, given that State education aid has targeted urban centers, the State's suburban and rural communities have had to rely on their residential tax base to raise funds to support their education needs.

As Table 14 shows, the ten highest residential property tax communities are primarily suburban and rural. No urban core community is in the top ten when it comes to the property taxes paid on a \$350,000 home, and three urban ring communities – Cranston, West Warwick, and, North Providence – were among the top ten. This has been driven by the rapid residential growth and limited commercial property in Rhode Island's suburban and rural communities, coupled with state education aid funding that primarily targets the urban core communities.

Table 14
Top Ten Estimated Property Tax Burdens
\$350,000 Single Family Home

Rank	Community	Estimated Tax Burden	
		Bill	ETR
1	Coventry	\$6,106	1.74%
2	East Greenwich	5,494	1.57%
3	Cranston	5,252	1.50%
4	Hopkinton	5,216	1.49%
5	Glocester	5,114	1.46%
6	West Warwick	5,035	1.44%
7	North Smithfield	4,817	1.38%
8	Johnston	4,739	1.35%
9	North Providence	4,551	1.30%
10	Richmond	4,542	1.30%

Source: RIPEC Calculations based on RI Municipal Affairs Data

Conversely, when one looks at commercial property tax burdens, eight of the top ten communities are considered urban core or urban ring communities. The State's future economic competitiveness in this regional economy could be adversely affected by continued efforts to shift the property tax burden between classes of property. In each of the communities in the top ten, overall effective tax rates on commercial property exceed those of residential property. For example, the effective tax rate on a \$350,000 home in Cranston is estimated at 1.5 percent, whereas a \$1.2 million commercial facility has an effective tax rate of 2.3 percent. Rhode Island's urban centers have a higher concentration of commercial and industrial property value, and therefore can shift some of the property tax burden to these entities. However, the cost of shifting the burden onto business-owned property may hinder efforts to bring in business development, or to maintain current levels of commercial and industrial activity.

Table 15
Top Ten Estimated Property Tax Burdens
\$1.2 million Commercial Facility

Rank	Community	Estimated Tax Burden	
		Bill	ETR
1	Central Falls	\$44,558	3.71%
2	Providence	40,230	3.35%
3	Woonsocket	37,506	3.13%
4	North Providence	34,225	2.85%
5	Pawtucket	29,012	2.42%
6	Lincoln	28,766	2.40%
7	West Warwick	27,864	2.32%
8	East Providence	27,532	2.29%
9	Cranston	27,358	2.28%
10	Johnston	27,215	2.27%

Source: RIPEC Calculations based on RI Municipal Affairs Data

Clearly the most effective way to reduce the growth on property tax burdens is to place an effective and realistic limit on the rate of growth in such levies. This is why RIPEC and the Affordable Rhode Island Coalition have proposed a Constitutional limit on the growth in property tax levies. The Senate Leadership has also recently proposed a statute to limit the growth in local property tax levies.

The Affordable Rhode Island Coalition’s proposal calls for constitutional language specifying that the annual aggregate property tax levy in each municipality could not exceed 2.5 percent of the full market value of property, nor could the increase in the aggregate property tax levy for any fiscal year exceed 4.0 percent of the property levy for the prior fiscal year. The 4.0 percent levy limit could not be exceeded without the prior approval of a majority of the voters of that municipality. The Rhode Island State Senate has introduced a similar proposal that would limit property tax levies to 4.0 percent through statutory language.

There are exceptions to the 4.0 percent levy limit – communities could exceed the limit by an amount accounting for the net revenue loss resulting from a reduction in net State aid compared to the prior year; or for increases in debt service costs from the immediate preceding fiscal year that are in excess of the 4.0 percent limit.

Finally, there is an anti-mandating provision in the language where the State could not impose any part of the total cost of new programs or services or increases in existing programs and services on any municipality, unless a specific State appropriation was made to pay the local unit.

RIPEC recognizes that the constitutional limit on spending and levy growth is not a substitute for sound financial management and planning, but believes it represents a tool to promote fiscal discipline at the State level, and in the local budget-making process.